SINCLAIR BROADCAST GROUP INC
Form 10-Q
May 09, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One) x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2008

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

10706 Beaver Dam Road
Hunt Valley, Maryland 21030
(Address of principal executive offices, zip code)

(410) 568-1500

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

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

Title of each class	**Number of shares outstanding as of May 2, 2008**
Class A Common Stock	53,154,513
Class B Common Stock	34,453,859

SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2008

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	As of March 31, 2008 (Unaudited)	As of December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,594	$ 20,980
Accounts receivable, net of allowance for doubtful accounts of $3,782 and $3,882, respectively	117,634	127,891
Affiliate receivable	129	15
Current portion of program contract costs	44,380	50,276
Income taxes receivable	13,039	16,228
Prepaid expenses and other current assets	9,489	13,448
Deferred barter costs	2,568	2,026
Deferred tax assets	7,752	7,752
Total current assets	207,585	238,616
PROGRAM CONTRACT COSTS, less current portion	32,733	32,683
PROPERTY AND EQUIPMENT, net	343,776	284,551
GOODWILL, net	1,023,428	1,010,594
BROADCAST LICENSES, net	401,130	401,130
DEFINITE-LIVED INTANGIBLE ASSETS, net	189,126	192,733
OTHER ASSETS	61,184	64,348
Total assets	$ 2,258,962	$ 2,224,655
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,817	$ 3,732
Accrued liabilities	71,614	82,374
Current portion of notes payable, capital leases and commercial bank financing	45,043	42,950
Current portion of notes and capital leases payable to affiliates	2,808	3,839
Current portion of program contracts payable	84,086	90,208
Deferred barter revenues	2,813	2,143
Total current liabilities	210,181	225,246
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	1,289,402	1,274,386
Notes payable and capital leases to affiliates, less current portion	32,870	23,174
Program contracts payable, less current portion	79,032	79,985
Deferred tax liabilities	321,297	313,364
Other long-term liabilities	54,323	52,659
Total liabilities	1,987,105	1,968,814
MINORITY INTEREST IN CONSOLIDATED ENTITIES	17,721	3,067

SHAREHOLDERS EQUITY:				
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 53,035,294 and 52,830,025 shares issued and outstanding, respectively		530		528
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 34,453,859 shares issued and outstanding, respectively, convertible into Class A Common Stock		345		345
Additional paid-in capital		616,295		614,156
Accumulated deficit		(361,254)		(360,324)
Accumulated other comprehensive loss		(1,780)		(1,931)
Total shareholders equity		254,136		252,774
Total liabilities and shareholders equity	$	2,258,962	$	2,224,655

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

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
REVENUES:				
Station broadcast revenues, net of agency commissions	$	160,892	$	148,334
Revenues realized from station barter arrangements		14,638		13,715
Other operating divisions revenues		11,127		2,887
Total revenues		186,657		164,936
OPERATING EXPENSES:				
Station production expenses		38,855		35,547
Station selling, general and administrative expenses		34,611		33,653
Expenses recognized from station barter arrangements		13,517		12,430
Amortization of program contract costs and net realizable value adjustments		19,709		21,316
Other operating divisions expenses		11,934		3,546
Depreciation of property and equipment		10,553		10,650
Corporate general and administrative expenses		6,721		5,964
Amortization of definite-lived intangible assets and other assets		4,539		4,244
Total operating expenses		140,439		127,350
Operating income		46,218		37,586
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs		(20,202)		(26,382)
Interest income		181		388
Gain (loss) from sale of assets		38		(12)
Loss from extinguishment of debt		(286)		(15,681)
Gain from derivative instruments		999		1,057
Income (loss) from equity and cost method investments		695		(12)
Other income, net		367		222
Total other expense		(18,208)		(40,420)
Income (loss) from continuing operations before income taxes		28,010		(2,834)
INCOME TAX (PROVISION) BENEFIT		(11,466)		721
Income (loss) from continuing operations		16,544		(2,113)
DISCONTINUED OPERATIONS:				
Loss from discontinued operations, net of related income tax provision of $139 and $17, respectively		(131)		(276)
NET INCOME (LOSS)	$	16,413	$	(2,389)
BASIC AND DILUTED EARNINGS PER COMMON SHARE:				
Earnings (loss) per share from continuing operations	$	0.19	$	(0.03)
Earnings per share from discontinued operations	$		$	
Earnings (loss) per share	$	0.19	$	(0.03)
Weighted average common shares outstanding		87,246		86,140
Weighted average common and common equivalent shares outstanding		93,958		86,140
Dividends declared per share	$	0.20	$	0.15

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

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2008

(In thousands) (Unaudited)

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders Equity
BALANCE, December 31, 2007	$ 528	$ 345	$ 614,156	$ (360,324)	$ (1,931)	$ 252,774
Dividends declared on Class A and Class B Common Stock				(17,343)		(17,343)
Class A Common Stock issued pursuant to employee benefit plans	2		2,121			2,123
Tax benefit on employee stock awards			18			18
Amortization of net periodic pension benefit costs					151	151
Net income				16,413		16,413
BALANCE, March 31, 2008	$ 530	$ 345	$ 616,295	$ (361,254)	$ (1,780)	$ 254,136
Other comprehensive income:						
Net income	$	$	$	$ 16,413	$	$ 16,413
Amortization of net periodic pension benefit costs					151	151
Comprehensive income	$	$	$	$ 16,413	$ 151	$ 16,564

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

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	Three Months Ended March 31, 2008	2007
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income (loss)	$ 16,413	$ (2,389)
Adjustments to reconcile net income to net cash flows from operating activities:		
Amortization of debt discount, net of debt premium	787	702
Depreciation of property and equipment	10,615	10,897
Recognition of deferred revenue	(8,312)	(1,384)
Accretion of capital leases	222	231
(Income) loss from equity and cost method investments	(695)	180
Gain (loss) on sale of property	(38)	12
Gain from derivative instruments	(999)	(1,057)
Amortization of definite-lived intangible assets and other assets	4,539	4,367
Amortization of program contract costs and net realizable value adjustments	19,709	21,384
Amortization of deferred financing costs	1,048	539
Stock-based compensation	1,979	698
Excess tax benefits on employee stock awards	18	(1,574)
Loss on extinguishment of debt, non-cash portion	41	2,232
Amortization of derivative instruments	39	134
Amortization of net periodic pension benefit costs	48	60
Deferred tax provision related to operations	8,036	877
Net effect of change in deferred barter revenues and deferred barter costs	128	(48)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Decrease in accounts receivable, net	11,237	10,370
Decrease (increase) in income taxes receivable	3,189	(2,012)
Decrease in prepaid expenses and other current assets	4,169	6,729
Decrease (increase) in other assets	2,702	(964)
Decrease in accounts payable and accrued liabilities	(6,213)	(6,170)
Decrease in other long-term liabilities	(150)	(146)
Increase in minority interest	5	39
Dividends and distributions from equity and cost method investees	401	88
Payments on program contracts payable	(20,878)	(20,553)
Net cash flows from operating activities	48,040	23,242
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(5,905)	(6,535)
Consolidation of variable interest entity	2,186	
Purchase of alarm monitoring contracts	(914)	
Payments for acquisition of television stations	(17,033)	
Payments for acquisitions of other operating divisions companies	(34,433)	
Dividends and distributions from cost method investees	860	435
Investments in equity and cost method investees	(8,200)	
Proceeds from the sale of assets	129	11
Loans to affiliates	(112)	(37)
Proceeds from loans to affiliates	41	35
Net cash flows used in investing activities	(63,381)	(6,091)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from notes payable, commercial bank financing and capital leases	79,511	276,500
Repayments of notes payable, commercial bank financing and capital leases	(64,481)	(345,232)
Proceeds from exercise of stock options, including excess tax benefits of $0 million and $1,574 million, respectively		11,357

Dividends paid on Class A and Class B Common Stock		(15,139)		(10,624)
Payments for deferred financing costs		(7)		
Proceeds from derivative terminations		8,001		
Repayments of notes and capital leases to affiliates		(930)		(1,110)
Net cash flows from (used in) financing activities		6,955		(69,109)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,386)		(51,958)
CASH AND CASH EQUIVALENTS, beginning of period		20,980		67,408
CASH AND CASH EQUIVALENTS, end of period	$	12,594	$	15,450

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

SINCLAIR BROADCAST GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

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

Discontinued Operations

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we have reported the financial position and results of operations of WGGB-TV in Springfield, Massachusetts as assets and liabilities held for sale in the accompanying consolidated balance sheets and consolidated statements of operations. Discontinued operations have not been segregated in the consolidated statements of cash flows and, therefore, amounts for certain captions will not agree with the accompanying consolidated balance sheets and consolidated statements of operations. The operating results of WGGB-TV are not included in our consolidated results from continuing operations for the quarters ended March 31, 2008 and 2007. See *Note 8. Discontinued Operations,* for additional information.

Interim Financial Statements

The consolidated financial statements for the three months ended March 31, 2008 and 2007 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows for these periods.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission, the consolidated financial statements do not include all disclosures normally included with audited consolidated financial statements and, accordingly, should be read together with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

Recent Accounting Pronouncements

In March 2008, the Emerging Issues Task Force (EITF) issued a consensus for exposure on Issue No. 08-4, *Transition Guidance for Conforming Changes to Issue No. 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios.* The Issue provides transition guidance for changes made to Issue 98-5 resulting from the issuance of EITF Issue No. 00-27, *Application of EITF Issue No. 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios, to Certain Convertible Instruments*, and FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.* The consensus-for-exposure requires that an entity: (a) apply the guidance in this issue to its first fiscal year beginning after December 15, 2008; (b) recognize the effect of the change retrospectively, with the cumulative effect of the change recognized as an adjustment to the opening balance of retained earnings for the earliest period presented; and (c) include disclosures as required for a change in accounting principle by Statement 154. We do not expect the impact of this issue to have a material effect on our consolidated financial statements.

Use of Estimates

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

Acquisitions

In February 2008, we acquired the non-licensed assets of KFXA-TV in Cedar Rapids, Iowa for $17.0 million, net of cash acquired and the right to purchase licensed assets, pending FCC approval, for $1.9 million. Our CBS affiliate in Cedar Rapids, KGAN-TV, provides sales and other non-programming related services to KFXA-TV pursuant to a joint sales agreement. We have determined that the outsourcing agreement is considered a variable interest in KFXA-TV. We have determined that the KFXA-TV licensed asset entity is a variable interest entity and that we are the primary beneficiary of variable interests. As a result, we consolidate the assets and liabilities of the non-licensed and licensed assets of KFXA-TV.

In March 2008, we acquired a 50% equity interest in Bay Creek South, LLC (Bay Creek). Bay Creek is a land development venture that primarily includes residential and commercial unimproved and improved land surrounding two golf courses on Virginia s eastern shore. In conjunction with the equity investment, we purchased certain of Bay Creek s outstanding debt that was used to finance improvements to and the development of land in the venture. Our total cash debt and equity investment in Bay Creek, including transaction costs, was $35.2 million, net of cash acquired. Approximately $0.8 million of the $35.2 million investment was funded through the conversion of an existing bridge loan to a portion of the 50% equity interest. Based on our role as the day-to-day manager and our ability to control all major decisions of the venture, the accounts of Bay Creek are included in our consolidated balance sheet. Approximately $11.8 million of debt was assumed by us through the consolidation of Bay Creek; however this debt was subsequently paid down to a zero balance at March 31, 2008. As of March 31, 2008, approximately $49.0 million of property, equipment, land inventory and intangibles were included in property and equipment, net in our consolidated balance sheet. Bay Creek is not material to our consolidated financial statements and we expect to finalize the purchase price allocation during 2008. Our cash investment is shown in the statement of cash flows as payments for acquisitions of other operating divisions companies.

Investments

From time to time, we transact equity and debt investments in non-broadcast assets. During first quarter 2008, we made a $6.0 million cash investment in Patriot Capital II, LP (Patriot Capital). Patriot Capital provides structured debt and mezzanine financing to small businesses. After the $6.0 million cash investment, our remaining unfunded commitment to Patriot Capital is $14.0 million. During first quarter 2008, we made an investment of $2.0 million and an add-on cash investment of $0.2 million in two real estate ventures. As of the filing date, in second quarter 2008, we made new investments of $9.8 million and an add-on cash investment of $0.6 million in various real estate ventures.

Reclassifications

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

2. STOCK BASED COMPENSATION:

From time to time, we grant subsidiary stock awards to employees. The subsidiary stock is typically in the form of a membership interest in a consolidated limited liability company, not traded on a public exchange and valued based on the estimated fair value of the subsidiary. Fair value is typically estimated using discounted cash flow models and appraisals. These stock awards vest immediately. For the three months ended March 31, 2008, we recorded compensation expense of $1.1 million related to these awards. This expense reduced our consolidated income, but had no effect on our consolidated cash flows. These awards have no effect on the shares used in our basic and diluted earnings per share.

On April 1, 2008, 350,000 stock-settled appreciation rights (SARs) were granted to David Smith, our President and Chief Executive Officer, pursuant to the 1996 Long-Term Incentive Plan. The SARs have a 10-year term and vest immediately. The SARs had a grant date fair value of $0.5 million. We valued the SARs using the Black-Scholes model and the following assumptions:

Risk-free interest rate	4.25%
Expected life	10 years
Expected volatility	46.10%
Annual dividend yield	9.23%

We will record compensation expense of $0.5 million related to this grant in second quarter 2008. This expense will reduce our consolidated income, but have no effect on our consolidated cash flows.

3. COMMITMENTS AND CONTINGENCIES:

Litigation

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

FCC License Renewals

In April 2008, the FCC granted the license renewal application of WUXP-TV in Nashville, Tennessee.

Other FCC Adjudicatory Proceedings

On October 12, 2004, the FCC issued a Notice of Apparent Liability for Forfeiture (NAL) in the amount of $7,000 per station to virtually every FOX station, including the 15 FOX affiliates presently licensed to us, the four FOX affiliates programmed by us and one FOX affiliate we sold in 2005. The NAL alleged that the stations broadcast indecent material contained in an episode of a FOX network program that aired on April 7, 2003. We, as well as other parties including the FOX network, filed oppositions to the NAL. On February 22, 2008, the FCC released an order assessing a $7,000 per station forfeiture against thirteen FOX stations, including KDSM-TV in Des Moines, Iowa, WZTV-TV in Nashville, Tennessee and WVAH-TV in Charleston, West Virginia, which we program pursuant to an LMA. We did not pay the forfeiture for our stations. On March 24, 2008, we joined the FOX network and other FOX affiliates in filing a petition for reconsideration of the forfeiture order. On April 4, 2008, the FCC returned the petition without consideration based on the alleged failure to comply with a procedural rule. On April 21, 2008, we joined the FOX network and other FOX affiliates in seeking reconsideration of the FCC s April 4, 2008 decision to return the petition for reconsideration. On April 4, 2008, the Department of Justice, on behalf of the FCC, sued several of the stations that had not paid the forfeiture amounts assessed by the FCC, including the two stations we own and WVAH-TV. Our stations and WVAH-TV paid the forfeiture assessments in April 2008. The proceedings initiated by the Department of Justice have been dismissed. The FOX network has agreed to indemnify its affiliates for the full amount of the forfeiture assessment paid.

4. SUPPLEMENTAL CASH FLOW INFORMATION:

During the three months ended March 31, 2008 and 2007, our supplemental cash flow information was as follows (in thousands):

	Three Months Ended March 31,	
	2008	2007

Income taxes paid related to continuing operations	$	40	$	
Income tax refunds received related to continuing operations	$	44	$	25
Income tax refunds received related to sale of discontinued operations	$		$	134
Interest paid	$	22,881	$	39,517
Payments related to extinguishment of debt	$	245	$	13,449

Non-cash barter and trade expense are presented in the consolidated statements of operations. Non-cash transactions related to capital lease obligations were $10.0 million and less than $0.1 million for the three months ended March 31, 2008 and 2007, respectively.

5. DERIVATIVE INSTRUMENTS:

We enter into derivative instruments primarily to reduce 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.

As of December 31, 2007, we had two remaining derivative instruments. Both of these instruments are interest rate swap agreements. One of these swap agreements, with a notional amount of $180.0 million and an expiration date of March 15, 2012, was accounted for as a fair value hedge in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*;

therefore, any changes in its fair market value are reflected as an adjustment to the carrying value of our 8.0% Senior Subordinated Notes, due 2012, which is the underlying debt being hedged. The interest we pay on the $180.0 million swap is variable based on the three-month LIBOR plus 2.28% and the interest we receive is fixed at 8.0%. The other interest rate swap, with a notional amount of $120.0 million and an expiration date of March 15, 2012, was undesignated as a fair value hedge in 2006 due to a reassignment of the counterparty; therefore, any subsequent changes in the fair market value are reflected as an adjustment to income. The interest we pay on the $120.0 million swap is variable based on the three-month LIBOR plus 2.35% and the interest we receive is fixed at 8.0%.

In February 2008, the counterparty to our swap agreements, elected to change the termination dates of the $180.0 million and $120.0 million swaps to March 25, 2008 and March 26, 2008, respectively. We received a termination fee of $3.2 million from the counterparty for the early termination of the $120.0 million swap. After the removal of the related $2.4 million derivative asset from our consolidated balance sheet, the resulting $0.8 million, along with $0.2 million of interest was recorded in gain from derivative instruments. We received a termination fee of $4.8 million from the counterparty for the early termination of the $180.0 million swap. In accordance with SFAS 133, the carrying value of the underlying debt was adjusted to reflect the $4.8 million termination fee and that amount will be treated as a premium on the underlying debt that was being hedged and will be amortized over its remaining life as a reduction to interest expense. The total termination fees received of $8.0 million are included in the cash flows from financing activities section of the consolidated statement of cash flows for the quarter ended March 31, 2008.

As of March 31, 2008, we had no derivative instruments other than embedded derivatives related to contingent cash interest features in our 4.875% Convertible Senior Notes, due 2018 and 3.0% Convertible Senior Notes, due 2027, which had negligible fair values.

6. EARNINGS PER SHARE:

The following table reconciles income (numerator) and shares (denominator) used in our computations of earnings per share for the three months ended March 31, 2008 and 2007 (in thousands):

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
Income (Numerator)				
Income (loss) from continuing operations	$	16,544	$	(2,113)
Income impact of assumed conversion of 4.875% Convertible Senior Notes, due 2018, net of taxes		1,097		
Numerator for diluted earnings per common share from continuing operations	$	17,641	$	(2,113)
Loss from discontinued operations, net of taxes		(131)		(276)
Numerator for diluted earnings per common share	$	17,510	$	(2,389)
Shares (Denominator)				
Weighted-average common shares outstanding		87,246		86,140
Dilutive effect of outstanding stock options and restricted stock		7		
Dilutive effect of 4.875% Convertible Senior Notes, due 2018		6,705		
Weighted-average common and common equivalent shares outstanding		93,958		86,140

We applied the treasury stock method to measure the dilutive effect of our outstanding stock options and restricted stock awards and include the respective common share equivalents in the denominator of the diluted EPS computation. For each of the three months ended March 31, 2008 and 2007, our 6.0% Convertible Debentures, due 2012 and for the three months ended March 31, 2007, our outstanding stock options and restricted stock and 4.875% Convertible Senior Notes, due 2018, were anti-dilutive; therefore, they were not included in the computation of diluted EPS. For the three months ended March 31, 2008, our 3.0% Convertible Senior Notes, due 2027 and issued in May 2007, were excluded from our diluted EPS computation since our average stock price was less than the conversion price. For the three months ended March 31, 2008, the outstanding SARs were excluded from our diluted EPS computation since our average stock price was less than the grant date base value of the SARs.

7. RELATED PERSON TRANSACTIONS:

David, Frederick, Duncan and Robert Smith (collectively, the controlling shareholders) are brothers and hold substantially all of the Class B Common Stock. During each of the periods presented in the accompanying consolidated financial statements, we engaged in transactions with them, their immediate family members and/or entities in which they have substantial interests (collectively, affiliates).

Certain assets used by us and our operating subsidiaries are leased from Cunningham Communications, Inc., Keyser Investment Group, Gerstell Development Limited Partnership and Beaver Dam, LLC (entities owned by the controlling shareholders). Lease payments made to these entities were $1.2 million and $1.3 million for the three months ended March 31, 2008 and 2007, respectively.

In January 1999, we entered into a local marketing agreement (LMA) with Bay Television, Inc. (Bay TV), which owns the television station WTTA-TV in Tampa, Florida. Our controlling shareholders own a substantial portion of the equity of Bay TV. The LMA provides that we deliver television programming to Bay TV, which broadcasts the programming in return for a monthly fee to Bay TV of $143,500. We must also make an annual payment equal to 50% of the adjusted annual broadcast cash flow of the station (as defined in the LMA) that is in excess of $1.7 million. The additional payment is reduced by 50% of the adjusted broadcast cash flow of the station that was below zero in prior calendar years until that amount is recaptured. An additional payment of $1.5 million was made during the three months ended March 31, 2008 related to the excess adjusted broadcast cash flow for the year ended December 31, 2007. Lease payments made to Bay TV were $0.4 million for each of the three months ended March 31, 2008 and 2007.

We sold advertising time to and purchased vehicles and related vehicle services from Atlantic Automotive Corporation (Atlantic Automotive), a holding company which owns automobile dealerships and an automobile leasing company. David D. Smith, our President and Chief Executive Officer, has a controlling interest in, and is a member of the Board of Directors of Atlantic Automotive. Our stations in Baltimore, Maryland and Norfolk, Virginia received payments for advertising time totaling $0.1 million and $0.2 million during the three months ended March 31, 2008 and 2007, respectively. We paid $0.3 million and $0.2 million for vehicles and related vehicle services from Atlantic Automotive during the three months ended March 31, 2008 and 2007, respectively.

Basil A. Thomas, a member of our Board of Directors, is of counsel to Thomas & Libowitz, P.A., and the father of Steven A. Thomas, a partner and founder of Thomas & Libowitz, P.A., a law firm providing legal services to us on an ongoing basis. We paid fees of $0.3 million and $0.1 million to Thomas & Libowitz during the three months ended March 31, 2008 and 2007, respectively.

In April 2008, we extended four of our LMA s with Cunningham Broadcasting Corporation (Cunningham) pursuant to which we will continue to provide programming to Cunningham to air on WTAT-TV in Charleston, South Carolina, WVAH-TV in Charleston, West Virginia, WRGT-TV in Dayton, Ohio and WMYA-TV in Anderson, South Carolina.

8. DISCONTINUED OPERATIONS:

WGGB Disposition

On July 31, 2007, we entered into an agreement to sell WGGB-TV, including the FCC license, to an unrelated third party for $21.2 million in cash. The FCC approved the transfer of the broadcast license and the sale was completed on November 1, 2007. We recorded $1.1 million, net of $0.5 million tax provision, as gain from discontinued operations in our consolidated statements of operations for the year ended December 31, 2007. The net cash proceeds were used in the normal course of operations and for capital expenditures.

Accounts receivable related to WGGB-TV is included in the accompanying consolidated balance sheets, net of allowance for doubtful accounts, for all periods presented. This is because we continue to own the rights to collect the amounts due to us through the closing date of the non-license television broadcast assets. Such amounts were $0.2 million (net of allowance of less than $0.1 million) and $0.1 million (net of allowance of less than $0.1 million) as of March 31, 2008 and December 31, 2007, respectively.

9. SEGMENT DATA:

We have one reportable operating segment, Broadcast , that is disclosed separately from our corporate and other business activities. Corporate and Other primarily includes our costs to operate as a public company and to operate our corporate headquarters location, our investment activity and our other operating divisions activities. Currently, our other operating divisions primarily earn revenues from software development and consulting, transmitter manufacturing, sign design and fabrication and real estate ventures. Transactions between our operating segment and Corporate and Other are not material.

Financial information for our operating segment is included in the following tables for the three months ended March 31, 2008 and 2007 (in thousands):

For the three months ended March 31, 2008	Broadcast	Corporate and Other	Consolidated
Revenue	$ 175,530	$ 11,127	$ 186,657
Depreciation of property and equipment	9,885	668	10,553
Amortization of definite-lived intangible assets and other assets	4,211	328	4,539
Amortization of program contract costs and net realizable value adjustments	19,709		19,709
General and administrative overhead expenses	1,985	4,736	6,721
Operating income (loss)	52,902	(6,684)	46,218
Income from equity and cost method investments		695	695

For the three months ended March 31, 2007	Broadcast	Corporate and Other	Consolidated
Revenue	$ 162,049	$ 2,887	$ 164,936
Depreciation of property and equipment	10,109	541	10,650
Amortization of definite-lived intangible assets and other assets	4,244		4,244
Amortization of program contract costs and net realizable value adjustments	21,316		21,316
General and administrative overhead expenses	1,903	4,061	5,964
Operating income (loss)	42,943	(5,357)	37,586
Loss from equity and cost method investments		(12)	(12)

10. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under our existing Bank Credit Agreement, as amended and the 8.0% Senior Subordinated Notes, due 2012. Our Class A Common Stock, Class B Common Stock, the 6.0% Convertible Debentures, due 2012, the 4.875% Convertible Senior Notes, due 2018 and the 3.0% Convertible Senior Notes, due 2027 remain obligations or securities of SBG and are not obligations or securities of STG.

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

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

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 2008

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 3,134	$ 2,635	$ 6,825	$	$ 12,594
Accounts and other receivables	3,816	247	122,164	8,839	(4,264)	130,802
Other current assets	1,145	2,759	55,236	5,773	(724)	64,189
Total current assets	4,961	6,140	180,035	21,437	(4,988)	207,585
Property and equipment, net	15,150	1,528	247,009	103,766	(23,677)	343,776
Investment in consolidated subsidiaries	869,084	1,343,789			(2,212,873)	
Other long-term assets	59,823	118,830	34,720	29,936	(149,392)	93,917
Total other long-term assets	928,907	1,462,619	34,720	29,936	(2,362,265)	93,917
Acquired intangible assets			1,542,598	63,507	7,579	1,613,684
Total assets	$ 949,018	$ 1,470,287	$ 2,004,362	$ 218,646	$ (2,383,351)	$ 2,258,962
Accounts payable and accrued liabilities	$ 24,898	$ 6,752	$ 36,310	$ 54,978	$ (47,507)	$ 75,431
Current portion of long-term debt	812	10,313	2,466	35,146	(886)	47,851
Other current liabilities			86,492	407		86,899
Total current liabilities	25,710	17,065	125,268	90,531	(48,393)	210,181
Long-term debt	641,385	596,884	69,365	101,044	(86,406)	1,322,272
Other liabilities	13,499	23,764	464,548	3,563	(33,001)	472,373
Total liabilities	680,594	637,713	659,181	195,138	(167,800)	2,004,826
Common stock	875		11	761	(772)	875
Additional paid-in capital	616,295	496,379	970,591	122,469	(1,589,439)	616,295
(Accumulated deficit) retained earnings	(348,746)	337,444	375,110	(99,222)	(625,840)	(361,254)
Accumulated other comprehensive (loss) income		(1,249)	(531)	(500)	500	(1,780)
Total shareholders equity	268,424	832,574	1,345,181	23,508	(2,215,551)	254,136
Total liabilities and shareholders equity	$ 949,018	$ 1,470,287	$ 2,004,362	$ 218,646	$ (2,383,351)	$ 2,258,962

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2007

(in thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$	$ 14,478	$ 2,599	$ 3,903	$	$ 20,980
Accounts and other receivables	3,258	21	133,429	10,969	(3,543)	144,134
Other current assets	2,005	6,508	60,621	5,092	(724)	73,502
Total current assets	5,263	21,007	196,649	19,964	(4,267)	238,616
Property and equipment, net	5,979	1,462	247,403	53,777	(24,070)	284,551
Investment in consolidated subsidiaries	872,910	1,349,054			(2,221,964)	
Other long-term assets	48,899	101,721	35,682	27,519	(116,790)	97,031
Total other long-term assets	921,809	1,450,775	35,682	27,519	(2,338,754)	97,031
Acquired intangible assets			1,533,038	62,857	8,562	1,604,457
Total assets	$ 933,051	$ 1,473,244	$ 2,012,772	$ 164,117	$ (2,358,529)	$ 2,224,655
Accounts payable and accrued liabilities	$ 21,968	$ 10,039	$ 46,516	$ 52,152	$ (44,569)	$ 86,106
Current portion of long-term debt	1,462	5,000	2,798	38,022	(493)	46,789
Other current liabilities			92,144	207		92,351
Total current liabilities	23,430	15,039	141,458	90,381	(45,062)	225,246
Long-term debt	630,747	583,301	68,969	79,782	(65,239)	1,297,560
Other liabilities	11,906	22,307	451,984	2,267	(39,389)	449,075
Total liabilities	666,083	620,647	662,411	172,430	(149,690)	1,971,881
Common stock	873		10	762	(772)	873
Additional paid-in capital	614,155	543,295	1,005,266	88,370	(1,636,930)	614,156
(Accumulated deficit) retained earnings	(348,060)	310,673	345,645	(96,612)	(571,970)	(360,324)
Accumulated other comprehensive (loss) income		(1,371)	(560)	(833)	833	(1,931)
Total shareholders equity	266,968	852,597	1,350,361	(8,313)	(2,208,839)	252,774
Total liabilities and shareholders equity	$ 933,051	$ 1,473,244	$ 2,012,772	$ 164,117	$ (2,358,529)	$ 2,224,655

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2008

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 176,165	$ 13,314	$ (2,822)	$ 186,657
Program and production		248	40,753	29	(2,175)	38,855
Selling, general and administrative	4,566	1,805	33,909	1,103	(51)	41,332
Depreciation, amortization and other operating expenses	482	110	46,937	13,091	(368)	60,252
Total operating expenses	5,048	2,163	121,599	14,223	(2,594)	140,439
Operating (loss) income	(5,048)	(2,163)	54,566	(909)	(228)	46,218
Equity in earnings of subsidiaries	24,451	28,718			(53,169)	
Interest income	286	1,324	6	27	(1,462)	181
Interest expense	(8,387)	(9,294)	(1,714)	(2,796)	1,989	(20,202)
Other income (expense)	1,413	5,868	(4,997)	(155)	(316)	1,813
Total other income (expense)	17,763	26,616	(6,705)	(2,924)	(52,958)	(18,208)
Income tax benefit (provision)	3,950	1,946	(18,608)	1,246		(11,466)
Income from discontinued operations, net of taxes			(131)			(131)
Net income (loss)	$ 16,665	$ 26,399	$ 29,122	$ (2,587)	$ (53,186)	$ 16,413

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2007

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$	$	$ 162,659	$ 5,078	$ (2,801)	$ 164,936
Program and production		354	37,347		(2,154)	35,547
Selling, general and administrative	4,005	1,749	32,917	1,009	(63)	39,617
Depreciation, amortization and other operating expenses	514	83	47,826	4,284	(521)	52,186

Total operating expenses	4,519	2,186	118,090	5,293	(2,738)	127,350
Operating (loss) income	(4,519)	(2,186)	44,569	(215)	(63)	37,586
Equity in earnings of subsidiaries	5,010	17,780			(22,790)	
Interest income	212	383	3	2	(212)	388
Interest expense	(5,149)	(19,124)	(1,533)	(1,349)	773	(26,382)
Other income (expense)	609	(3,814)	(10,693)	(226)	(302)	(14,426)
Total other income (expense)	682	(4,775)	(12,223)	(1,573)	(22,531)	(40,420)
Income tax benefit (provision)	1,751	12,562	(14,065)	473		721
Loss from discontinued operations, net of taxes			(276)			(276)
Net (loss) income	$ (2,086)	$ 5,601	$ 18,005	$ (1,315)	$ (22,594)	$ (2,389)

15

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2008

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	$ (7,217)	$ (3,406)	$ 57,144	$ 34	$ 1,485	$ 48,040
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(38)	(177)	(5,317)	(373)		(5,905)
Consolidation of variable interest entity				2,186		2,186
Purchase of alarm monitoring contracts				(914)		(914)
Payments for acquisition of television stations		(17,033)				(17,033)
Payment for acquisition of other operating divisions companies				(34,433)		(34,433)
Investments in equity and cost method investees	(6,000)			(2,200)		(8,200)
Distributions from investments	860					860
Proceeds from sale of assets	3		126			129
Loans to affiliates	(112)					(112)
Proceeds from loans to affiliates	41					41
Net cash flows used in investing activities	(5,246)	(17,210)	(5,191)	(35,734)		(63,381)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases		78,000		1,511		79,511
Repayments of notes payable, commercial bank financing and capital leases	(54)	(59,674)	(49)	(4,704)		(64,481)
Dividends paid on Class A and Class B Common Stock	(15,294)				155	(15,139)
Payments for deferred financing costs				(7)		(7)
Proceeds from derivative terminations		8,001				8,001
Repayments of notes and capital leases to affiliates	(303)		(627)			(930)
Increase (decrease) in intercompany payables	28,114	(17,055)	(51,241)	41,822	(1,640)	
Net cash flows (used in) from financing activities	12,463	9,272	(51,917)	38,622	(1,485)	6,955
		(11,344)	36	2,922		(8,386)

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS, beginning of period		14,478	2,599	3,903		20,980
CASH AND CASH EQUIVALENTS, end of period	$	$ 3,134	$ 2,635	$ 6,825	$	$ 12,594

16

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2007

(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES	$ (6,104)	$ (19,901)	$ 50,526	$ (1,590)	$ 311	$ 23,242
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	(7)	(376)	(5,918)	(234)		(6,535)
Investments in equity and cost method investees	435					435
Proceeds from the sale of assets			11			11
Loans to affiliates	(37)					(37)
Proceeds from loans to affiliates	35					35
Net cash flows from (used in) investing activities	426	(376)	(5,907)	(234)		(6,091)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable, commercial bank financing and capital leases		276,500				276,500
Repayments of notes payable, commercial bank financing and capital leases	(45)	(345,150)	(37)			(345,232)
Proceeds from exercise of stock options	11,357					11,357
Dividends paid on Class A and Class B Common Stock	(10,624)					(10,624)
Repayments of notes and capital leases to affiliates	(274)		(836)	(212)	212	(1,110)
Increase (decrease) in intercompany payables	5,264	36,056	(43,260)	2,463	(523)	
Net cash flows from (used in) financing activities	5,678	(32,594)	(44,133)	2,251	(311)	(69,109)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(52,871)	486	427		(51,958)
CASH AND CASH EQUIVALENTS, beginning of period		62,252	2,788	2,368		67,408
CASH AND CASH EQUIVALENTS, end of period	$	$ 9,381	$ 3,274	$ 2,795	$	$ 15,450

17

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

This report includes or incorporates forward-looking statements within the meaning of 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;
- the activities of our competitors;
- terrorist acts of violence or war and other geopolitical events;

Industry risks

- the business conditions of our advertisers;

- competition with other broadcast television stations, radio stations, multi-channel video programming distributors (MVPDs) and internet and broadband content providers serving in the same markets;

- labor disputes and other union activity;

- availability and cost of programming;

- the effects of governmental regulation of broadcasting or changes in those regulations and court actions interpreting those regulations, including ownership regulations, indecency regulations, retransmission regulations, political advertising restrictions and regulations;

- the continued viability of networks and syndicators that provide us with programming content;

- the February 17, 2009 mandatory transition from analog to digital over-the-air broadcasting including the impact the transition will have on television ratings;

- the broadcasting community s ability to adopt and to accept a viable mobile digital television strategy and platform;

- competition related to the potential implementation of regulations requiring MVPDs to carry low power television stations programming;

Risks specific to us

- the effectiveness of our management;
- our ability to attract and maintain local and national advertising;
- our ability to successfully renegotiate retransmission consent agreements;
- our ability to service our outstanding debt;
- our ability to renew our FCC licenses;
- our ability to maintain our affiliation agreements with our networks;
- the popularity of syndicated programming we purchase and network programming that we air;
- successful integration of outsourcing and news share agreements;
- the strength of ratings for our local news broadcasts including our news sharing arrangements;
- changes in the makeup of the population in the areas where our stations are located;
- the success of our multi-channel broadcasting initiatives strategy execution including mobile digital television; and
- the results of prior year tax audits by taxing authorities.

Other matters set forth in this report and our other reports filed with the Securities and Exchange Commision, including the *Risk Factors* set forth in our Annual Report on Form 10-K for the year ended December 31, 2007; may also cause actual results in the future to differ materially from those described in the forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur.

The following table sets forth certain operating data for the three months ended March 31, 2008 and 2007:

STATEMENTS OF OPERATIONS DATA

(in thousands, except for per share data) (Unaudited)

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
Statement of Operations Data:				
Net broadcast revenues (a)	$	160,892	$	148,334
Revenues realized from station barter arrangements		14,638		13,715
Other operating divisions revenues		11,127		2,887
Total revenues		186,657		164,936
Station production expenses		38,855		35,547
Station selling, general and administrative expenses		34,611		33,653
Expenses recognized from station barter arrangements		13,517		12,430
Amortization of program contract costs and net realizable value adjustments		19,709		21,316
Depreciation and amortization expenses (b)		15,092		14,894
Other operating divisions expenses		11,934		3,546
Corporate general and administrative expenses		6,721		5,964
Operating income		46,218		37,586
Interest expense and amortization of debt discount and deferred financing costs		(20,202)		(26,382)
Interest income		181		388
Gain (loss) from sale of assets		38		(12)
Loss from extinguishment of debt		(286)		(15,681)
Gain from derivative instruments		999		1,057
Income (loss) from equity and cost method investees		695		(12)
Other income, net		367		222
Income (loss) from continuing operations before income taxes		28,010		(2,834)
Income tax (provision) benefit		(11,466)		721
Income (loss) from continuing operations		16,544		(2,113)
Discontinued Operations:				
Loss from discontinued operations, net of related income taxes		(131)		(276)
Net income (loss)	$	16,413	$	(2,389)
Basic and Diluted Earnings Per Common Share:				
Earnings (loss) per share from continuing operations	$	0.19	$	(0.03)
Earnings per share from discontinued operations	$		$	
Earnings (loss) per share	$	0.19	$	(0.03)
Dividends declared per share	$	0.20	$	0.15

	March 31, 2008		December 31, 2007	
Balance Sheet Data:				
Cash and cash equivalents	$	12,594	$	20,980
Total assets	$	2,258,962	$	2,224,655
Total debt (c)	$	1,370,123	$	1,344,349
Total shareholders equity	$	254,136	$	252,774

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

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

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

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

Executive Overview financial highlights since December 31, 2007;

Recent Accounting Pronouncements a description of new accounting pronouncements that apply to us;

Results of Operations an analysis of our revenues and expenses for the three months ended March 31, 2008 and 2007, including comparisons between quarters and expectations for the three months ended June 30, 2008; and

Liquidity and Capital Resources an analysis of our cash flows from or used in operating activities, investing activities and financing activities and an update of our debt repurchases during the quarter.

EXECUTIVE OVERVIEW

First Quarter 2008 Highlights

- In February 2008, we purchased the non-license assets of KFXA-TV in Cedar Rapids, Iowa for $17.0 million, net of cash acquired, and the right to purchase licensed assets, pending FCC approval, for $1.9 million. Our CBS affiliate, KGAN-TV in Cedar Rapids, Iowa, provides sales and other non-programming related services to KFXA-TV pursuant to a joint sales agreement;

- In February 2008, we increased our quarterly dividend rate to 20 cents per share;

- In March 2008, the counterparty to our $300.0 million notional amount interest rate swaps exercised its option to terminate the swaps. As a result, we were paid an $8.0 million termination fee;

- During first quarter 2008, we invested $42.6 million in non-television assets, including $34.4 million in Bay Creek South, LLC, $6.0 million in the Patriot Capital II fund (Patriot Capital) and $2.2 million related to various real estate investments;

- During first quarter 2008, we repurchased in the open market $15.4 million face value of our 8.0% Senior Subordinated Notes, due 2012;

- Our retransmission consent agreements, including the advertising component, generated $19.6 million in total net broadcast revenues during the first quarter 2008 compared to $10.9 million during the same period in 2007;

- Excluding political, local and national revenues increased 4.9% and 2.9%, respectively, in the first quarter 2008 versus the first quarter 2007; and

- On March 3, 2008, the FCC released an order requiring, among other things, that each full-power television station provides to its viewers, through compliance with one of several alternative sets of rules, certain on-air information about the transition to digital television. Each station is also required to report its activities in this regard to the FCC and place such reports in its public inspection files.

Other Highlights

- As of the filing date, in second quarter 2008, we made new investments of $9.8 million and an add-on cash investment of $0.6 million in various real estate ventures.

RECENT ACCOUNTING PRONOUNCEMENTS

In March 2008, the Emerging Issues Task Force (EITF) issued a consensus for exposure on Issue No. 08-4, *Transition Guidance for Conforming Changes to Issue No. 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios.* The Issue provides transition guidance for changes made to Issue 98-5 resulting from the issuance of EITF Issue No. 00-27, *Application of EITF Issue No. 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios, to Certain Convertible Instruments*, and FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.* The consensus-for-exposure requires that an entity: (a) apply the guidance in this issue to its first fiscal year beginning after December 15, 2008; (b) recognize the effect of the change retrospectively, with the cumulative effect of the change recognized as an adjustment to the opening balance of retained earnings for the earliest period presented; and (c) include disclosures as required for a change in accounting principle by Statement 154. We do not expect the impact of this issue to have a material effect on our consolidated financial statements.

RESULTS OF OPERATIONS

In general, this discussion is related to the results of our continuing operations, except for discussions regarding our cash flows, which also include the results of our discontinued operations. Unless otherwise indicated, references in this discussion and analysis to the first quarter of 2008 and 2007 refer to the three months ended March 31, 2008 and 2007, respectively. Additionally, any references to the second, third or fourth quarter are to the three months ended June 30, September 30 and December 31, respectively, for the year being discussed.

Operating Results

The following table presents our revenues from continuing operations, net of agency commissions, for the three months ended March 31, 2008 and 2007 (in millions):

	For the Three Months Ended March 31, 2008	2007	Percent Change
Local revenues:			
Non-political	$ 94.3	$ 89.9	4.9%
Political	1.2	0.1	(a)
Total local	95.5	90.0	6.1%
National revenues:			
Non-political	45.6	44.3	2.9%
Political	2.0	0.5	(a)
Total national	47.6	44.8	6.3%
Other revenues	17.8	13.5	31.9%
Total net broadcast revenues	$ 160.9	$ 148.3	8.5%

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

Net broadcast revenues. From a revenue category standpoint, the first quarter 2008, when compared to the same period in 2007, was impacted by an increase in advertising revenues generated from the media, political, services, fast food and drugs-cosmetics sectors. These increases were offset by decreases in the paid programming, retail-department stores and furniture sectors. Automotive, our single largest category representing 19.7% of the quarter s net time sales, was up 2.6%.

The following table presents our time sales revenue from continuing operations, net of agency commissions, by network affiliates for the three months ended March 31, 2008 and 2007 (dollars in millions):

	# of Stations	Percent of Sales for the three months ended March 31, 2008	For the three months ended March 31, 2008	2007	Percent Change
FOX	20	47.9%	$ 68.6	$ 59.4	15.5%
ABC	9	18.3%	26.2	27.1	(3.3)%
MyNetworkTV	17	17.9%	25.6	25.8	(0.8)%
The CW	9	13.1%	18.7	19.1	(2.1)%
CBS	2	2.0%	2.9	2.3	26.1%
NBC	1	0.7%	1.0	0.9	11.1%
Digital (a)	4	0.1%	0.1	0.2	(50.0)%
Total	62		$ 143.1	$ 134.8	6.2%

(a) Three television stations are broadcasting MyNetworkTV programming and one television station is broadcasting independent programming on a second digital signal in accordance with FCC rules.

Political Revenues. Political revenues increased by $2.6 million to $3.2 million for the first quarter 2008 when compared to the same period in 2007. Political revenues are typically lower in non-election years such as 2007 and have been helped in 2008 by the presidential election.

Local Revenues. Our revenues from local advertisers, excluding political revenues, were up $4.4 million for the three months ended March 31, 2008 when compared to 2007. Revenues increased primarily due to strong performance from our FOX stations. We operate 18 more FOX stations than CBS stations and the change in venue for the Super Bowl programming from CBS to FOX lifted our revenues. In addition, our FOX stations local news and strong network prime-time continue to grow our revenues. Our ABC stations revenues were down in the quarter primarily as a result of the writers strike that ended in February 2008. We continue to provide an enhanced sales training course for all of our salespeople with a focus on local revenue sales. We expect to continue these efforts throughout 2008.

National Revenues. Our revenues from national advertisers, excluding political revenues were up $1.3 million for the three months ended March 31, 2008 when compared to 2007. This is due to the strength of our FOX stations, partially offset by some weakness from our ABC stations. However, over the past few years, national revenues have trended downward. We believe this trend represents a shift in the way national advertising dollars are being spent and we believe this trend will continue in the future. Advertisers in major categories like automotive, soft drink and packaged goods are shifting significant portions of their advertising budgets away from spot television into non-traditional media, in-store promotions and product placement in network shows. Automotive decreases are due to automotive companies reducing advertising budgets and shifting advertising to specific markets. We expect this trend to continue throughout 2008.

Other Revenues. Our other revenues consist primarily of revenues from retransmission consent agreements with multi-channel video programming distributors, network compensation, production revenues and revenues from our outsourcing agreements. Our retransmission consent agreements, including the advertising component, generated $19.6 million in total broadcast revenues during the first quarter 2008 compared with $10.9 million during the same period in 2007. This growth trend is the result of our ability to monetize our existing relationships as cable providers struggle with increased competition from alternative video delivery providers and have begun to recognize the value of our digital and high definition signals and local and other programming. Pursuant to EITF 00-21, during the first quarter 2008, $13.4 million of the total $19.6 million in revenues generated from our retransmission consent agreements is included in other revenues, while the remaining $6.2 million is included in net time sales. During the first quarter 2007, $9.1 million of the total $10.9 million in revenues generated from our retransmission consent agreements is included in other revenues, while the remaining $1.8 million is included in net time sales. We expect to continue to generate revenues from retransmission consent agreements at terms as favorable as or more favorable than our existing agreements upon expiration of those agreements. Our retransmission consent agreements include automatic annual fee escalators.

The following table presents our significant expense categories for the three months ended March 31, 2008 and 2007 (in millions):

	For the Three Months Ended March 31, 2008		Percent Change (Increase/(Decrease))
	2008	2007	
Station production expenses	$ 38.9	$ 35.5	9.6%
Station selling, general and administrative expenses	$ 34.6	$ 33.7	2.7%
	$ 19.7	$ 21.3	(7.5)%

Amortization of program contract costs and net realizable value adjustments					
Corporate general and administrative expenses	$	6.7	$	6.0	11.7%
Amortization of definite-lived intangible assets and other assets	$	4.5	$	4.2	7.1%
Interest expense	$	20.2	$	26.4	(23.5)%
Loss from extinguishment of debt	$	0.3	$	15.7	(98.1)%
Gain from derivative instruments	$	1.0	$	1.1	(9.1)%
Income from equity and cost method investments	$	0.7	$		100.0%
Income tax (provision) benefit	$	(11.5)	$	0.7	(1,742.9)%

Station production expenses. Station production expenses increased during the first quarter 2008 compared to the same period in 2007 as a result of increases in news expenses of $1.4 million, promotion expenses of $0.7 million, engineering expenses of $0.4 million, programming expenses of $0.4 million, rating service expenses of $0.3 million, production expenses of $0.3 million and on-air operations of $0.1 million. These increases were partially offset by a decrease in costs related to LMAs and outsourcing agreements of $0.2 million.

Station selling, general and administrative expenses. Station selling, general and administrative expenses increased during the first quarter 2008 compared to same period in 2007 as a result of increases in sales costs of $0.6 million, traffic costs of $0.2 million and national sales representative firm commissions of $0.2 million partially offset by other expenses of $0.1 million.

We expect second quarter 2008 station production and station selling, general and administrative expenses, excluding barter, to trend higher than our first quarter 2008 results.

Amortization of program contract costs. The amortization of program contract costs decreased during the first quarter 2008 compared to the same period in 2007 due to a decrease in program amortization of $2.7 million partially offset by an increase of $1.1 million in write-downs of our program contract costs. We expect program contract amortization to trend higher in second quarter 2008 compared to first quarter 2008.

Corporate general and administrative expenses. Corporate general and administrative expenses represent the costs to operate our corporate headquarters location. Such costs include, among other things, corporate departmental salaries, bonuses, fringe benefits and other compensation, directors and officers insurance, health and other insurance, rent, telephone, consulting fees, legal, accounting, director fees and strategic development initiatives. Corporate departments include executive, treasury, finance and accounting, human resources, technology, corporate relations, legal, sales, engineering, operations and purchasing.

Corporate general and administrative expenses increased in the first quarter 2008 when compared to the same period in 2007 due to increases in compensation expenses of $0.9 million, legal fees of $0.2 million and stock-based compensation expense for restricted and unrestricted stock awards of $0.1 million. These increases were partially offset by decreases in workers compensation expense of $0.1 million, consulting fees of $0.1 million, satellite costs of $0.1 million and other expenses of $0.2 million.

We expect corporate overhead expenses to increase in second quarter 2008 compared to first quarter 2008.

Amortization of definite-lived intangible assets and other assets. The amortization of definite-lived intangible assets and other assets increased during first quarter 2008 compared to the same period in 2007 due to amortization of additional intangible assets from 2007 acquisitions. We expect amortization of definite-lived intangible assets and other assets to trend higher in second quarter 2008 compared to first quarter 2008.

Interest expense. Interest expense has been decreasing since 2004, primarily due to refinancings we have undertaken; specifically in 2007 where certain debt was replaced with a LIBOR based Term Loan and 3.0% Convertible Senior Notes, due 2027. The decrease during the first quarter 2008 compared to the same period in 2007 is primarily due to the partial redemption of the 8.0% Senior Subordinated Notes, due 2012 (the 8.0% Notes) on June 11, 2007 and June 18, 2007, the redemption of the 8.75% Senior Subordinated Notes, due 2011 (the 8.75% Notes) on January 22, 2007 and a decrease in LIBOR lowering interest expense on our Revolving Credit Facility and Term Loans.

We expect interest expense to decrease in second quarter 2008 compared to first quarter 2008.

Loss from extinguishment of debt. During the first quarter of 2008, we repurchased, in the open market, $15.4 million face value of the 8.0% Notes, resulting in a loss of $0.3 million from extinguishment of debt. In January 2007, we redeemed our 8.75% Notes, which resulted in a $15.7 million loss from extinguishment of debt. For further information see *Liquidity and Capital Resources*.

Gain from derivative instruments. We record gains and losses related to certain of our derivative instruments not treated as hedges in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The fair value of our derivative instruments is primarily based on the anticipated future interest rate curves at the end of each period. In March 2008, we terminated one of our interest rate swap agreements with a notional amount of $120.0 million and received a cash payment termination fee of $3.2 million from our counterparty. The gain from our derivative instruments during 2008 when compared to 2007 is due to normal market fluctuations and the termination of the interest rate swap agreement.

Income from equity and cost method investments. During first quarter 2008, we recorded $0.8 million in income from certain private investment funds. This income was offset by losses primarily driven by depreciation from certain real estate ventures.

Income tax (provision) benefit. The effective tax rate for first quarter 2008 was a provision of 40.9% as compared to a benefit of 25.3% during the same period in 2007. Due to our pre-tax income in 2008 compared to our pre-tax loss in 2007, we had a change from a benefit to a provision. The difference between the absolute value of the tax rate between 2008 and 2007 is primarily due to the larger pre-tax income in 2008 compared to the small pre-tax loss in 2007.

Other Operating Divisions Revenue and Expense

The following table presents Other Operating Divisions revenue and expenses related to G1440 Holdings, Inc. (G1440), our software development, information technology staffing and consulting company, Acrodyne Communications, Inc. (Acrodyne), a manufacturer of television transmissions systems and Triangle Signs & Services, LLC (Triangle), a sign designer and fabricator, for the three months ended March 31, 2008 and 2007 (in millions):

	For the Three Months Ended March 31,				
		2008		2007	08 vs. 07
Revenues:					
G1440	$	2.8	$	2.3	21.7%
Acrodyne	$	0.7	$	0.6	16.7%
Triangle	$	6.7	$		100.0%
Other	$	0.9	$		100.0%
Expenses:					
G1440	$	2.9	$	2.4	20.8%
Acrodyne	$	1.2	$	1.1	9.1%
Triangle	$	5.8	$		100.0%
Other	$	2.0	$		100.0%

Triangle was acquired in May 2007. Other includes results of other operating divisions companies acquired after first quarter 2007.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2008, we had $12.6 million in cash and cash equivalent balances and a negative working capital of approximately $2.6 million. Our working capital reduction of $16.0 million is primarily the result of the use of operating cash flow for investments in certain real estate ventures and private investment funds. Cash generated by our operations and availability under our Revolver are used as our primary source of liquidity. We anticipate that cash flow from our operations and borrowings under the Revolver will be sufficient to continue paying dividends under our current policy and to satisfy our debt service obligations, capital expenditure requirements including those related to the upgrade and expansion of stations high-definition production capabilities and certain strategic investment and working capital needs. As of March 31, 2008, we had drawn $35.0 million on our Revolver and $140.0 million of current borrowing capacity was available.

Sources and Uses of Cash

The following table sets forth our cash flows for the three months ended March 31, 2008 and 2007 (in millions):

	For the Three Months Ended March 31,			
		2008		2007
Net cash flows from operating activities	$	48.0	$	23.2

Cash flows from (used in) investing activities:				
Acquisition of property and equipment	$	(5.9)	$	(6.5)
Payments for acquisition of television stations		(17.0)		
Consolidation of variable interest entity		2.2		
Payments for acquisitions of other operating divisions companies		(34.4)		
Purchase of alarm monitoring contracts		(0.9)		
Investments in equity and cost method investees		(8.2)		
Other		0.8		0.4
Net cash flows used in investing activities	$	(63.4)	$	(6.1)
Net cash flows (used in) from financing activities:				
Proceeds from notes payable, commercial bank financing and capital leases	$	79.5	$	276.5
Repayments of notes payable, commercial bank financing and capital leases		(64.5)		(345.2)
Proceeds from exercise of stock options, including excess tax benefits of $0 million and $1,574 million, respectively				11.4
Dividends paid on Class A and Class B Common Stock		(15.1)		(10.6)
Proceeds from derivative terminations		8.0		
Other		(0.9)		(1.2)
Net cash flows from (used in) financing activities	$	7.0	$	(69.1)

Operating Activities

Net cash flows from operating activities increased during the first quarter 2008 compared to the same period in 2007. During 2008, we paid $13.2 million less for the extinguishment of debt due to the full redemption of the 8.75% Notes and the partial redemption of the 8.0% Notes in first quarter 2007. Additionally, we paid $16.6 million less in interest payments and received $0.3 million more in distributions from equity and cost method investees. These amounts were partially offset by $0.3 million more in program payments, receiving $0.2 million less in tax refunds, net of taxes paid and $4.8 million less in cash receipts from customers, net of cash payments to vendors for operating expenses and other working capital cash activities for first quarter 2008 compared to the same period in 2007.

We expect program payments to decrease in the second quarter 2008 compared to the first quarter 2008.

Investing Activities

Net cash flows used in investing activities increased during the first quarter 2008 compared to the same period in 2007. During the first quarter 2008, we paid $34.4 million, net of cash acquired, related to our acquisition of Bay Creek South, LLC. This real estate investment reflects our strategy to maximize value for our shareholders, which includes making investments in non-television assets. In addition, we continue to explore strategic opportunities in our core television broadcast business. During the first quarter 2008, we paid $17.0 million, net of cash acquired, for the acquisition of the non-license assets of KFXA-TV in Cedar Rapids, Iowa. Finally, we made equity investments of $6.0 million and $2.2 million in Patriot Capital and two real estate ventures, respectively. These cash outflows were partially offset by a decrease in capital expenditures of $0.6 million during the first quarter 2008 as compared to the first quarter 2007.

For second quarter 2008, we anticipate incurring higher capital expenditures than incurred in the first quarter 2008 primarily related to the timing of station equipment replacement and high-definition upgrades in some markets. We expect to fund such capital expenditures with cash generated from operating activities and borrowings under our Bank Credit Agreement.

Financing Activities

Net cash flows from financing activities increased in the first quarter of 2008 compared to the same period in 2007. Our debt issuances, net of debt repayments to non-affiliates in first quarter 2008, were $15.0 million compared to debt repayments, net of debt issuances of $68.7 million in 2007. In addition, we made $4.5 million more in payments for common stock dividends during the first quarter 2008 as compared to the first quarter 2007. During first quarter of 2008, we received $8.0 million in proceeds from derivative termination fees.

On February 5, 2008, our Board of Directors renewed its authorization to repurchase up to $150.0 million of our Class A Common Stock on the open market or through private transactions. We did not repurchase any Class A Common Stock during the first quarter 2008.

On February 6, 2008, the Board of Directors approved an increase to our quarterly dividend to 20.0 cents per share from 17.5 cents per share. We plan to fund these dividends with cash generated from operating activities and borrowings under our Bank Credit Agreement.

Seasonality/Cyclicality

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 years, political spending is usually significantly higher than in odd years due to advertising expenditures preceding local and national elections. Additionally, every four years, political spending is elevated further due to advertising expenditures preceding the presidential election.

CONTRACTUAL CASH OBLIGATIONS

During first quarter 2008, we repurchased on the open market $15.4 million face value of the 8.0% Notes, due 2012. From time to time, we may repurchase additional outstanding debt on the open market. As of March 31, 2008, the face amount of the 8.0% Notes was $248.0 million.

During first quarter 2008, we made a $6.0 million cash investment in Patriot Capital. Patriot Capital provides structured debt and mezzanine financing to small businesses. After the $6.0 million cash investment, our remaining unfunded commitment to Patriot Capital is $14.0 million.

There were no other material changes outside the ordinary course of business to our contractual cash obligations disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. We enter into derivative instruments primarily to reduce 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. We account for our derivative instruments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

As of December 31, 2007, we had two remaining derivative instruments. Both of these instruments are interest rate swap agreements. One of these swap agreements, with a notional amount of $180.0 million and an expiration date of March 15, 2012, was accounted for as a fair value hedge in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*; therefore, any changes in its fair market value are reflected as an adjustment to the carrying value of our 8.0% Senior Subordinated Notes, due 2012, which is the underlying debt being hedged. The interest we pay on the $180.0 million swap is variable based on the three-month LIBOR plus 2.28% and the interest we receive is fixed at 8.0%. The other interest rate swap, with a notional amount of $120.0 million and an expiration date of March 15, 2012, was undesignated as a fair value hedge in 2006 due to a reassignment of the counterparty; therefore, any subsequent changes in the fair market value are reflected as an adjustment to income. The interest we pay on the $120.0 million swap is variable based on the three-month LIBOR plus 2.35% and the interest we receive is fixed at 8.0%.

In February 2008, the counterparty to our swap agreements, elected to change the termination dates of the $180.0 million and $120.0 million swaps to March 25, 2008 and March 26, 2008, respectively. We received a termination fee of $3.2 million from the counterparty for the early termination of the $120.0 million swap. After the removal of the related $2.4 million derivative asset from our consolidated balance sheet, the resulting $0.8 million, along with $0.2 million of interest was recorded in gain from derivative instruments. We received a termination fee of $4.8 million from the counterparty for the early termination of the $180.0 million swap. In accordance with SFAS 133, the carrying value of the underlying debt was adjusted to reflect the $4.8 million termination fee and that amount will be treated as a premium on the underlying debt that was being hedged and will be amortized over its remaining life as a reduction to interest expense. The total termination fees received of $8.0 million are included in the cash flows from financing activities section of the consolidated statement of cash flows for the quarter ended March 31, 2008.

As of March 31, 2008, we had no derivative instruments other than embedded derivatives related to contingent cash interest features in our 4.875% Convertible Senior Notes, due 2018 and 3.0% Convertible Senior Notes, due 2027, which had negligible fair values.

As of March 31, 2008 and after the termination of the above mentioned interest rate swap, $392.7 million or approximately 29.1% of the face value of our debt effectively pays interest at a floating rate.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2008. 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 ensure 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 ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2008, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during or subsequent to the quarter ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Agreement 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 Report on Form 8-K filed on April 3, 2008).
10.2	Stock Appreciation Right Agreement between Sinclair Broadcast Group, Inc., and David D. Smith dated April 1, 2008.
31.1	Certification by David D. Smith, as Chairman and Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7241).
31.2	Certification by David B. Amy, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. § 7241).
32.1	Certification by David D. Smith, as Chairman and Chief Executive Officer of Sinclair Broadcast Group, Inc., pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C § 1350).
32.2	Certification by David B. Amy, as Chief Financial Officer of Sinclair Broadcast Group, Inc., pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C § 1350).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized on the 9th day of May 2008.

SINCLAIR BROADCAST GROUP, INC.

By:	/s/ David R. Bochenek
	David R. Bochenek
	Vice President/Chief Accounting Officer

EXHIBIT INDEX

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296

Derivative assets non-current in Other non-current assets

144

144

Liabilities

Derivative liabilities current in Provisions and other current liabilities

4

192

196

Derivative liabilities non-current in Other non-current liabilities

69

69

The Company uses the following methods and assumptions in estimating fair values of financial assets and liabilities measured at fair value on a recurring basis:

• *Available-for-sale securities in Cash and equivalents , Marketable securities and short-term investments and Other non-current assets :* If quoted market prices in active markets for identical assets are available, these are considered Level 1 inputs; however, when markets are not active, then these inputs are considered Level 2. If such quoted market prices are not available, fair value is determined using market prices for similar assets or present value techniques, applying an appropriate risk-free interest rate adjusted for nonperformance risk. The inputs used in present value techniques are observable and fall into the Level 2 category.

Notes to the Interim Consolidated Financial Information (unaudited)

• *Derivatives:* The fair values of derivative instruments are determined using quoted prices of identical instruments from an active market, if available (Level 1). If quoted prices are not available, price quotes for similar instruments, appropriately adjusted, or present value techniques, based on available market data, or option pricing models are used. Cash-settled call options hedging the Company s WAR liability are valued based on bid prices of the equivalent listed warrant. The fair values obtained using price quotes for similar instruments or valuation techniques represent a Level 2 input unless significant unobservable inputs are used.

Non-recurring fair value measures

There were no significant non-recurring fair value measurements during the three months ended March 31, 2013 and 2012.

Disclosure about financial instruments carried on a cost basis

The following tables show the fair value of financial instruments carried on a cost basis:

	March 31, 2013				
($ in millions)	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets					
Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months)					
Cash	2,463	2,463			2,463
Time deposits	2,826		2,826		2,826
Marketable securities and short-term investments (excluding available- for-sale securities)					
Time deposits	6		6		6
Other short-term investments	10	10			10
Short-term loans in Receivables, net	10		10		10
Other non-current assets					
Loans granted	56		58		58
Held-to-maturity securities	99		125		125
Restricted cash and cash deposits	259	259			259
Liabilities					
Short-term debt and current maturities of long-term debt, excluding finance lease liabilities	1,659	1,133	526		1,659
Long-term debt, excluding finance lease liabilities	7,330	3,784	3,928		7,712

Notes to the Interim Consolidated Financial Information (unaudited)

	December 31, 2012				
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total fair value
Assets					
Cash and equivalents (excluding available-for-sale securities with original maturities up to 3 months)					
Cash	2,784	2,784			2,784
Time deposits	3,963		3,963		3,963
Marketable securities and short-term investments (excluding available- for-sale securities)					
Time deposits	30		30		30
Other short-term investments	15	15			15
Short-term loans in Receivables, net	7		7		7
Other non-current assets					
Loans granted	58		59		59
Held-to-maturity securities	97		124		124
Restricted cash and cash deposits	271	271			271
Liabilities					
Short-term debt and current maturities of long-term debt, excluding finance lease liabilities	2,512	1,328	1,184		2,512
Long-term debt, excluding finance lease liabilities	7,449	7,870	39		7,909

The Company uses the following methods and assumptions in estimating fair values of financial instruments carried on a cost basis:

- *Cash and equivalents (excluding available-for-sale debt securities with original maturities up to 3 months), Marketable securities and short-term investments (excluding available-for-sale securities), Short-term loans in Receivables, net :* The carrying amounts approximate the fair values as the items are short-term in nature.

- *Other non-current assets:* Includes financing receivables (including loans granted) whose fair values are based on the carrying amount adjusted using a present value technique to reflect a premium or discount based on current market interest rates (Level 2 inputs) as well as held-to-maturity securities (see Note 4) whose fair values are based on quoted market prices in inactive markets (Level 2 inputs).

Includes restricted cash and cash deposits (pledged in respect of a certain non-current deposit liability) whose fair values approximates the carrying amounts. The fair value of restricted cash and cash deposits are determined using Level 1 inputs.

- *Short-term debt and current maturities of long-term debt, excluding finance lease liabilities:* Includes commercial paper, bank borrowings and overdrafts as well as bonds maturing in the next 12 months. The carrying amounts of short-term debt and current maturities of long-term debt, excluding finance lease liabilities, approximate their fair values.

- *Long-term debt excluding finance lease liabilities:* Fair values of outstanding bond issues are determined using quoted market prices (Level 1 inputs). The fair values of other debt are determined using a discounted cash flow methodology based upon borrowing rates of similar debt instruments and reflecting appropriate adjustments for non-performance risk (Level 2 inputs).

Notes to the Interim Consolidated Financial Information (unaudited)

Note 7. Credit quality of receivables

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts is the Company s best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer specific data. If an amount has not been settled within its contractual payment term then it is considered past due. The Company reviews the allowance for doubtful accounts regularly and past due balances are reviewed for collectability. Account balances are charged off against the allowance when the Company believes that the amount will not be recovered.

The Company has a group-wide policy on the management of credit risk. The policy includes a credit assessment methodology to assess the creditworthiness of customers and assign to those customers a risk category on a scale from A (lowest likelihood of loss) to E (highest likelihood of loss), as shown in the following table:

Risk category:	Equivalent Standard & Poor s rating
A	AAA to AA-
B	A+ to BBB-
C	BB+ to BB-
D	B+ to CCC-
E	CC+ to D

Third-party agencies ratings are considered, if available. For customers where agency ratings are not available, the customer s most recent financial statements, payment history and other relevant information are considered in the assignment to a risk category. Customers are assessed at least annually or more frequently when information on significant changes in the customers financial position becomes known. In addition to the assignment to a risk category, a credit limit per customer is set.

Information on the credit quality of trade receivables (excluding those with a contractual maturity of one year or less) and other financing receivables is presented below.

Receivables classified as current assets

The gross amounts of trade receivables (excluding those with a contractual maturity of one year or less), the related allowance for doubtful accounts, and other receivables (excluding tax and other receivables which are not considered to be of a financing nature), recorded in receivables, net, were as follows:

	March 31, 2013		
($ in millions)	**Trade receivables (excluding those with a contractual maturity of one year or less)**	**Other receivables**	**Total**
Recorded gross amount:			
- Individually evaluated for impairment	395	133	528
- Collectively evaluated for impairment	331	105	436
Total	**726**	**238**	**964**
Allowance for doubtful accounts:			
- From individual impairment evaluation	(41)	(5)	(46)
- From collective impairment evaluation	(12)		(12)
Total	**(53)**	**(5)**	**(58)**
Recorded net amount	**673**	**233**	**906**

Notes to the Interim Consolidated Financial Information (unaudited)

($ in millions)	December 31, 2012 Trade receivables (excluding those with a contractual maturity of one year or less)	Other receivables	Total
Recorded gross amount:			
- Individually evaluated for impairment	335	128	463
- Collectively evaluated for impairment	326	87	413
Total	**661**	**215**	**876**
Allowance for doubtful accounts:			
- From individual impairment evaluation	(42)	(5)	(47)
- From collective impairment evaluation	(11)		(11)
Total	**(53)**	**(5)**	**(58)**
Recorded net amount	**608**	**210**	**818**

Changes in the trade receivables allowance for doubtful accounts (excluding those with a contractual maturity of one year or less) were as follows:

($ in millions)	Three months ended March 31, 2013	2012
Balance at January 1,	53	50
Reversal of allowance	(3)	(2)
Additions to allowance	3	3
Amounts written off		
Exchange rate differences		(4)
Balance at March 31,	**53**	**47**

Changes in the allowance for doubtful accounts for other receivables during the three months ended March 31, 2013 and 2012, were not significant.

The following table shows the credit risk profile, on a gross basis, of trade receivables (excluding those with a contractual maturity of one year or less) and other receivables (excluding tax and other receivables which are not considered to be of a financing nature) based on the internal credit risk categories which are used as a credit quality indicator:

($ in millions)	March 31, 2013 Trade receivables (excluding those with a contractual maturity of one year or less)	Other receivables	Total
Risk category:			
A	275	182	457
B	287	27	314
C	94	26	120

D	60	1	61
E	10	2	12
Total gross amount	**726**	**238**	**964**

Notes to the Interim Consolidated Financial Information (unaudited)

	December 31, 2012		
($ in millions)	**Trade receivables (excluding those with a contractual maturity of one year or less)**	**Other receivables**	**Total**
Risk category:			
A	279	156	435
B	238	27	265
C	90	30	120
D	48	1	49
E	6	1	7
Total gross amount	**661**	**215**	**876**

The following table shows an aging analysis, on a gross basis, of trade receivables (excluding those with a contractual maturity of one year or less) and other receivables (excluding tax and other receivables which are not considered to be of a financing nature):

	March 31, 2013						
	Past due						
($ in millions)	**0 30 days**	**30 60 days**	**60 90 days**	**> 90 days and not accruing interest**	**> 90 days and accruing interest**	**Not due at March 31, 2013(1)**	**Total**
Trade receivables (excluding those with a contractual maturity of one year or less)	36	4	15	46	11	614	726
Other receivables	5	4	3	9	3	214	238
Total gross amount	**41**	**8**	**18**	**55**	**14**	**828**	**964**

	December 31, 2012						
	Past due						
($ in millions)	**0 30 days**	**30 60 days**	**60 90 days**	**> 90 days and not accruing interest**	**> 90 days and accruing interest**	**Not due at December 31, 2012(1)**	**Total**
Trade receivables (excluding those with a contractual maturity of one year or less)	83	3	4	38	14	519	661
Other receivables	3	3	2	10	1	196	215
Total gross amount	**86**	**6**	**6**	**48**	**15**	**715**	**876**

(1) Trade receivables (excluding those with a contractual maturity of one year or less) principally represent contractual retention amounts that will become due subsequent to the completion of the long-term contract.

Receivables classified as non-current assets

At March 31, 2013, and December 31, 2012, the net recorded amounts of loans granted were $56 million and $58 million, respectively, and were included in other non-current assets (see Note 6). The related allowance for doubtful accounts was not significant at both dates. The changes in such allowance were not significant during the three months ended March 31, 2013 and 2012.

Notes to the Interim Consolidated Financial Information (unaudited)

Note 8. Debt

The Company s total debt at March 31, 2013, and December 31, 2012, amounted to $9,113 million and $10,071 million, respectively.

Short-term debt and current maturities of long-term debt

The Company s Short-term debt and current maturities of long-term debt consisted of the following:

($ in millions)	March 31, 2013	December 31, 2012
Short-term debt	712	1,531
Current maturities of long-term debt	971	1,006
Total	**1,683**	**2,537**

Short-term debt primarily represented issued commercial paper and short-term loans from various banks.

Long-term debt

The Company s long-term debt at March 31, 2013, and December 31, 2012, amounted to $7,430 million and $7,534 million, respectively.

Note 9. Commitments and contingencies

Contingencies Environmental

The Company is engaged in environmental clean-up activities at certain sites arising under various United States and other environmental protection laws and under certain agreements with third parties. In some cases, these environmental remediation actions are subject to legal proceedings, investigations or claims, and it is uncertain to what extent the Company is actually obligated to perform. Provisions for these unresolved matters have been set up if it is probable that the Company has incurred a liability and the amount of loss can be reasonably estimated. If a provision has been recognized for any of these matters the Company records an asset when it is probable that it will recover a portion of the costs expected to be incurred to settle them. Management is of the opinion, based upon information presently available, that the resolution of any such obligation and non-collection of recoverable costs would not have a further material adverse effect on the Company s consolidated financial statements.

The Company is involved in the remediation of environmental contamination at present or former facilities, primarily in the United States. The clean-up of these sites involves primarily soil and groundwater contamination. A significant portion of the provisions in respect of these contingencies reflects the provisions of acquired companies. A substantial portion of one of the acquired entities remediation liability is indemnified by a prior owner. Accordingly, an asset equal to that portion of the remediation liability is included in Other non-current assets .

The total effect of the above environmental obligations on the Company s Consolidated Balance Sheets was as follows:

($ in millions)	March 31, 2013	December 31, 2012
Environmental provisions included in:		
Provisions and other current liabilities	36	33
Other non-current liabilities	85	73
	121	**106**

Provisions for the above estimated losses have not been discounted as the timing of payments cannot be reasonably estimated.

Notes to the Interim Consolidated Financial Information (unaudited)

Contingencies Regulatory, Compliance and Legal

Antitrust

In January 2007, the European Commission granted the Company full immunity from fines under its leniency program for the Company s involvement in anti-competitive practices in the Gas Insulated Switchgear (GIS) business. The Company s GIS business remains under investigation for alleged anti-competitive practices in certain other jurisdictions, including Brazil. An informed judgment about the outcome of these investigations or the amount of potential loss or range of loss for the Company, if any, relating to these investigations cannot be made at this stage.

In October 2009, the European Commission fined the Company euro 33.75 million (equivalent to $49 million on date of payment) for its involvement in anti-competitive practices in the power transformers business. In September 2012, the German Antitrust Authority (Bundeskartellamt) fined one of the Company s German subsidiaries euro 8.7 million (equivalent to approximately $11 million on date of payment) for its involvement in anti-competitive practices in the German power transformers business. The Company did not appeal either decision and it paid both fines in full.

The Company s cables business is under investigation for alleged anti-competitive practices in a number of jurisdictions, including the European Union and Brazil. The Company has received the European Commission s Statement of Objections concerning its investigation into the cables business and in June 2012 participated in the related Oral Hearing before the European Commission. The Company has also received an initial summary of the Brazilian Antitrust Authority s (CADE) allegations regarding its investigation into the cables business. An informed judgment about the outcome of these investigations or the amount of potential loss or range of loss for the Company, if any, relating to these investigations cannot be made at this stage, except, with respect to the Brazilian investigation, where the Company expects an unfavorable outcome.

In May 2012, the Brazilian Antitrust Authority opened an investigation into certain power businesses of the Company, including its FACTS and power transformers business. An informed judgment about the outcome of this investigation or the amount of potential loss or range of loss for the Company, if any, relating to this investigation cannot be made at this stage.

With respect to the foregoing matters which are still ongoing, management is cooperating fully with the antitrust authorities.

Suspect payments

In April 2005, the Company voluntarily disclosed to the United States Department of Justice (DoJ) and the United States Securities and Exchange Commission (SEC) certain suspect payments in its network management unit in the United States. Subsequently, the Company made additional voluntary disclosures to the DoJ and the SEC regarding suspect payments made by other Company subsidiaries in a number of countries in the Middle East, Asia, South America and Europe (including to an employee of an Italian power generation company) as well as by its former Lummus business. These payments were discovered by the Company as a result of the Company s internal audit program and compliance reviews.

In September 2010, the Company reached settlements with the DoJ and the SEC regarding their investigations into these matters and into suspect payments involving certain of the Company s subsidiaries in the United Nations Oil-for-Food Program. In connection with these settlements, the Company agreed to make payments to the DoJ and SEC totaling $58 million, which were settled in the fourth quarter of 2010. One subsidiary of the Company pled guilty to one count of conspiracy to violate the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act and one count of violating those provisions. The Company entered into a deferred prosecution agreement and settled civil charges brought by the SEC. These settlements resolved the foregoing investigations. In lieu of an external compliance monitor, the DoJ and SEC have agreed to allow the Company to report on its continuing compliance efforts and the results of the review of its internal processes through September 2013.

General

In addition, the Company is aware of proceedings, or the threat of proceedings, against it and others in respect of private claims by customers and other third parties with regard to certain actual or alleged anti-competitive practices. Also, the Company is subject to other various legal proceedings, investigations, and claims that have not yet been resolved. With respect to the above-mentioned regulatory matters and

Notes to the Interim Consolidated Financial Information (unaudited)

commercial litigation contingencies, the Company will bear the costs of the continuing investigations and any related legal proceedings.

Liabilities recognized

At March 31, 2013, and December 31, 2012, the Company had aggregate liabilities of $199 million and $211 million, respectively, included in Provisions and other current liabilities and Other non-current liabilities , for the above regulatory, compliance and legal contingencies. As it is not possible to make an informed judgment on the outcome of certain matters and as it is not possible, based on information currently available to management, to estimate the maximum potential liability on other matters, there could be material adverse outcomes beyond the amounts accrued.

Guarantees

General

The following table provides quantitative data regarding the Company s third-party guarantees. The maximum potential payments represent a worst-case scenario , and do not reflect management s expected results. The carrying amount of liabilities recorded in the Consolidated Balance Sheets reflects the Company s best estimate of future payments, which it may incur as part of fulfilling its guarantee obligations.

	Maximum potential payments	
($ in millions)	**March 31, 2013**	**December 31, 2012**
Performance guarantees	146	149
Financial guarantees	78	83
Indemnification guarantees	190	190
Total	**414**	**422**

In respect of the above guarantees, the carrying amounts of liabilities at March 31, 2013, and December 31, 2012, were not significant.

Performance guarantees

Performance guarantees represent obligations where the Company guarantees the performance of a third party s product or service according to the terms of a contract. Such guarantees may include guarantees that a project will be completed within a specified time. If the third party does not fulfill the obligation, the Company will compensate the guaranteed party in cash or in kind. Performance guarantees include surety bonds, advance payment guarantees and standby letters of credit. The significant performance guarantees are described below.

The Company retained obligations for guarantees related to the Power Generation business contributed in mid-1999 to the former ABB Alstom Power NV joint venture (Alstom Power NV). The guarantees primarily consist of performance guarantees and other miscellaneous guarantees under certain contracts such as indemnification for personal injuries and property damages, taxes and compliance with labor laws, environmental laws and patents. The guarantees are related to projects which are expected to be completed by 2013 but in some cases have no definite expiration date. In May 2000, the Company sold its interest in Alstom Power NV to Alstom SA (Alstom). As a result, Alstom and its subsidiaries have primary responsibility for performing the obligations that are the subject of the guarantees. Further, Alstom, the parent company and Alstom Power NV, have undertaken jointly and severally to fully indemnify and hold harmless the Company against any claims arising under such guarantees. Management s best estimate of the total maximum potential amount payable of quantifiable guarantees issued by the Company on behalf of its former Power Generation business was $78 million at both March 31, 2013, and December 31, 2012, and is subject to foreign exchange fluctuations. The Company has not experienced any losses related to guarantees issued on behalf of the former Power Generation business.

The Company is engaged in executing a number of projects as a member of consortia that include third parties. In certain of these cases, the Company guarantees not only its own performance but also the work of third parties. The original maturity dates of these guarantees range from one to six years. At March 31, 2013, and December 31, 2012, the maximum potential amount payable under these guarantees as a result of third-party non-performance was $55 million and $57 million, respectively.

Notes to the Interim Consolidated Financial Information (unaudited)

Financial guarantees

Financial guarantees represent irrevocable assurances that the Company will make payment to a beneficiary in the event that a third party fails to fulfill its financial obligations and the beneficiary under the guarantee incurs a loss due to that failure.

At March 31, 2013, and December 31, 2012, the Company had a maximum potential amount payable of $78 million and $83 million, respectively, under financial guarantees outstanding. Of each of these amounts, $15 million and $19 million, respectively, was in respect of guarantees issued on behalf of companies in which the Company formerly had or has an equity interest. The guarantees outstanding have various maturity dates up to 2020.

Indemnification guarantees

The Company has indemnified certain purchasers of divested businesses for potential claims arising from the operations of the divested businesses. To the extent the maximum potential loss related to such indemnifications could not be calculated, no amounts have been included under maximum potential payments in the table above. Indemnifications for which maximum potential losses could not be calculated include indemnifications for legal claims. The significant indemnification guarantees for which maximum potential losses could be calculated are described below.

The Company issued, to the purchasers of Lummus Global, guarantees related to assets and liabilities divested in 2007. The maximum potential amount payable relating to this business, pursuant to the sales agreement, at each of March 31, 2013, and December 31, 2012, was $50 million.

The Company issued, to the purchasers of its interest in Jorf Lasfar, guarantees related to assets and liabilities divested in 2007. The maximum potential amount payable under such guarantees, at both March 31, 2013, and December 31, 2012, was $140 million and is subject to foreign exchange fluctuations.

Product and order-related contingencies

The Company calculates its provision for product warranties based on historical claims experience and specific review of certain contracts.

The reconciliation of the Provisions for warranties , including guarantees of product performance, was as follows:

($ in millions)	2013	2012
Balance at January 1,	1,291	1,324
Claims paid in cash or in kind	(58)	(40)
Net increase in provision for changes in estimates, warranties issued and warranties expired	40	19
Exchange rate differences	(31)	39
Balance at March 31,	**1,242**	**1,342**

Notes to the Interim Consolidated Financial Information (unaudited)

Note 10. Employee benefits

The Company operates defined benefit and defined contribution pension plans and termination indemnity plans, in accordance with local regulations and practices. These plans cover a large portion of the Company s employees and provide benefits to employees in the event of death, disability, retirement, or termination of employment. Certain of these plans are multi-employer plans. The Company also operates other postretirement benefit plans including postretirement health care benefits, and other employee-related benefits for active employees including long-service award plans. The measurement date used for the Company s employee benefit plans is December 31. The funding policies of the Company s plans are consistent with the local government and tax requirements. The Company also has several pension plans that are not required to be funded pursuant to local government and tax requirements.

Net periodic benefit cost of the Company s defined benefit pension and other postretirement benefit plans consisted of the following:

	Three months ended March 31,			
	2013	2012	2013	2012
($ in millions)	Defined pension benefits		Other postretirement benefits	
Service cost	62	57		
Interest cost	92	96	2	3
Expected return on plan assets	(118)	(120)		
Amortization of prior service cost	8	10	(2)	(2)
Amortization of net actuarial loss	33	21	1	1
Net periodic benefit cost	**77**	**64**	**1**	**2**

Employer contributions were as follows:

	Three months ended March 31,			
	2013	2012	2013	2012
($ in millions)	Defined pension benefits		Other postretirement benefits	
Total contributions to defined benefit pension and other postretirement benefit plans	60	84	4	4
Of which, discretionary contributions to defined benefit pension plans		32		

The Company expects to make contributions totaling approximately $275 million and $20 million to its defined benefit pension plans and other postretirement benefit plans, respectively, for the full year 2013.

Notes to the Interim Consolidated Financial Information (unaudited)

Note 11. Earnings per share

Basic earnings per share is calculated by dividing income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing income by the weighted-average number of shares outstanding during the period, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise outstanding written call options and outstanding options and shares granted subject to certain conditions under the Company s share-based payment arrangements.

Basic earnings per share

($ in millions, except per share data in $)	Three months ended March 31, 2013	2012
Amounts attributable to ABB shareholders:		
Income from continuing operations, net of tax	668	685
Income (loss) from discontinued operations, net of tax	(4)	
Net income	**664**	**685**
Weighted-average number of shares outstanding (in millions)	**2,296**	**2,292**
Basic earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.29	0.30
Income (loss) from discontinued operations, net of tax		
Net income	**0.29**	**0.30**

Diluted earnings per share

($ in millions, except per share data in $)	Three months ended March 31, 2013	2012
Amounts attributable to ABB shareholders:		
Income from continuing operations, net of tax	668	685
Income (loss) from discontinued operations, net of tax	(4)	
Net income	**664**	**685**
Weighted-average number of shares outstanding (in millions)	2,296	2,292
Effect of dilutive securities:		
Call options and shares	7	2
Dilutive weighted-average number of shares outstanding	**2,303**	**2,294**
Diluted earnings per share attributable to ABB shareholders:		
Income from continuing operations, net of tax	0.29	0.30

Income (loss) from discontinued operations, net of tax		
Net income	**0.29**	**0.30**

Notes to the Interim Consolidated Financial Information (unaudited)

Note 12. Reclassifications out of accumulated other comprehensive loss

The following table shows changes in Accumulated other comprehensive loss (OCI) attributable to ABB, by component, net of tax:

($ in millions)	Foreign currency translation adjustments	Unrealized gains (losses) on available-for-sale securities	Pension and other postretirement plan adjustments	Unrealized gains (losses) of cash flow hedge derivatives	Total OCI
Balance at January 1, 2013	**(580)**	**24**	**(2,004)**	**37**	**(2,523)**
Other comprehensive (loss) income before reclassifications	(478)		62	19	(397)
Amounts reclassified from OCI		(6)	29	(9)	14
Total other comprehensive (loss) income	(478)	(6)	91	10	(383)
Less:					
Amounts attributable to noncontrolling interests	(3)		1		(2)
Balance at March 31, 2013	**(1,055)**	**18**	**(1,914)**	**47**	**(2,904)**

The following table shows details of amounts reclassified out of Accumulated other comprehensive loss by component:

($ in millions) Details about OCI components	Location of (gains) losses reclassified from OCI	Three months ended March 31, 2013
Unrealized gains (losses) on available-for-sale securities:		
Realized net gains	Interest and other finance expense	(7)
Tax	Provision for taxes	1
Amounts reclassified from OCI		**(6)**
Pension and other postretirement plan adjustments:		
Amortization of prior service costs	Net periodic benefit cost (1)	6
Amortization of net actuarial losses	Net periodic benefit cost (1)	34
Total before tax		40
Tax	Provision for taxes	(11)
Amounts reclassified from OCI		**29**
Unrealized gains (losses) of cash flow hedge derivatives:		
Foreign exchange contracts	Total revenues	(11)
	Total cost of sales	4
Commodity contracts	Total cost of sales	(1)
Cash-settled call options	SG&A expenses(2)	(2)
Total before tax		(10)
Tax	Provision for taxes	1
Amounts reclassified from OCI		**(9)**

Total amounts reclassified from OCI	**14**

(1) These components are included in the computation of net periodic benefit cost (see Note 10).

(2) SG&A expenses represent Selling, general and administrative expenses .

Notes to the Interim Consolidated Financial Information (unaudited)

Note 13. Operating segment data

The Chief Operating Decision Maker (CODM) is the Company s Executive Committee. The CODM allocates resources to and assesses the performance of each operating segment using the information outlined below. The Company s operating segments consist of Power Products, Power Systems, Discrete Automation and Motion, Low Voltage Products and Process Automation. The remaining operations of the Company are included in Corporate and Other.

A description of the types of products and services provided by each reportable segment is as follows:

- **Discrete Automation and Motion:** manufactures and sells motors, generators, variable speed drives, rectifiers, excitation systems, robotics, programmable logic controllers, and related services for a wide range of applications in factory automation, process industries, and utilities.

- **Low Voltage Products:** manufactures products and systems that provide protection, control and measurement for electrical installations, as well as enclosures, switchboards, electronics and electromechanical devices for industrial machines, plants and related service. In addition the segment manufactures products for wiring and cable management, cable protection systems, power connection and safety. The segment also makes intelligent building control systems for home and building automation.

- **Process Automation:** develops and sells control and plant optimization systems, automation products and solutions, including instrumentation, as well as industry-specific application knowledge and services for the oil, gas and petrochemicals, metals and minerals, marine and turbocharging, pulp and paper, chemical and pharmaceuticals, and power industries.

- **Power Products:** manufactures and sells high- and medium- voltage switchgear and apparatus, circuit breakers for all current and voltage levels, power and distribution transformers and sensors for electric, gas and water utilities and for industrial and commercial customers.

- **Power Systems:** designs, installs and upgrades high-efficiency transmission and distribution systems and power plant automation and electrification solutions, including monitoring and control products, software and services and incorporating components manufactured by both the Company and by third parties.

- **Corporate and Other:** includes headquarters, central research and development, the Company s real estate activities, Group treasury operations and other minor activities.

The Company evaluates the performance of its segments based on operational earnings before interest, taxes, depreciation and amortization (Operational EBITDA) and Operational EBITDA margin (being Operational EBITDA as a percentage of Operational revenues).

Operational EBITDA represents Earnings before interest and taxes (EBIT) excluding depreciation and amortization, restructuring and restructuring-related expenses, adjusted for the following: (i) unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives), (ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, (iii) unrealized foreign exchange movements on receivables/payables (and related assets/liabilities), (iv) acquisition-related expenses and (v) certain non-operational items.

Operational revenues are total revenues adjusted for the following: (i) unrealized gains and losses on derivatives, (ii) realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized, and (iii) unrealized foreign exchange movements on receivables (and related assets).

The CODM primarily reviews the results of each segment on a basis that is before the elimination of profits made on inventory sales between segments. Segment results below are presented before these eliminations, with a total deduction for intersegment profits to arrive at the Company s consolidated Operational EBITDA.

The following tables present segment revenues, Operational EBITDA, Operational EBITDA margin, as well as reconciliations of Operational EBITDA to EBIT and Operational revenues to Total revenues.

Notes to the Interim Consolidated Financial Information (unaudited)

Intersegment sales and transfers are accounted for as if the sales and transfers were to third parties, at current market prices.

	Three months ended March 31, 2013					
($ in millions, except Operational EBITDA margin in %)	**Third-party revenues**	**Intersegment revenues**	**Total revenues**	**Operational revenues**	**Operational EBITDA(1)**	**Operational EBITDA margin (%)**
Discrete Automation and Motion	2,085	242	2,327	2,331	416	17.8%
Low Voltage Products	1,681	96	1,777	1,779	320	18.0%
Process Automation	1,921	57	1,978	1,983	259	13.1%
Power Products	2,034	455	2,489	2,503	372	14.9%
Power Systems	1,967	84	2,051	2,032	169	8.3%
Corporate and Other	27	397	424	424	(63)	
Intersegment elimination		(1,331)	(1,331)	(1,331)	(15)	
Consolidated	**9,715**		**9,715**	**9,721**	**1,458**	**15.0%**

	Three months ended March 31, 2012					
($ in millions, except Operational EBITDA margin in %)	**Third-party revenues**	**Intersegment revenues**	**Total revenues**	**Operational revenues**	**Operational EBITDA(1)**	**Operational EBITDA margin (%)**
Discrete Automation and Motion	2,043	199	2,242	2,240	417	18.6%
Low Voltage Products	1,109	83	1,192	1,186	197	16.6%
Process Automation	1,915	55	1,970	1,960	243	12.4%
Power Products	2,093	420	2,513	2,497	363	14.5%
Power Systems	1,750	57	1,807	1,780	117	6.6%
Corporate and Other	(3)	369	366	364	(93)	
Intersegment elimination		(1,183)	(1,183)	(1,183)	(16)	
Consolidated	**8,907**		**8,907**	**8,844**	**1,228**	**13.9%**

(1) Operational EBITDA by segment is presented before the elimination of intersegment profits made on inventory sales.

Notes to the Interim Consolidated Financial Information (unaudited)

	Three months ended March 31, 2013						
($ in millions, except Operational EBITDA margin in %)	**Discrete Automation and Motion**	**Low Voltage Products**	**Process Automation**	**Power Products**	**Power Systems**	**Corporate and Other and Intersegment elimination**	**Consolidated**
Operational revenues	**2,331**	**1,779**	**1,983**	**2,503**	**2,032**	**(907)**	**9,721**
Unrealized gains and losses on derivatives	(4)	(8)	(4)	(15)	14		(17)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized				(1)	(2)		(3)
Unrealized foreign exchange movements on receivables (and related assets)		6	(1)	2	7		14
Total revenues	**2,327**	**1,777**	**1,978**	**2,489**	**2,051**	**(907)**	**9,715**
Operational EBITDA	**416**	**320**	**259**	**372**	**169**	**(78)**	**1,458**
Depreciation and amortization	(64)	(79)	(20)	(58)	(45)	(55)	(321)
Acquisition-related expenses and certain non-operational items	(2)	(2)					(4)
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	(16)	(12)	(13)	(30)	(19)	1	(89)
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	(1)			(2)	(5)		(8)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	5	9	1	8	10	2	35
Restructuring and restructuring-related expenses	(1)	(4)	(3)	(7)	(5)	1	(19)
EBIT	**337**	**232**	**224**	**283**	**105**	**(129)**	**1,052**
Operational EBITDA margin (%)	**17.8%**	**18.0%**	**13.1%**	**14.9%**	**8.3%**		**15.0%**

Notes to the Interim Consolidated Financial Information (unaudited)

	Three months ended March 31, 2012						
($ in millions, except Operational EBITDA margin in %)	Discrete Automation and Motion	Low Voltage Products	Process Automation	Power Products	Power Systems	Corporate and Other and Intersegment elimination	Consolidated
Operational revenues	**2,240**	**1,186**	**1,960**	**2,497**	**1,780**	**(819)**	**8,844**
Unrealized gains and losses on derivatives	1	11	17	19	54	1	103
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1		(1)	1	(10)	1	(8)
Unrealized foreign exchange movements on receivables (and related assets)		(5)	(6)	(4)	(17)		(32)
Total revenues	**2,242**	**1,192**	**1,970**	**2,513**	**1,807**	**(817)**	**8,907**
Operational EBITDA	**417**	**197**	**243**	**363**	**117**	**(109)**	**1,228**
Depreciation and amortization	(61)	(28)	(20)	(52)	(41)	(51)	(253)
Acquisition-related expenses and certain non-operational items	(4)	(3)				26	19
Unrealized gains and losses on derivatives (foreign exchange, commodities, embedded derivatives)	6	21	21	38	40	3	129
Realized gains and losses on derivatives where the underlying hedged transaction has not yet been realized	1	(1)	(1)	(3)	(10)	2	(12)
Unrealized foreign exchange movements on receivables/payables (and related assets/liabilities)	(4)	(6)	(9)	(10)	(16)	(1)	(46)
Restructuring and restructuring-related expenses	(1)			(13)	(2)	(1)	(17)
EBIT	**354**	**180**	**234**	**323**	**88**	**(131)**	**1,048**
Operational EBITDA margin (%)	**18.6%**	**16.6%**	**12.4%**	**14.5%**	**6.6%**		**13.9%**

	Total assets(1)	
($ in millions)	**March 31, 2013**	**December 31, 2012**
Discrete Automation and Motion	9,350	9,416
Low Voltage Products	8,840	9,534
Process Automation	4,823	4,847
Power Products	7,843	7,701
Power Systems	7,920	8,083
Corporate and Other	8,925	9,489
Consolidated	**47,701**	**49,070**

(1) Total assets are after intersegment eliminations and therefore refer to third-party assets only.

January March 2013 Q1

ABB Ltd announces that the following members of the **Executive Committee** or **Board of Directors** of ABB have purchased, sold or been granted ABB s registered shares, warrants and warrant appreciation rights (WARs), in the following amounts:

Name	Date	Description	Purchased or Granted	Sold	Price
Greg Scheu	20.2.2013	Call Option		201,250	CHF 0.58
Ulrich Spiesshofer	21.2.2013	Shares		33,000	CHF 21.30
Gary Steel	1.3.2013	Shares		95,000	CHF 21.32
Joe Hogan *	27.3.2013	Shares	61,488		CHF 21.54
Brice Koch *	27.3.2013	Shares	14,726		CHF 21.54
Gary Steel *	27.3.2013	Shares	16,198		CHF 21.54
Ulrich Spiesshofer *	27.3.2013	Shares	16,408		CHF 21.54
Diane de Saint Victor *	27.3.2013	Shares	21,938		CHF 21.54
Bernhard Jucker *	27.3.2013	Shares	19,352		CHF 21.54
Veli-Matti Reinikkala *	27.3.2013	Shares	14,045		CHF 21.54
Tarak Mehta *	27.3.2013	Shares	8,899		CHF 21.54
Frank Duggan *	27.3.2013	Shares	10,016		CHF 21.54

Key:

* Shares were granted under the 2010 ABB Long Term Incentive Plan (LTIP)

ABB Ltd

TRAKTANDEN UND BESCHLÜSSE

AGENDA AND RESOLUTIONS

der ordentlichen Generalversammlung der Aktionärinnen und Aktionäre
from the Annual General Meeting of Shareholders

vom 25. April 2013, 10.00 Uhr

held on April 25, 2013, 10:00 a.m.

in der Messe Zürich-Halle , Zürich-Oerlikon / CH

in the Messe Zürich hall , Zürich-Oerlikon / CH

1. Berichterstattung über das Geschäftsjahr 2012

1. Reporting for fiscal year 2012

(Nur Berichterstattung)

(Reporting only)

2.1 Genehmigung des Jahresberichts, der Konzernrechnung und der Jahresrechnung 2012

2.1 Approval of the annual report, the consolidated financial statements, and the annual financial statements for 2012

Die Generalversammlung genehmigt den Jahresbericht, die Konzernrechnung und die Jahresrechnung 2012.

The Annual General Meeting approves the annual report, the consolidated financial statements, and the annual financial statements for 2012.

2.2 Konsultativabstimmung über den Vergütungsbericht 2012

2.2 Consultative vote on the 2012 remuneration report

Die Generalversammlung stimmt dem Vergütungsbericht 2012 (gemäss Seiten 29-41 des Geschäftsberichts) zu (unverbindliche Konsultativabstimmung).

The Annual General Meeting accepts the remuneration report 2012 (as per pages 29-41 of the annual report) (non-binding consultative vote).

3. Entlastung des Verwaltungsrats und der mit der Geschäftsführung betrauten Personen

3. Discharge of the Board of Directors and the persons entrusted with management

Die Generalversammlung erteilt den Mitgliedern des Verwaltungsrats und den mit der Geschäftsführung betrauten Personen Entlastung für das Geschäftsjahr 2012.

The Annual General Meeting discharges the members of the Board of Directors and the persons entrusted with management for fiscal 2012.

4. Verwendung des Bilanzgewinns und Ausschüttung von Kapitaleinlagereserven

4. Appropriation of available earnings and distribution of capital contribution reserve

Die Generalversammlung stimmt dem Antrag des Verwaltungsrats zu,

The Annual General Meeting approves the proposal of the Board of Directors

a) den Bilanzgewinn 2012 von CHF 4 470 698 360 auf neue Rechnung vorzutragen;
to carry forward the available earnings for 2012 in the amount of CHF 4,470,698,360;

b) Kapitaleinlagereserven im Betrag von CHF 0.68 je Aktie in andere Reserven umzuwandeln und eine Dividende für 2012 von CHF 0.68 je Aktie auszuschütten.

to convert capital contribution reserve to other reserves in the amount of CHF 0.68 per share and subsequently distribute a dividend for the fiscal year 2012 of CHF 0.68 per share.

5. Erneuerung von genehmigtem Aktienkapital

5. Renewal of authorized share capital

Die Generalversammlung genehmigt gemäss dem Antrag des Verwaltungsrates

The Annual General Meeting approves the proposal of the Board of Directors

die Erneuerung von genehmigtem Aktienkapital im Betrag von höchstens CHF 206 000 000, welches die Ausgabe von höchstens 200 000 000 ABB Ltd Aktien im Nennwert von je CHF 1.03 bis spätestens 29. April 2015 ermöglicht, durch Änderung der Statuten durch einen neuen Artikel 4ter Absatz 1 mit folgendem Wortlaut:

to renew ABB Ltd s authorized share capital in an amount not to exceed CHF 206,000,000 enabling the issuance of up to 200,000,000 ABB Ltd shares with a nominal value of CHF 1.03 each by no later than April 29, 2015, by amending the Articles of Incorporation with a newarticle 4ter paragraph 1 with the following wording:

Genehmigtes Aktienkapital		Artikel 4ter
	1	Der Verwaltungsrat ist ermächtigt, jederzeit bis zum 29. April 2015 das Aktienkapital im Maximalbetrag von CHF 206 000 000 durch Ausgabe von höchstens 200 000 000 voll zu liberierenden Namenaktien mit einem Nennwert von je CHF 1.03 zu erhöhen. Erhöhungen in Teilbeträgen sind gestattet.
Authorized Share Capital		*Article 4*ter
	1	*The Board of Directors shall be authorized to increase the share capital in an amount not to exceed CHF 206,000,000 through the issuance of up to 200,000,000 fully paid registered shares with a par value of CHF 1.03 per share by not later than April 29, 2015. Increases in partial amounts shall be permitted.*

Die bisherigen Absätze 2 bis 4 von Artikel 4ter bleiben unverändert.

The existing paragraphs 2 to 4 of article 4terremain unchanged.

6. Wiederwahlen in den Verwaltungsrat

6. Re-elections to the Board of Directors

Die Generalversammlung wählt gemäss Antrag des Verwaltungsrats folgende Mitglieder des Verwaltungsrats für eine weitere Amtsdauer von einem Jahr, d.h. bis zur ordentlichen Generalversammlung 2014, wieder:

The Annual General Meeting re-elects, as proposed by the Board of Directors, the following persons as members of the Board of Directors for a further period of one year, i.e. until the Annual General Meeting 2014:

- Roger Agnelli
- Louis R. Hughes

- Hans Ulrich Märki
- Michel de Rosen
- Michael Treschow
- Jacob Wallenberg
- Ying Yeh
- Hubertus von Grünberg

7. Wiederwahl der Revisionsstelle

7. Re-election of the auditors

Die Generalversammlung wählt gemäss Antrag des Verwaltungsrats die Ernst & Young AG als Revisionsstelle für das Geschäftsjahr 2013 wieder.

The Annual General Meeting re-elects, as proposed by the Board of Directors, Ernst & Young AG as the auditors for fiscal 2013.

Für das Protokoll:
For the minutes:

Zürich, 25. April 2013

Diane de Saint Victor

Leiterin Konzern-Rechtsabteilung und Sekretärin des Verwaltungsrats

General Counsel and Secretary to the Board of Directors

Press Release

ABB shareholders approve all board proposals

Zurich, Switzerland, April 25, 2013 Shareholders of ABB, the leading power and automation technology group, have approved all proposals submitted by the Board of Directors to the company s annual general meeting in Zurich today.

All eight members of the Board were re-elected for another annual term. The Board of Directors reelected Hubertus von Grunberg to the position of Chairman of the Board.

Shareholders voted for a payout of 0.68 Swiss francs per share for 2012, an increase of almost 5 percent compared to the prior year. They also approved the annual report, the consolidated financial statements and the annual financial statements for 2012.

The event was the 25th annual meeting of shareholders since ASEA and BBC merged in 1988 to form ABB.

We are proud of what we have accomplished, Von Grunberg said in his speech. ABB stands after 25 years for one of the few examples of a successful international corporate merger. Today, we are a global market leader in most business fields related to power and automation technologies.

A total of 986 shareholders attended the annual general meeting and 57.5 percent of the total share capital was represented.

ABB (www.abb.com) is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs about 145,000 people.

For more information please contact:

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ABB LTD	
Date: April 26, 2013	By:	/s/ Alanna Abrahamson - Haka
	Name:	Alanna Abrahamson - Haka
	Title:	Group Vice President and Head of Investor Relations
	By:	/s/ Richard A. Brown
	Name:	Richard A. Brown
	Title:	Group Senior Vice President and Chief Counsel Corporate & Finance