SINCLAIR BROADCAST GROUP INC
Form 10-Q
August 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

COMMISSION FILE NUMBER: 000-26076

SINCLAIR BROADCAST GROUP, INC.
(Exact name of Registrant as specified in its charter)

Maryland (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 office, 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file).
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,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting	Emerging growth
x	o	o	company o	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 by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company o

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

Indicate the number of share 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 8/7/2018
Class A Common Stock	76,613,152
Class B Common Stock	25,670,684

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SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2018

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	As of June 30, 2018	As of December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$1,014,718	$ 681,326
Restricted cash, current	—	313,110
Accounts receivable, net of allowance for doubtful accounts of $2,332 and $2,590, respectively	566,170	566,464
Current portion of program contract costs	19,657	71,387
Income taxes receivable	—	28,150
Prepaid expenses and other current assets	78,214	54,310
Total current assets	1,678,759	1,714,747
Assets held for sale	149,604	—
Program contract costs, less current portion	1,590	3,202
Property and equipment, net	666,636	738,298
Restricted cash, less current portion	1,506	1,504
Goodwill	2,022,073	2,124,033
Indefinite-lived intangible assets	156,654	159,371
Definite-lived intangible assets, net	1,686,263	1,801,670
Other assets	218,458	241,645
Total assets (a)	$6,581,543	$ 6,784,470
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$455,463	$ 370,403
Deferred spectrum auction proceeds	—	84,341
Income taxes payable	21,923	2,503
Current portion of notes payable, capital leases and commercial bank financing	44,191	161,049
Current portion of program contracts payable	46,440	108,053
Total current liabilities	568,017	726,349
Liabilities held for sale	11,310	—
Notes payable, capital leases and commercial bank financing, less current portion	3,864,048	3,887,601
Program contracts payable, less current portion	33,847	41,909
Deferred tax liabilities	441,707	515,236
Other long-term liabilities	77,196	79,009
Total liabilities (a)	4,996,125	5,250,104
Commitments and contingencies (See Note 4)		
Shareholders' Equity:		
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 76,576,980 and 76,071,145 shares issued and outstanding, respectively	766	761
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 25,670,684 and 25,670,684 shares issued and outstanding, respectively, convertible into Class A Common Stock	257	257
Additional paid-in capital	1,336,251	1,320,298
Retained earnings	285,316	248,845

Accumulated other comprehensive loss	(1,423)	(1,423)
Total Sinclair Broadcast Group shareholders’ equity	1,621,167	1,568,738
Noncontrolling interests	(35,749)	(34,372)
Total equity	1,585,418	1,534,366
Total liabilities and equity	$6,581,543	$6,784,470

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

(a) Our consolidated total assets as of June 30, 2018 and December 31, 2017 include total assets of variable interest entities (VIEs) of $114.5 million and $130.6 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of June 30, 2018 and December 31, 2017 include total liabilities of VIEs of $15.1 million and $27.0 million, respectively, for which the creditors of the VIEs have no recourse to us. See Note 1. Nature of Operations and Summary of Significant Accounting Policies.

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUES:				
Media revenues (a)	$695,862	$637,226	$1,339,513	$1,244,283
Non-media revenues	34,281	15,008	55,983	34,887
Total revenues	730,143	652,234	1,395,496	1,279,170
OPERATING EXPENSES:				
Media production expenses	300,858	269,486	589,407	527,887
Media selling, general and administrative expenses	150,794	127,046	297,693	251,767
Amortization of program contract costs and net realizable value adjustments	24,710	28,896	51,660	59,915
Non-media expenses	31,021	16,076	52,244	34,478
Depreciation of property and equipment	23,117	23,603	50,442	47,584
Corporate general and administrative expenses	29,685	25,051	54,281	45,627
Amortization of definite-lived intangible and other assets	43,117	43,377	86,722	88,931
Gain on asset dispositions, net of impairment	(4,741)	(150)	(25,850)	(53,497)
Total operating expenses	598,561	533,385	1,156,599	1,002,692
Operating income	131,582	118,849	238,897	276,478
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs	(92,271)	(50,959)	(162,013)	(108,277)
Loss from extinguishment of debt	—	—	—	(1,404)
(Loss) income from equity investments	(17,483)	1,462	(29,960)	141
Other income, net	4,184	1,563	7,455	3,259
Total other expense, net	(105,570)	(47,934)	(184,518)	(106,281)
Income before income taxes	26,012	70,915	54,379	170,197
INCOME TAX BENEFIT (PROVISION)	3,297	(24,880)	18,925	(53,459)
NET INCOME	29,309	46,035	73,304	116,738
Net income attributable to the noncontrolling interests	(1,268)	(1,390)	(2,139)	(14,891)
NET INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	$28,041	$44,645	$71,165	$101,847
Dividends declared per share	$0.18	$0.18	$0.36	$0.36
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:				
Basic earnings per share	$0.27	$0.43	$0.70	$1.04
Diluted earnings per share	$0.27	$0.43	$0.69	$1.03
Weighted average common shares outstanding	102,224	102,649	102,062	97,668
Weighted average common and common equivalent shares outstanding	102,986	103,665	102,952	98,707

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

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

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$29,309	$46,035	$73,304	$116,738
Comprehensive income	29,309	46,035	73,304	116,738
Comprehensive income attributable to the noncontrolling interests	(1,268)	(1,390)	(2,139)	(14,891)
Comprehensive income attributable to Sinclair Broadcast Group	$28,041	$44,645	$71,165	$101,847

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

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENT OF EQUITY
(in thousands) (Unaudited)

	Sinclair Broadcast Group Shareholders								
	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Shares	Values	Shares	Values					
BALANCE, December 31, 2016	64,558,207	$ 646	25,670,684	$ 257	$ 843,691	$ (255,804)	$ (807)	$ (30,047)	$ 557,936
Issuance of common stock, net of issuance costs	12,000,000	120	—	—	487,763	—	—	—	487,883
Dividends declared and paid on Class A and Class B Common Stock	—	—	—	—	—	(34,744)	—	—	(34,744)
Class A Common Stock issued pursuant to employee benefit plans	435,619	4	—	—	15,203	—	—	—	15,207
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(18,048)	(18,048)
Net income	—	—	—	—	—	101,847	—	14,891	116,738
BALANCE, June 30, 2017	76,993,826	$ 770	25,670,684	$ 257	$ 1,346,657	$ (188,701)	$ (807)	$ (33,204)	$ 1,124,972

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

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENT OF EQUITY
(In thousands) (Unaudited)

	Sinclair Broadcast Group Shareholders								
	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Shares	Values	Shares	Values					
BALANCE, December 31, 2017	76,071,145	$ 761	25,670,684	$ 257	$ 1,320,298	$ 248,845	$ (1,423)	$ (34,372)	$ 1,534,366
Cumulative effect of adoption of new accounting standard	—	—	—	—	—	2,100	—	—	2,100
Dividends declared and paid on Class A and Class B Common Stock	—	—	—	—	—	(36,794)	—	—	(36,794)
Class A Common Stock issued pursuant to employee benefit plans	505,835	5	—	—	15,953	—	—	—	15,958
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(3,516)	(3,516)
Net income	—	—	—	—	—	71,165	—	2,139	73,304
BALANCE, June 30, 2018	76,576,980	$ 766	25,670,684	$ 257	$ 1,336,251	$ 285,316	$ (1,423)	$ (35,749)	$ 1,585,418

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

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SINCLAIR BROADCAST GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands) (Unaudited)

	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$73,304	$116,738
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation of property and equipment	50,442	47,584
Amortization of definite-lived intangible and other assets	86,722	88,931
Amortization of program contract costs and net realizable value adjustments	51,660	59,915
Loss on extinguishment of debt, non-cash portion	—	1,404
Stock-based compensation expense	13,740	11,448
Deferred tax benefit	(73,171)	(8,211)
Gain on asset disposition, net of impairment	(24,235)	(53,497)
Loss from equity investments	30,369	79
Change in assets and liabilities, net of acquisitions:		
Increase in accounts receivable	(2,971)	(26,295)
Increase in prepaid expenses and other current assets	(27,796)	(894)
Increase (decrease) in accounts payable and accrued liabilities	85,064	(23,410)
Net change in net income taxes payable/receivable	47,570	(29,661)
Decrease in program contracts payable	(63,916)	(57,152)
Other, net	9,916	14,303
Net cash flows from operating activities	256,698	141,282
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(52,268)	(33,507)
Acquisition of businesses, net of cash acquired	—	(28,329)
Proceeds from the sale of assets	1,005	194,641
Investments in equity investees	(17,996)	(20,690)
Distributions from equity investees	15,175	4,295
Other, net	(3,331)	(13,041)
Net cash flows (used in) from investing activities	(57,415)	103,369
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES:		
Proceeds from notes payable and commercial bank financing	2,016	163,089
Repayments of notes payable, commercial bank financing and capital leases	(142,077)	(301,168)
Net proceeds from the sale of Class A Common Stock	—	487,883
Dividends paid on Class A and Class B Common Stock	(36,795)	(34,744)
Distributions to noncontrolling interests	(3,516)	(18,048)
Other, net	1,373	(2,304)
Net cash flows (used in) from financing activities	(178,999)	294,708
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	20,284	539,359
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period	995,940	260,184
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period	$1,016,224	$799,543

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

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SINCLAIR BROADCAST GROUP, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations

Sinclair Broadcast Group, Inc. (the Company) is a diversified television broadcasting company with national reach and a strong focus on providing high-quality content on our local television stations and digital platforms. The content, distributed through our broadcast platform, consists of programming provided by third-party networks and syndicators, local news, and other original programming produced by us. We also distribute our original programming, and owned and operated network affiliates, on other third-party platforms. Additionally, we own digital media products that are complementary to our extensive portfolio of television station related digital properties. Outside of our media related businesses, we operate technical services companies focused on supply and maintenance of broadcast transmission systems as well as research and development for the advancement of broadcast technology, and we manage other non-media related investments.

Our broadcast distribution platform is a single reportable segment for accounting purposes. It consists primarily of our broadcast television stations, which we own, provide programming and operating services pursuant to agreements commonly referred to as local marketing agreements (LMAs), or provide sales services and other non-programming operating services pursuant to other outsourcing agreements (such as joint sales agreements (JSAs) and shared services agreements (SSAs)), to 191 stations in 89 markets. These stations broadcast 601 channels as of June 30, 2018. For the purpose of this report, these 191 stations and 601 channels are referred to as “our” stations and channels.

Principles of Consolidation

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

Interim Financial Statements

The consolidated financial statements for the three and six months ended June 30, 2018 and 2017 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income, consolidated statement of equity, and consolidated statements of cash flows for these periods as adjusted for the adoption of recent accounting pronouncements discussed below.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission (SEC), the consolidated financial statements do not include all disclosures normally included with audited consolidated financial statements and, accordingly, should be read together with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

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Variable Interest Entities

In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary.

Third-party station licensees. Certain of our stations provide services to other station owners within the same respective market through agreements, such as LMAs, where we provide programming, sales, operational, and administrative services; and JSAs and SSAs, where we provide non-programming, sales, operational, and administrative services. In certain cases, we have also entered into purchase agreements or options to purchase the license related assets of the licensee. We typically own the majority of the non-license assets of the stations, and in some cases where the licensee acquired the license assets concurrent with our acquisition of the non-license assets of the station, we have provided guarantees to the bank for the licensee’s acquisition financing. The terms of the agreements vary, but generally have initial terms of over five years with several optional renewal terms. Based on the terms of the agreements and the significance of our investment in the stations, we are the primary beneficiary when, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of the VIE through the services we provide and we absorb losses and returns that would be considered significant to the VIEs. The fees paid between us and the licensees pursuant to these arrangements are eliminated in consolidation. Several of these VIEs are owned by a related party, Cunningham Broadcasting Corporation (Cunningham). See Note 7. Related Person Transactions for more information about the arrangements with Cunningham. See Changes in the Rules of Television Ownership, Joint Sales Agreements, Retransmission Consent Negotiations, and National Ownership Cap under Note 4. Commitments and Contingencies for discussion of recent changes in Federal Communications Commission (FCC) rules related to JSAs.

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

	As of June 30, 2018	As of December 31, 2017
ASSETS		
Current assets:		
Accounts receivable	$17,865	$ 19,566
Other current assets	1,918	8,937
Total current assets	19,783	28,503
Assets held for sale	535	—
Program contract costs, less current portion	257	822
Property and equipment, net	5,804	6,215
Goodwill and indefinite-lived intangible assets	15,039	15,064
Definite-lived intangible assets, net	70,659	74,442
Other assets	2,374	5,601
Total assets	$114,451	$ 130,647
LIABILITIES		
Current liabilities:		
Other current liabilities	$15,268	$ 23,564

Notes payable, capital leases and commercial bank financing, less current portion	19,625	23,217
Program contracts payable, less current portion	5,992	11,213
Other long-term liabilities	650	650
Total liabilities	$41,535	$ 58,644

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The amounts above represent the consolidated assets and liabilities of the VIEs described above, for which we are the primary beneficiary, and have been aggregated as they all relate to our broadcast business. Excluded from the amounts above are payments made to Cunningham under the LMAs and certain outsourcing agreements, which are treated as a prepayment of the purchase price of the stations, and capital leases between us and Cunningham, which are eliminated in consolidation. The total payments made under these LMAs and certain JSAs, which are excluded from the liabilities above, were $45.7 million and $44.0 million as of June 30, 2018 and December 31, 2017, respectively. The total capital lease liabilities, net of capital lease assets, which are excluded from the above, were $4.5 million as of both June 30, 2018 and December 31, 2017.

Total liabilities associated with certain outsourcing agreements and purchase options with certain VIEs excluded from above were $117.8 million and $116.5 million as of June 30, 2018 and December 31, 2017, respectively, as these amounts are eliminated in consolidation. The assets of each of these consolidated VIEs can only be used to settle the obligations of the VIE. As of June 30, 2018, all of the liabilities are non-recourse to us except for debt of certain VIEs. See Debt of variable interest entities under Note 3. Notes Payable and Commercial Bank Financing for further discussion. The risk and reward characteristics of the VIEs are similar.

Other investments. We have several investments which are considered VIEs. However, we do not participate in the management of these entities, including the day-to-day operating decisions or other decisions which would allow us to control the entity, and therefore, we are not considered the primary beneficiary of these VIEs. We account for these entities using the equity method of accounting; at cost, less impairment plus observable price changes; or at fair value.

The carrying amounts of our investments in these VIEs for which we are not the primary beneficiary as of June 30, 2018 and December 31, 2017 were $91.3 million and $115.7 million, respectively, and are included in other assets on our consolidated balance sheets. Our maximum exposure is equal to the carrying value of our investments. The income and loss related to these investments are recorded in income from equity investments on our consolidated statements of operations. We recorded a loss for both the three and six months ended June 30, 2018 of $14.5 million and $23.5 million, respectively, and income for both the three and six months ended June 30, 2017 of $3.8 million and $3.5 million, respectively.

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.

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance on revenue recognition for revenue from contracts with customers, Accounting Standards Codification Topic 606 (ASC 606). This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. Since Accounting Standards Update (ASU) 2014-09 was issued, several additional ASUs have been issued and incorporated within ASC 606 to clarify various elements of the guidance. We adopted this guidance retrospectively during the first quarter of 2018. The impact of the adoption did not have a material impact on our station advertising or distribution revenue. Under the new standard, certain barter revenue and expense related to syndicated programming is no longer recognized. See Revenue Recognition below for more information on the adoption.

In January 2016, the FASB issued new guidance which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The new guidance requires entities to measure equity investments (except those accounted for under the equity method of accounting or those that resulted in consolidation of the investee) at fair value, with changes in fair value recognized in net income. The new standard is effective for the interim and annual periods beginning after December 15, 2017. We adopted this guidance during the first quarter of 2018. The impact of the adoption did not have a material impact on our financial statements. As of June 30, 2018 and December 31, 2017, equity investments without a readily determinable fair value measured utilizing the measurement alternative at cost, less impairment plus observable price changes were $30.9 million and $32.3 million, respectively. During the three and six months ended June 30, 2018, there were no adjustments to the carrying amount of investments accounted for using the measurement alternative. We also had other investments recorded at fair value at June 30, 2018 and December 31, 2017 of $18.5 million and $12.2 million, respectively. As a result of the adoption of this guidance, we recorded a cumulative effect adjustment to retained earnings of $2.1 million for these investments, within our consolidated statement of equity.

In February 2016, the FASB issued new guidance related to accounting for leases, which requires the assets and liabilities that arise from leases to be recognized on the balance sheet. Currently, only capital leases are recorded on the balance sheet. This update will require the lessee to recognize a lease liability equal to the present value of the lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for all leases longer than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize lease assets and liabilities and recognize the lease expense for such leases, generally on a straight-line basis over the lease term. The new standard is effective for interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

In August 2016, the FASB issued new guidance related to the classification of certain cash receipts and cash payments. The new standard includes eight specific cash flow issues with the objective of reducing the existing diversity in practice as to how cash receipts and cash payments are represented in the statement of cash flows. In November 2016, the FASB issued new guidance related to the classification and presentation of changes in restricted cash on the statement of cash flows. This new guidance requires that the statement of cash flows explain changes during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. We adopted this guidance retrospectively during the first quarter of 2018. For the six months ended June 30, 2017, the adoption of this guidance resulted in an increase in cash flows from investing and financing activities of $2.0 million and $1.5 million, respectively.

In January 2017, the FASB issued guidance which clarifies the definition of a business with additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new standard should be applied prospectively and is effective for interim and annual reporting periods beginning after December 15, 2017. We adopted this guidance during the first quarter of 2018. The impact of the adoption did not have a material impact on our consolidated financial statements.

In March 2018, the FASB issued guidance, effective in the first quarter of 2018, for situations where the accounting under Accounting Standards Codification Topic 740 is incomplete for certain income tax effects of the 2017 Tax Cuts and Jobs Act (TCJA) upon issuance of an entity’s financial statements for the reporting period in which the TCJA was enacted. Any provisional amounts or adjustments to provisional amounts as a result of obtaining, preparing, or analyzing additional information about facts and circumstances related to the provisional amounts should be included in income (loss) from continuing operations as an adjustment to income tax expense in the reporting period the amounts are determined. As discussed in Income Taxes below, adjustments to the provisional amounts that are identified within a subsequent measurement period of up to one year from the enactment date will be included as an adjustment to tax expense from continuing operations in the period the amounts are determined.

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Revenue Recognition

On January 1, 2018, we adopted ASC 606 using the retrospective adoption method. The following table presents the effects of adoption on our consolidated financial statements for the comparative periods presented (in thousands):

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
	As Reported	Adoption of ASC 606	As Adjusted	As Reported	Adoption of ASC 606	As Adjusted
Revenues realized from station barter arrangements (a)	$32,460	$(27,055)	$5,405	$60,030	$(50,055)	$9,975
Expenses realized from barter arrangements (b)	$27,550	$(27,055)	$495	$50,795	$(50,055)	$740
Operating income	$118,849	$—	$118,849	$276,478	$—	$276,478
Net income	$44,645	$—	$44,645	$101,847	$—	$101,847
Basic EPS	$0.43	$—	$0.43	$1.04	$—	$1.04
Diluted EPS	$0.43	$—	$0.43	$1.03	$—	$1.03

(a) The remaining balance in the "as adjusted" column relates to trade revenue, which was unaffected by the adoption and has been reclassified to media revenue.

(b) The remaining balance in the "as adjusted" column relates to trade expense, which was unaffected by the adoption and has been reclassified to media production expense.

The following table presents our revenue disaggregated by type and segment (in thousands):

	Three Months Ended June 30, 2018			June 30, 2017		
	Broadcast	Other	Total	Broadcast	Other	Total
Advertising revenue, net of agency commissions	$338,204	$20,918	$359,122	$328,252	$14,394	$342,646
Distribution revenue	291,931	27,527	319,458	251,730	26,989	278,719
Other media and non-media revenues	12,144	39,419	51,563	10,985	19,884	30,869
Total revenues	$642,279	$87,864	$730,143	$590,967	$61,267	$652,234

	Six Months Ended June 30, 2018			June 30, 2017		
	Broadcast	Other	Total	Broadcast	Other	Total
Advertising revenue, net of agency commissions	$637,116	$38,334	$675,450	$638,323	$22,774	$661,097
Distribution revenue	579,056	54,762	633,818	500,792	53,838	554,630
Other media and non-media revenues	22,000	64,228	86,228	21,721	41,722	63,443
Total revenues	$1,238,172	$157,324	$1,395,496	$1,160,836	$118,334	$1,279,170

Advertising Revenue, net of agency commissions. We generate advertising revenue primarily from the sale of advertising spots/impressions on our broadcast television and digital platforms. Advertising revenue is recognized in the period in which the advertising spots/impressions are delivered. In arrangements where we provide audience ratings guarantees; to the extent that there is a ratings shortfall, we will defer a portion of revenue until the ratings shortfall is settled. The term of our advertising arrangements is generally less than one year and the timing between when an advertisement is aired and when payment is due is not significant. In certain circumstances, we require customers to pay in advance; payments received in advance of satisfying our performance obligations are reflected as deferred revenue.

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Distribution Revenue. The Company generates distribution revenue through fees received from multi-channel video programming distributors (MVPDs) and virtual MVPDs for the right to distribute our stations and other properties on their respective distribution platforms. We have determined that these arrangements represent licenses of intellectual property. Distribution arrangements are generally governed by multi-year contracts and the underlying fees are based upon a monthly amount per subscriber. We recognize revenue associated with these licensing arrangements when our customers distribute our stations and other properties on their respective distribution platforms, which is when our performance obligation has been satisfied. The term between invoicing and when payment is due is not significant.

Practical Expedients and Exemptions. We expense sales commissions when incurred because the period of benefit for these costs is one year or less. These costs are recorded within media selling, general and administrative expenses. In accordance with ASC 606, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) distribution arrangements which are accounted for as a sales/usage based royalty.

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

Deferred Revenues. We record deferred revenues when cash payments are received or due in advance of our performance, including amounts which are refundable. Deferred revenues for the periods ended June 30, 2018 and December 31, 2017 were $84.0 million and $49.5 million, respectively. The increase in deferred revenues for the six months ended June 30, 2018 was primarily driven by amounts received or due in advance of satisfying our performance obligations, offset by $21.5 million of revenues recognized that were included in the deferred revenues balance as of December 31, 2017. Deferred revenues for the periods ended June 30, 2017 and December 31, 2016 were $32.3 million and $31.7 million, respectively. The increase in deferred revenues for the six months ended June 30, 2017 was primarily driven by amounts received or due in advance of satisfying our performance obligations offset by $13.7 million of revenues recognized that were included in the deferred revenues balance as of December 31, 2016.

Income Taxes

Our income tax provision for all periods consists of federal and state income taxes. The tax provision for the three and six months ended June 30, 2018 and 2017 is based on the estimated effective tax rate applicable for the full year after taking into account discrete tax items and the effects of the noncontrolling interests. We provide a valuation allowance for deferred tax assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating our ability to realize net deferred tax assets, we consider all available evidence, both positive and negative, including our past operating results, tax planning strategies, and forecasts of future taxable income. In considering these sources of taxable income, we must make certain judgments that are based on the plans and estimates used to manage our underlying businesses on a long-term basis. A valuation allowance has been provided for deferred tax assets related to a substantial portion of our available state net operating loss (NOL) carryforwards, based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies, and projected future taxable income.

Our effective income tax rate for the three months ended June 30, 2018 was less than the statutory rate primarily due to $5.2 million federal tax credits related to investments in sustainability initiatives and a $4.2 million state benefit related to a change in apportionment estimates on recognition of previously deferred tax gain from the sale of certain broadcast spectrum in connection with the Broadcast Incentive Auction, as discussed in Note 2. Acquisitions and Dispositions of Assets. Our effective income tax rate for the six months ended June 30, 2018 was less than the statutory rate primarily due to a $17.7 million permanent tax benefit recognized from an IRS tax ruling on the treatment of the gain from the sale of certain broadcast spectrum in connection with the Broadcast Incentive Auction, as discussed in Note 2. Acquisitions and Dispositions of Assets, and $6.3 million federal tax credits related to investments in sustainability initiatives. Our effective income tax rate for the three and six months ended June 30, 2017 approximated the statutory rate.

Pursuant to the guidance within SEC Staff Accounting Bulletin No. 118 (SAB 118), as of June 30, 2018, the Company continues to analyze certain aspects of the TCJA and refine its assessment. The ultimate impact of the TCJA differ from the provisional amounts recorded by the Company at December 31, 2017 due to its continued analysis or further regulatory guidance that may be issued as a result of the TCJA. Pursuant to SAB 118, adjustments to the provisional amounts that are identified within a subsequent measurement period of up to one year from the enactment date will be included as an adjustment to tax expense from continuing operations in the period the amounts are determined.

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Network Affiliation Agreements

On May 8, 2018, we entered into an agreement with Fox Broadcasting Company for the renewal of our Fox affiliates. The agreement expires on December 31, 2020. In the event that the Tribune acquisition discussed in Pending Acquisitions within Note 2. Acquisitions and Dispositions of Assets does not close before December 31, 2018, Fox will have a right to terminate this agreement with 30 days notice.

Subsequent Events

In August 2018, our Board of Directors declared a quarterly dividend of $0.18 per share, payable on September 17, 2018 to holders of record at the close of business on August 31, 2018.

Reclassifications

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

2. ACQUISITIONS AND DISPOSITIONS OF ASSETS:

Acquisitions

Bonten. On September 1, 2017, we acquired the stock of Bonten Media Group Holdings, Inc. (Bonten) and Cunningham acquired the membership interest of Esteem Broadcasting LLC for an aggregate purchase price of $240.0 million plus a working capital adjustment, excluding cash acquired, of $2.2 million accounted for as a business combination under the acquisition method of accounting. As a result of the transaction, we added 14 television stations in 8 markets: Tri-Cities, TN/VA; Greensville/New Bern/Washington, NC; Chico/Redding, CA; Abilene/Sweetwater, TX; Missoula, MT; Butte/Bozeman, MT; San Angelo, TX; and Eureka, CA. Cunningham assumed the joint sales agreement under which we will provide services to 4 additional stations. The transaction was funded with cash on hand. The acquisition will expand our regional presence in several states where we already operate and help us bring improvements to small market stations.

The following table summarizes the allocated fair value of acquired assets and assumed liabilities (in thousands):

Accounts receivable	$14,536
Prepaid expenses and other current assets	699
Program contract costs	988
Property and equipment	27,295
Definite-lived intangible assets	161,936
Indefinite-lived intangible assets	425
Other assets	3,609
Accounts payable and accrued liabilities	(8,846)
Program contracts payable	(988)
Deferred tax liability	(66,158)
Other long term liabilities	(12,265)
Fair value of identifiable, net assets acquired	121,231
Goodwill	120,921
Total purchase price, net of cash acquired	$242,152

The preliminary purchase price allocation presented above is based upon management's estimate of the fair value of the acquired assets and assumed liabilities using valuation techniques including income, cost, and market approaches. The fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates, and estimated discount rates. The allocation is preliminary pending a final determination of the fair value of the assets and liabilities.

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During the six months ended June 30, 2018, we made certain measurement period adjustments to the initial Bonten purchase price allocation resulting in reclassifications between certain non-current assets and liabilities, including an increase to goodwill of $1.5 million.

The definite-lived intangible assets of $161.9 million are comprised of network affiliations of $53.3 million and customer relationships of $108.6 million. These intangible assets will be amortized over a weighted average useful life of 15 and 14 years for network affiliations and customer relationships, respectively. Acquired property and equipment will be depreciated on a straight-line basis over the respective estimated remaining useful lives. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and noncontractual relationships, as well as expected future synergies. We expect that goodwill deductible for tax purposes will be approximately $5.6 million. Net revenues and operating income of the Bonten stations on our consolidated statements of operations were $23.4 million and $4.1 million, respectively, for the three months ended June 30, 2018 and $45.4 million and $5.7 million, respectively, for the six months ended June 30, 2018.

Other 2017 Acquisitions. During 2017, we acquired certain media assets for an aggregated purchase price of $27.4 million, less working capital of $2.7 million. The transaction was funded with cash on hand.

Pending Acquisitions.

In May 2017, we entered into a definitive agreement to acquire the stock of Tribune Media Company (Tribune). Under the terms of the agreement, Tribune stockholders will receive $35.00 in cash and 0.23 shares of Sinclair Class A common stock for each share of Tribune Class A common stock and Class B common stock they own. As part of this acquisition we would assume approximately $1.1 billion of outstanding debt held by Tribune. Tribune owns or operates 42 television stations in 33 markets, cable network WGN America, digital multicast network Antenna TV, minority stakes in the TV Food Network, ThisTV, and CareerBuilder, and a variety of real estate assets. Tribune's stations consist of 14 FOX, 12 CW, 6 CBS, 3 ABC, 2 NBC, 3 MyNetworkTV affiliates, and 2 independent stations. In October 2017, Tribune shareholders approved the merger agreement and bondholders consented to the assignment of the notes under the change of control. In April and May 2018, in order to obtain necessary governmental approval for the acquisition of Tribune, and for other business purposes, we entered into definitive agreements with third parties to divest 14 Tribune television stations in 14 markets and the stations discussed in Assets and Liabilities Held for Sale below. The divestitures are contingent upon the closing of the Tribune acquisition and are expected to close concurrent with the Tribune acquisition. We expect to fund the purchase price through a combination of cash on hand and debt financing. On July 19, 2018, the FCC released a Hearing Designation Order (HDO) to commence a hearing before an Administrative Law Judge (ALJ) with respect to the Company's acquisition of Tribune. We cannot predict the timeframe for completion or the outcome of the ALJ hearing. In addition, in light of the release of the HDO, there can be no assurance that the transaction with Tribune will be consummated. The failure to complete the transaction may adversely affect Sinclair's business and operations. See Litigation and other legal matters within Note 4. Commitments and Contingencies for further discussion.

For the three and six months ended June 30, 2018, we incurred $5.2 million and $9.9 million, respectively, of costs in connection with this acquisition, primarily related to legal and other professional services, which we expensed as incurred and classified as corporate general and administrative expenses on our consolidated statements of operations. As of June 30, 2018, we capitalized approximately $12.1 million in costs associated with the financing of the acquisition. In the event that the acquisition does not close, these capitalized fees would be recognized as expense. See Assets and Liabilities Held for Sale below for further discussion of divestitures related to this transaction. See Note 3. Notes Payable and Commercial Bank Financing for further discussion on debt financing.

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Dispositions

Broadcast Incentive Auction. Congress authorized the FCC to conduct so-called “incentive auctions” to auction and re-purpose broadcast television spectrum for mobile broadband use. Pursuant to the auction, television broadcasters submitted bids to receive compensation for relinquishing all or a portion of its rights in the television spectrum of their full-service and Class A stations. Low power stations were not eligible to participate in the auction and are not protected and therefore may be displaced or forced to go off the air as a result of the post-auction repacking process. We received total proceeds of $310.8 million from the auction.

For the six months ended June 30, 2018, we recognized a gain of $83.3 million which is included within gain on asset dispositions, net of impairment on our consolidated statements of operations. This gain relates to the auction proceeds associated with one market where the underlying spectrum was vacated during the first quarter of 2018. The results of the auction are not expected to produce any material change in operations of the Company as there is no change in on air operations.

In the repacking process associated with the auction, the FCC has reassigned some stations to new post-auction channels. We do not expect reassignment to new channels to have a material impact on our coverage. We have received notification from the FCC that 98 of our stations have been assigned to new channels. The legislation authorizing the incentive auction provided the FCC with a $1.75 billion fund to reimburse reasonable costs incurred by stations that are reassigned to new channels in the repack. The 2018 Consolidated Appropriations Act appropriated an additional $600 million to the fund for the fiscal year 2018, and an additional $400 million for the fiscal year 2019. The 2018 Consolidated Appropriations Act also enlarged the number of stations eligible to receive reimbursement to include low power television stations and television translator stations. We expect that the reimbursements from the fund will cover the majority of our expenses related to the repack. During the three and six months ended June 30, 2018, capital expenditures related to the spectrum repack were $8.3 million and $11.7 million, respectively.

Assets and Liabilities Held for Sale. We classify assets and liabilities separately on our consolidated balance sheets at the lower of carrying value or fair value less costs to sell when the criteria for held for sale classification are met. Once assets are classified as held for sale, we do not record depreciation or amortization expense.

We agreed to sell the assets of certain consolidated television stations within our broadcast segment including WXLV in Greensboro, NC; WRLH in Richmond, VA; WOLF/WQMY/WSWB in Wilkes-Barre, PA; KOKH in Oklahoma City, OK; and KDSM in Des Moines, IA. The sale is part of Sinclair’s larger acquisition of Tribune, in order to obtain necessary governmental approval of the Tribune transaction and for other business purposes. The sale of these stations is contingent upon the closing of the Tribune acquisition. See Pending Acquisitions within Note 2. Acquisitions and Dispositions of Assets for further discussion of Tribune acquisition. The assets and liabilities of these stations met the criteria for held for sale classification as of June 30, 2018 and are classified as held for sale on our consolidated balance sheet.

We have also classified one of our consolidated real estate development projects as held for sale based upon a pending transaction which is currently expected to close in 2018. During the first quarter the carrying value of these assets have been adjusted to fair value less costs to sell which resulted in an impairment of approximately $63.0 million which is reflected in gains/losses on asset dispositions, net of impairments within our statement of operations. During the second quarter, the Company recorded a $3.4 million correcting adjustment to reduce the impairment to $59.6 million. This adjustment was not material to either the first quarter or second quarter results. The fair value of the real estate investment was determined based on both observable and unobservable inputs, including the expected sales price as supported by discounted cash flow model. Due to uncertainties in the estimation process, actual results could differ from the estimates used in our analysis.

As of June 30, 2018, the major classes of assets and liabilities reported as held for sale on the accompanying consolidated balance sheets are shown below (in thousands):

Current assets	$1,234
Property and equipment	14,651
Goodwill and indefinite-lived intangible assets	104,897
Definite-lived intangible assets	28,788
Other non-current assets	34
Assets held for sale	$149,604
Current liabilities	$3,668
Non-current liabilities	7,642
Liabilities held for sale	$11,310

3. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

Incremental Term B Facility related to Tribune acquisition

In connection with the pending acquisition of Tribune, discussed in Note 2. Acquisitions and Dispositions of Assets, in May 2017, we entered into financing commitment letters with certain financial institutions (the "Committed Lenders"). In December 2017, the Term Loan B commitments provided in the commitment letters were syndicated, providing \$3.7 billion of Term B loans to be issued and drawn at closing of the acquisition, which mature in 2024 and are priced at LIBOR plus 2.50%, under our Bank Credit Agreement, which will be amended at closing. The financing and amendment of our Bank Credit Agreement is contingent upon the closing of the Tribune acquisition. We began to expense a ticking fee on undrawn amounts under the new term B loans beginning on January 12, 2018 of 1.25% for the first 30 days, 2.50% for the next 60 days, and LIBOR plus 2.50% thereafter. Ticking fees expensed were \$39.3 million and \$56.3 million for the three and six months ended June 30, 2018, respectively, and are included in interest expense on our consolidated statements of operations. The existing commitments expire on August 8, 2018. We are working with the Committed Lenders to extend the financing commitments. See Litigation and other legal matters under Note 4. Commitments and Contingencies for further discussion of the Tribune acquisition.

Notes payable and capital leases to affiliates

The current portion of notes payable, capital leases, and commercial bank financing on our consolidated balance sheets includes notes payable and capital leases to affiliates of \$2.0 million and \$1.7 million, net of deferred financing cost, as of June 30, 2018 and December 31, 2017. Notes payable, capital leases, and commercial bank financing, less current portion, on our consolidated balance sheets includes long-term notes payable and capital leases to affiliates of \$11.3 million and \$12.5 million, net of deferred financing cost, as of June 30, 2018 and December 31, 2017, respectively.

Bank Credit Agreement

Approximately \$111.4 million of Term Loan A-1 debt under the Bank Credit Agreement matured on April 9, 2018 and was paid with cash on hand.

Debt of variable interest entities

The proceeds of the outstanding debt of our consolidated VIEs were used to purchase the license assets of certain stations. See Variable Interest Entities under Note 1. Nature of Operations and Summary of Significant Accounting Policies for more information. We have jointly and severally, unconditionally and irrevocably guaranteed the debt of the VIEs, as a primary obligor, including the payment of all unpaid principal of and interest on the loans. We guaranteed \$67.5 million and \$62.3 million of debt, net of deferred financing costs, related to VIEs as of June 30, 2018 and December 31, 2017, respectively, of which \$26.4 million and \$29.3 million, net of deferred financing costs, is included on our consolidated balance sheets as of June 30, 2018 and December 31, 2017, respectively.

4. COMMITMENTS AND CONTINGENCIES:

Litigation and other legal matters

We are a party to lawsuits and claims from time to time in the ordinary course of business. Actions currently pending are in various stages and no material judgments or decisions have been rendered by hearing boards or courts in connection with such actions. After reviewing developments to date with legal counsel, our management is of the opinion that none of our pending and threatened matters is material.

On December 21, 2017, the FCC issued a Notice of Apparent Liability for Forfeiture proposing a $13.4 million fine for alleged violations of the FCC's sponsorship identification rules by the Company and certain of its subsidiaries. Based on a review of the current facts and circumstances, management has provided for what is believed to be a reasonable estimate of the loss exposure for this matter. We have responded to dispute the Commission's findings and the proposed fine; however, we cannot predict the outcome of any potential FCC action related to this matter. We do not believe that the ultimate outcome of this matter will have a material effect on the Company's financial statements.

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As of August 7, 2018, the Company is aware of three putative class action lawsuits filed in United States District Court against the Company, Tribune Media Company, Tribune Broadcasting Company, LLC and other defendants, including some that are unnamed. The lawsuits allege that the defendants conspired to fix prices for commercials to be aired on broadcast television stations throughout the United States, in violation of the Sherman Antitrust Act. The lawsuits seek damages, attorney’s fees, costs and interest, as well as enjoinment from adopting practices or plans which would restrain competition in a similar manner as alleged in the lawsuits. The Company believes the lawsuits may have been related to media reports of a Civil Investigative Demand (CID) the Company received from the Department of Justice earlier this year, which regarded an investigation to determine whether there had been a violation of the Sherman Act by sharing of pace data within the industry. The CID indicated that it was issued in connection with the Company’s acquisition of Tribune. The Company believes these class action lawsuits are without merit and intends to vigorously defend against the allegations.

On July 19, 2018, the FCC released a Hearing Designation Order (HDO) to commence a hearing before an Administrative Law Judge (ALJ) with respect to the Company’s acquisition of Tribune, discussed under Pending Acquisitions within Note 2. Acquisitions and Dispositions of Assets. The HDO directs the FCC's Media Bureau to hold in abeyance all other pending applications and amendments thereto related to the proposed merger until the issues that are the subject of the HDO have been resolved with finality. The HDO asks the ALJ to determine (i) whether Sinclair was the real party in interest to the sale of WGN-TV, KDAF(TV), and KIAH(TV), (ii) if so, whether the Company engaged in misrepresentation and/or lack of candor in its applications with the FCC and (iii) whether consummation of the overall transaction would be in the public interest and compliance with the FCC’s ownership rules. The Company maintains that the overall transaction and the proposed divestitures comply with the FCC’s rules, and strongly rejects any allegation of misrepresentation or lack of candor; however, we cannot predict the timing for completion or the outcome of the ALJ hearing. While review of the issues raised by the HDO remains pending, the Company's ability to acquire additional TV stations may be impacted. In addition, in light of the release of the HDO, there can be no assurance that the transaction with Tribune will be consummated. The failure to complete the transaction may adversely affect Sinclair’s business and operations.

Changes in the Rules of Television Ownership, Local Marketing Agreements, Joint Sales Agreements, Retransmission Consent Negotiations, and National Ownership Cap

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

In 1999, the FCC established a new local television ownership rule which made LMAs attributable. However, the rule grandfathered LMAs that were entered into prior to November 5, 1996, and permitted the applicable stations to continue operations pursuant to the LMAs until the conclusion of the FCC’s 2004 biennial review. The FCC stated it would conduct a case-by-case review of grandfathered LMAs and assess the appropriateness of extending the grandfathering periods. The FCC did not initiate any review of grandfathered LMAs in 2004 or as part of its subsequent quadrennial reviews. We do not know when, or if, the FCC will conduct any such review of grandfathered LMAs. Currently, all of our LMAs are grandfathered under the local television ownership rule because they were entered into prior to November 5, 1996. If the FCC were to eliminate the grandfathering of these LMAs, we would have to terminate or modify these LMAs.

In February 2015, the FCC issued an order implementing certain statutorily required changes to its rules governing the duty to negotiate retransmission consent agreements in good faith. With these changes, a television broadcast station is prohibited from negotiating retransmission consent jointly with another television station in the same market unless the “stations are directly or indirectly under common de jure control permitted under the regulations of the Commission.” During a 2015 retransmission consent negotiation, a MVPD filed a complaint with the FCC accusing us of violating this rule. Although we reached agreement with the MVPD, the FCC initiated an investigation. In order to resolve the investigation and all other pending matters before the FCC's Media Bureau (including the grant of all outstanding renewals and dismissal or cancellation of all outstanding adversarial pleadings or forfeitures before the Media Bureau), the Company, on July 29, 2016, without any admission of liability, entered into a consent decree with the FCC pursuant to which the Company paid a settlement payment and agreed to be subject to ongoing compliance monitoring by the FCC for a period of 36 months.

In September 2015, the FCC released a Notice of Proposed Rulemaking in response to a Congressional directive in STELAR to examine the “totality of the circumstances test” for good-faith negotiations of retransmission consent. The proposed rulemaking sought comment on new factors and evidence to consider in the FCC's evaluation of claims of bad faith negotiation, including service interruptions prior to a “marquee sports or entertainment event,” restrictions on online access to broadcast programming during negotiation impasses, broadcasters’ ability to offer bundles of broadcast signals with other broadcast stations or cable

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networks, and broadcasters’ ability to invoke the FCC’s exclusivity rules during service interruptions. On July 14, 2016, then-Chairman Wheeler announced that the FCC would not, at such time, proceed to adopt additional rules governing good faith negotiations of retransmission consent. No formal action has yet been taken on this Proposed Rulemaking, and we cannot predict if the full Commission will agree to terminate the Rulemaking without action.

In August 2016, the FCC completed both its 2010 and 2014 quadrennial reviews of its media ownership rules and issued an order (Ownership Order) which left most of the existing multiple ownership rules intact, but amended the rules to provide for the attribution of JSAs where two television stations are located in the same market, and a party with an attributable interest in one station sells more than 15% of the advertising time per week of the other station. JSAs existing as of March 31, 2014, were grandfathered until October 1, 2025, at which point they would have to be terminated, amended or otherwise come into compliance with the JSA attribution rule. On November 20, 2017, the FCC released an Ownership Order on Reconsideration that, among other things, eliminated the JSA attribution rule. The rule changes adopted in the Ownership Order on Reconsideration became effective on February 7, 2018. A Petition for Review of the Ownership Order on Reconsideration, including the elimination of the JSA attribution rule, was filed in the U.S. Court of Appeals for the Third Circuit. On February 7, 2018, the court denied, among other things, Petitioners' request to stay the effective date of the Ownership Order on Reconsideration and instead issued a stay of the appeal for a period of 6 months. A Petition for Review of the Ownership Order on Reconsideration was subsequently filed in the U.S. District Court of Appeals for the District of Columbia Circuit, and was transferred to the Third Circuit and is subject to the stay. We cannot predict the outcome of this proceeding. If we are required to terminate or modify our LMAs or JSAs, our business could be adversely affected in several ways, including losses on investments and termination penalties.

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

Losses on investments. In some cases, we own the non-license assets used by the stations we operate under LMAs and JSAs. If certain of these arrangements are no longer permitted, we could be forced to sell these assets, restructure our agreements or find another use for them. If this happens, the market for such assets may not be as good as when we purchased them and, therefore, we cannot be certain of a favorable return on our original investments.

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

On September 6, 2016, the FCC released the UHF Discount Order, eliminating the UHF Discount. The UHF discount allowed television station owners to discount the coverage of UHF stations when calculating compliance with the FCC’s national ownership cap, which prohibits a single entity from owning television stations that reach, in total, more than 39% of all the television households in the nation. All but 34 of the stations we currently own and operate, or to which we provide programming services are UHF. On April 20, 2017, the FCC acted on a Petition for Reconsideration of the UHF Discount Order and adopted the UHF Discount Order on Reconsideration which reinstated the UHF discount, which became effective June 15, 2017 and is currently in effect. A Petition for Review of the UHF Discount Order on Reconsideration was filed in the U.S. Court of Appeals for the D.C. Circuit on May 12, 2017. The court denied the Petition for Review on July 25, 2018. On December 18, 2017, the Commission released a Notice of Proposed Rulemaking to examine the national audience reach cap, including the UHF discount. We cannot predict the outcome of the rulemaking proceeding. With the application of the UHF discount counting all our present stations we reach approximately 25% of U.S. households.With the pending Tribune transaction, absent divestitures, we would exceed the 39% cap, even with the application of the UHF discount. We have filed FCC applications to divest stations in certain markets, which would bring our national audience reach under the 39% cap (including the UHF discount) upon closing. Changes to the national ownership cap could limit our ability to make television station acquisitions.

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5. EARNINGS PER SHARE:

The following table reconciles income (numerator) and shares (denominator) used in our computations of basic and diluted earnings per share for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income (Numerator)				
Net income	$29,309	$46,035	$73,304	$116,738
Net income attributable to noncontrolling interests	(1,268)	(1,390)	(2,139)	(14,891)
Numerator for basic and diluted earnings per common share available to common shareholders	$28,041	$44,645	$71,165	$101,847
Shares (Denominator)				
Weighted-average common shares outstanding	102,224	102,649	102,062	97,668
Dilutive effect of stock-settled appreciation rights and outstanding stock options	762	1,016	890	1,039
Weighted-average common and common equivalent shares outstanding	102,986	103,665	102,952	98,707

The following table shows the weighted-average stock-settled appreciation rights and outstanding stock options (in thousands) that are excluded from the calculation of diluted earnings per common share as the inclusion of such shares would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weighted-average stock-settled appreciation rights and outstanding stock options excluded	1,600	—	1,050	—

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6. SEGMENT DATA:

We measure segment performance based on operating income (loss). Our broadcast segment includes stations in 89 markets located throughout the continental United States. Other primarily consists of original networks and content, non-broadcast digital and internet solutions, technical services, and other non-media investments. All of our businesses are located within the United States. Corporate costs primarily include our costs to operate as a public company and to operate our corporate headquarters location. Other and Corporate are not reportable segments but are included for reconciliation purposes.

We had approximately $160.1 million and $172.7 million of intercompany loans between the broadcast segment, other, and corporate as of June 30, 2018 and 2017, respectively. We had $3.8 million and $4.2 million in intercompany interest expense related to intercompany loans between the broadcast segment, other, and corporate for the three months ended June 30, 2018 and 2017, respectively. We had $7.6 million and $9.9 million in intercompany interest expense related to intercompany loans between the broadcast segment, other, and corporate for the six months ended June 30, 2018 and 2017.

Segment financial information is included in the following tables for the periods presented (in thousands):

For the three months ended June 30, 2018	Broadcast	Other	Corporate	Consolidated
Revenue	$642,279	$87,864	$ —	$ 730,143
Depreciation of property and equipment	21,178	1,920	19	23,117
Amortization of definite-lived intangible assets and other assets	37,786	5,331	—	43,117
Amortization of program contract costs and net realizable value adjustments	24,710	—	—	24,710
Corporate general and administrative expenses	26,590	221	2,874	29,685
Gain on asset dispositions, net of impairment	(1,301)	(3,440)	—	(4,741)
Operating income (loss)	140,607	(6,132)	(2,893)	131,582
Interest expense	1,438	198	90,635	92,271
Loss from equity investments	—	(17,483)	—	(17,483)
Assets	4,787,400	734,075	1,060,068	6,581,543
For the three months ended June 30, 2017	Broadcast	Other	Corporate	Consolidated
Revenue (a)	$590,967	$61,267	$ —	$ 652,234
Depreciation of property and equipment	21,559	1,819	225	23,603
Amortization of definite-lived intangible assets and other assets	38,298	5,079	—	43,377
Amortization of program contract costs and net realizable value adjustments	28,896	—	—	28,896
Corporate general and administrative expenses	22,349	273	2,429	25,051
Gain on asset dispositions, net of impairment	(22)	(128)	—	(150)
Operating income (loss)	131,284	(9,781)	(2,654)	118,849
Interest expense	1,329	216	49,414	50,959
Income from equity investments	—	1,462	—	1,462

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For the six months ended June 30, 2018	Broadcast	Other	Corporate	Consolidated
Revenue	$1,238,172	$157,324	$ —	$1,395,496
Depreciation of property and equipment	46,577	3,827	38	50,442
Amortization of definite-lived intangible assets and other assets	76,256	10,466	—	86,722
Amortization of program contract costs and net realizable value adjustments	51,660	—	—	51,660
Corporate general and administrative overhead expenses	48,334	476	5,471	54,281
(Gain) loss on asset dispositions, net of impairment	(85,400) (d)	59,550 (c)	—	(25,850)
Operating income (loss)	316,774 (d)	(72,368) (c)	(5,509)	238,897
Interest expense	2,809	400	158,804	162,013
Income (loss) from equity investments	—	(29,983)	23	(29,960)
For the six months ended June 30, 2017	Broadcast	Other	Corporate	Consolidated
Revenue (a)	$1,160,836	$118,334	$ —	$1,279,170
Depreciation of property and equipment	43,505	3,588	491	47,584
Amortization of definite-lived intangible assets and other assets	76,624	12,307	—	88,931
Amortization of program contract costs and net realizable value adjustments	59,915	—	—	59,915
Corporate general and administrative overhead expenses	41,340	561	3,726	45,627
(Gain) on asset dispositions, net of impairment	(380)	(53,117) (b)	—	(53,497)
Operating income (loss)	245,827	34,868 (b)	(4,217)	276,478
Interest expense	2,695	1,429	104,153	108,277
Income from equity investments	—	141	—	141

(a) Revenue has been adjusted for the adoption of ASC 606. See Note 1. Nature of Operations and Summary of Significant Accounting Policies.

(b) Includes a gain on the sale of Alarm of $53.0 million, of which $12.3 million was attributable to noncontrolling interests. See Note 2. Acquisitions and Dispositions of Assets.

(c) Includes a $59.6 million impairment to the carrying value of a consolidated real estate venture. See Note 2. Acquisitions and Dispositions of Assets.

(d) Includes a gain of $83.3 million related to the auction proceeds. See Note 2. Acquisitions and Dispositions of Assets.

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7. RELATED PERSON TRANSACTIONS:

Transactions with our controlling shareholders

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

Leases. Certain assets used by us and our operating subsidiaries are leased from Cunningham Communications Inc. (an owner of broadcast towers), Keyser Investment Group, Gerstell Development Limited Partnership, and Beaver Dam, LLC (entities owned by the controlling shareholders). Lease payments made to these entities were $1.3 million and $1.2 million for the three months ended June 30, 2018 and 2017, respectively, and $2.7 million and $2.5 million for the six months ended June 30, 2018 and 2017, respectively.

Charter Aircraft. We lease aircraft owned by certain controlling shareholders. For all aircraft leases, we incurred expenses of $0.4 million for both the three months ended June 30, 2018 and 2017, and $0.8 million and $0.9 million for the six months ended June 30, 2018 and 2017, respectively.

Cunningham Broadcasting Corporation

Cunningham owns a portfolio of television stations, including: WNUV-TV Baltimore, Maryland; WRGT-TV Dayton, Ohio; WVAH-TV Charleston, West Virginia; WMYA-TV Anderson, South Carolina; WTTE-TV Columbus, Ohio; WDBB-TV Birmingham, Alabama; WBSF-TV Flint, Michigan; WGTU-TV/WGTQ-TV Traverse City/Cadillac, Michigan; WEMT-TV Tri-Cities, Tennessee; WYDO-TV Greenville, North Carolina; KBVU-TV/KCVU-TV Eureka/Chico-Redding, California; WPFO-TV Portland, Maine; and KRNV-DT/KENV-DT Reno, Nevada/Salt Lake City, Utah (collectively, the Cunningham Stations). Certain of our stations provide services to these Cunningham Stations pursuant to LMAs or JSAs and SSAs. See Note 1. Nature of Operations and Summary of Significant Accounting Policies, for further discussion of the scope of services provided under these types of arrangements. As of June 30, 2018, we have jointly and severally, unconditionally and irrevocably guaranteed $52.5 million of Cunningham's debt, of which $10.5 million, net of $0.8 million deferred financing costs, relates to the Cunningham VIEs that we consolidate, as discussed further below.

The voting stock of the Cunningham Stations was owned by the estate of Carolyn C. Smith, the mother of our controlling shareholders, until January 2018, when the voting stock was purchased by an unrelated party after receiving FCC approval. All of the non-voting stock is owned by trusts for the benefit of the children of our controlling shareholders. We consolidate certain subsidiaries of Cunningham with which we have variable interests through various arrangements related to the Cunningham Stations, as discussed further below.

The services provided to WNUV-TV, WMYA-TV, WTTE-TV, WRGT-TV and WVAH-TV are governed by a master agreement which has a current term that expires on July 1, 2023 and we have two additional 5-year renewal terms remaining with final expiration on July 1, 2033. We also executed purchase agreements to acquire the license related assets of these stations from Cunningham, which grant us the right to acquire, and grant Cunningham the right to require us to acquire, subject to applicable FCC rules and regulations, 100% of the capital stock or the assets of these individual subsidiaries of Cunningham. Pursuant to the terms of this agreement we are obligated to pay Cunningham an annual fee for the television stations equal to the greater of (i) 3% of each station's annual net broadcast revenue or (ii) $5.0 million. The aggregate purchase price of these television stations increases by 6% annually. A portion of the fee is required to be applied to the purchase price to the extent of the 6% increase. The remaining aggregate purchase price of these stations as of June 30, 2018 was approximately $53.6 million. Additionally, we provide services to WDBB-TV pursuant to an LMA, which expires April 22, 2025, and own a purchase option to acquire for $0.2 million.

We paid Cunningham, under these agreements, $2.1 million and $1.9 million for the three months ended June 30, 2018 and 2017, respectively, and $4.7 million and $3.9 million for the six months ended June 30, 2018 and 2017, respectively.

The agreements with KBVU-TV/KCVU-TV, KRNV-DT/KENV-DT, WBSF-TV, WEMT-TV, WGTU-TV/WGTQ-TV, WPFO-TV, and WYDO-TV expire in December 2020, November 2021, November 2021, May 2023, August 2023, December 2023, and August 2025, respectively, and each has renewal provisions for successive eight year periods. We earned $15.5 million and $1.4 million from the services we performed for these stations for the three months ended June 30, 2018 and 2017, respectively, and $28.9 million and $2.8 million for the six months ended June 30, 2018 and 2017, respectively. Cunningham assumed the joint sales agreement under which we will provide services to WEMT-TV, WYDO-TV, and KBVU-TV/KCVU-TV in September 2017 with the acquisition of the membership interest of Esteem Broadcasting LLC in connection with our acquisition of Bonten Media Group, as discussed in Note 2. Acquisitions and Dispositions of Assets.

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As we consolidate the licensees as VIEs, certain amounts we earn or pay under the arrangements are eliminated in consolidation and the gross revenues of the stations are reported on our consolidated statements of operations. Our consolidated revenues include $38.8 million and $26.9 million for the three months ended June 30, 2018 and 2017, respectively, and $76.3 million and $53.0 million for the six months ended June 30, 2018 and 2017, respectively, related to the Cunningham Stations.

In April 2016, we entered into an agreement with Cunningham to provide master control equipment and provide master control services to a station in Johnstown, PA with which Cunningham has an LMA that expires in April 2019. Under the agreement, Cunningham paid us an initial fee of $0.7 million and pays us $0.2 million annually for master control services plus the cost to maintain and repair the equipment. In August 2016, we entered into an agreement, expiring in October 2021, with Cunningham to provide a news share service with the Johnstown, PA station beginning in October 2016 for an annual fee of $1.0 million.

In 2017, Cunningham repaid, in its entirety, a January 2016 promissory note to borrow $19.5 million from us. Interest income from the note receivable was $0.2 million and $0.5 million for the three and six months ended June 30, 2017, respectively.

Atlantic Automotive Corporation

We sell advertising time to Atlantic Automotive Corporation (Atlantic Automotive), a holding company that owns automobile dealerships and an automobile leasing company. David D. Smith, our Executive Chairman, has a controlling interest in, and is a member of the Board of Directors of, Atlantic Automotive. We received payments for advertising totaling less than $0.1 million and $0.2 million for the three months ended June 30, 2018 and 2017, respectively, and $0.1 million and $0.3 million for the six months ended June 30, 2018 and 2017, respectively.

Additionally, Atlantic Automotive leased office space owned by one of our non-media investments accounted for under the equity method. This investment was sold in May 2017. Atlantic Automotive paid $0.1 million and $0.4 million in rent for the three and six months ended June 30, 2017.

Leased property by real estate ventures

Certain of our real estate ventures have entered into property leases with entities owned by members of the Smith Family. Total rent received under these leases was $0.1 million and $0.1 million for the three months ended June 30, 2018 and 2017, respectively, and $0.2 million and $0.3 million for the six months ended June 30, 2018 and 2017, respectively.

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8. FAIR VALUE MEASUREMENTS:

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

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

The following table sets forth the face value and fair value of our notes and debentures for the periods presented (in thousands):

	As of June 30, 2018		As of December 31, 2017	
	Face Value (a)	Fair Value	Face Value (a)	Fair Value
Level 2:				
6.125% Senior Unsecured Notes due 2022	$500,000	$508,750	$500,000	$515,535
5.875% Senior Unsecured Notes due 2026	350,000	343,438	350,000	363,475
5.625% Senior Unsecured Notes due 2024	550,000	545,188	550,000	568,205
5.375% Senior Unsecured Notes due 2021	600,000	603,000	600,000	610,440
5.125% Senior Unsecured Notes due 2027	400,000	368,000	400,000	396,088
Term Loan A-1 (b)	—	—	117,370	117,370
Term Loan A-2	104,610	104,610	113,327	113,327
Term Loan B	1,349,450	1,339,329	1,356,300	1,357,995
Debt of variable interest entities	27,447	27,447	29,614	29,614
Debt of other operating divisions	22,197	22,197	25,238	25,238

(a) Amounts are carried on our consolidated balance sheets net of debt discount and deferred financing cost, which are excluded in the above table, of $36.6 million and $39.0 million as of June 30, 2018 and December 31, 2017, respectively.

(b) Term Loan A-1 debt matured during the quarter ended June 30, 2018. For additional information, see Note 3. Notes Payable and Commercial Bank Financing.

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9. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

STG, a wholly-owned subsidiary and the television operating subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under the Bank Credit Agreement, the 5.375% Notes, 5.625% Notes, 6.125% Notes, 5.875% Notes, and 5.125% Notes. Our Class A Common Stock and Class B Common Stock as of June 30, 2018, were obligations or securities of SBG and not obligations or securities of STG. SBG is a guarantor under the Bank Credit Agreement, the 5.375% Notes, 5.625% Notes, 6.125% Notes, 5.875% Notes, and 5.125% Notes. As of June 30, 2018, our consolidated total debt, net of deferred financing costs and debt discounts, of $3,908.2 million included $3,889.8 million related to STG and its subsidiaries of which SBG guaranteed $3,845.1 million.

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

The following condensed consolidating financial statements present the consolidated balance sheets, consolidated statements of operations, and consolidated statements of cash flows of SBG, STG, KDSM, LLC, and the guarantor subsidiaries, the direct and indirect non-guarantor subsidiaries of SBG and the eliminations necessary to arrive at our information on a consolidated basis. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The consolidating financial statements for the three and six months ended June 30, 2018, have been revised for the adoption of ASC 606 as discussion under Recent Accounting Pronouncements and Revenue Recognition within Note 1. Nature of Operations and Summary of Significant Accounting Policies.

These statements are presented in accordance with the disclosure requirements under SEC Regulation S-X, Rule 3-10.

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CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 2018
(in thousands) (unaudited)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$—	$956,412	$10,475	$47,831	$—	$1,014,718
Accounts receivable	—	—	507,328	58,842	—	566,170
Other current assets	4,105	10,162	81,843	28,362	(26,601)	97,871
Total current assets	4,105	966,574	599,646	135,035	(26,601)	1,678,759
Property and equipment, net	791	32,196	574,942	70,419	(11,712)	666,636
Investment in consolidated subsidiaries	1,589,959	3,756,415	4,179	—	(5,350,553)	—
Goodwill	—	—	2,018,206	3,867	—	2,022,073
Indefinite-lived intangible assets	—	—	142,381	14,273	—	156,654
Definite-lived intangible assets	—	—	1,666,827	74,405	(54,969)	1,686,263
Other long-term assets	30,066	836,596	257,882	180,629	(934,015)	371,158
Total assets	$1,624,921	$5,591,781	$5,264,063	$478,628	$(6,377,850)	$6,581,543
Accounts payable and accrued liabilities	$88	$137,104	$260,779	$85,009	$(27,517)	$455,463
Current portion of long-term debt	—	31,135	4,254	9,291	(489)	44,191
Other current liabilities	—	—	61,437	6,927	(1)	68,363
Total current liabilities	88	168,239	326,470	101,227	(28,007)	568,017
Long-term debt	—	3,787,552	35,446	381,986	(340,936)	3,864,048
Other liabilities	3,666	41,369	1,144,822	171,178	(796,975)	564,060
Total liabilities	3,754	3,997,160	1,506,738	654,391	(1,165,918)	4,996,125
Total Sinclair Broadcast Group equity (deficit)	1,621,167	1,594,621	3,757,325	(135,558)	(5,216,388)	1,621,167
Noncontrolling interests in consolidated subsidiaries	—	—	—	(40,205)	4,456	(35,749)
Total liabilities and equity (deficit)	$1,624,921	$5,591,781	$5,264,063	$478,628	$(6,377,850)	$6,581,543

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CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2017
(in thousands)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash	$ —	$ 645,830	$ 12,273	$ 23,223	$ —	$ 681,326
Restricted Cash	—	—	311,110	2,000	—	313,110
Accounts receivable	—	—	530,273	36,191	—	566,464
Other current assets	3,034	5,758	145,637	9,687	(10,269)	153,847
Total current assets	3,034	651,588	999,293	71,101	(10,269)	1,714,747
Property and equipment, net	829	31,111	586,950	132,010	(12,602)	738,298
Investment in consolidated subsidiaries	1,537,337					