SINCLAIR
BROADCAST GROUP

A

TEAM

2019 ANNUAL REPORT

Letter to our Shareholders

Dear Fellow Shareholders,

When I wrote you last year, I expressed my sincere optimism for the future of our Company as we sought to redefine the role of a broadcaster in the 21st Century. Thanks to a number of strategic acquisitions and initiatives, we have achieved even greater success in 2019 and transitioned to a more diversified media company. Our Company has never been in a better position to continue to grow and capitalize on an evolving media marketplace. Our achievements in 2019, not just for our bottom line, but also our strategic positioning for the future, solidify our commitment to diversify and grow. As the new decade ushers in technology that continues to revolutionize how we experience live television, engage with consumers, and advance our content offerings, Sinclair is strategically poised to capitalize on these inevitable changes. From our local news to our sports divisions, all supported by our dedicated and innovative employees and executive leadership team, we have assembled not only a winning culture but 'A Winning Team' that will serve us well for years to come.

A Winning Team

Sinclair entered 2019 with lofty goals, and the year proved to be anything but ordinary. We achieved numerous wins in key verticals affirming our status as a leader in the future of media. Our 2019 highlight reel shows exciting and strategic plays, including expanding our reach into local sports, increasing our focus on investigative reporting, enhancing our vertically specialized marketing services, advancing the adoption of NEXTGEN TV (previously known as ATSC 3.0), and continuing to expand our digital streaming offerings. These milestones were only possible thanks to the hardworking talent on our incredible team.

Knocking It Out of the Park

Sinclair's foray into providing live, local sports coverage began over five years ago, starting with high school sports, then college sports, and eventually the acquisition of Tennis Channel. It was 2019, however, when we hit a home run, acquiring the 21 FOX regional sports network brands (RSN) from Disney, launching Marquee Sports Network with the Chicago Cubs, and taking an ownership stake in the Yankees Entertainment Sports Network (YES). Sinclair's RSN portfolio now consists of 23 RSN brands, representing 45 professional teams across baseball, basketball, and hockey. As the largest owner of RSNs, we now have an opportunity to innovate in this arena as well. Our expertise in producing content for multiple screens and launching fast-growing digital assets will drive our approach and guide our efforts in creating more content that engages fans in new, modern ways.

While the industry continues to welcome technologies that change the way we watch live games, the passion that sports fans have for their home teams will endure. This unrivaled loyalty is what makes sports media the stalwart in live television programming and why ratings continue to be impressive. To maximize the potential of these rights, we will focus on creating a more engaging experience for viewers, including partnering with leaders in content and engagement. This includes our intention to develop a new app that will be home to additional team-centric content, will allow for more personalization and interactivity, and will offer free-to-play and real-time legalized sports betting, in addition to streaming live games. While our goal is to provide a winning consumer experience, our advertising partners also will benefit from our enhanced offerings underpinned by our approximately 5,000 live games per year that reach some of the most desirable audiences.

Local News Continues to Deliver Results

As we venture further into new industry verticals, we remain committed to the local news that helped establish and solidify our Company as a leader and innovator in the industry. According to Pew Research, television remains the "most common place for Americans to get their news, with local TV outpacing cable and network TV." This bodes well for us as we enter into one of the biggest news cycles in recent years – the 2020 Presidential Election. While local TV station revenue typically increases during the election season thanks to political advertising spending, we estimate that 2020 will be a record-setting year due to heightened interest surrounding the outcome of this particular presidential race and given the amount of campaign funds already raised.

Whether it is election-focused or not, we take our role as advocates for the public seriously. This is why in 2019 we made the commitment to increase our investment in and focus on investigative journalism. This follows the success of our hard-hitting and award-winning investigative initiative, Project Baltimore, which has shed light on failures in the Baltimore City and Baltimore

County public school systems. Our impactful reporting has resulted in calls for investigations by state lawmakers and a landmark judicial ruling in a public records case requiring greater transparency by city schools.

We are determined to expand this type of journalism with more than 20 of our news markets expected to launch their own investigative projects on topics of importance to their communities, including homelessness, the opioid crisis and education. With more than 2,500 hours of live, local news per week, our work in this area is unrivaled. Our news teams across the country won more than 385 awards throughout the year, including four coveted National Edward R. Murrow Awards, 30 regional Edward R. Murrow Awards, 95 regional Emmy Awards and a national investigative reporting award from the Investigative Reporters and Editors Inc.

Pushing Next Generation Broadcast Over the Goal Line

The era of NEXTGEN TV™ (based on the ATSC 3.0 standard) is upon us, thanks in no small part to the incredible Sinclair-backed teams who, for over 15 years, have been at the forefront of this promising technology. We are excited to say that in 2020, the industry is poised to officially launch NEXTGEN TV in dozens of markets.

We kicked off 2019 with high-profile partnerships that have allowed us to collaborate on over-the-top (OTT), 5G, and over-the-air (OTA) technologies. Cast.era, our joint venture with SK Telecom, is focused on products to enable NEXTGEN TV including cloud media tools and infrastructure, automotive data delivery, and personalized advertising for broadcasting and OTT services. Our partnership with India-based Saankhya Labs has continued to show promising results as well, with the first NEXTGEN TV-enabled mobile chips for phones being readied for production. Late in 2019, our efforts were bolstered when the International Telecommunications Union (ITU) adopted ATSC 3.0 as a recommended global digital broadcast standard. With the backing of this United Nations-affiliated organization, it is clear that NEXTGEN TV will change the way audiences around the world connect and interact with broadcast spectrum and television.

With consumer electronics manufacturers expecting to bring 20 NEXTGEN TV-enabled televisions to the market this year, our goal is to fully realize NEXTGEN TV as the new reality. This incredibly promising technology is poised to greatly improve the value of the broadcast industry.

STIRRing up the Streaming Wars

Since its launch in early 2019, STIRR, our free ad-supported streaming service, has added over 100 linear channels and 5,000 hours of video-on-demand (VOD) content. STIRR's most popular channel, STIRR City, uniquely offers a lineup based on the viewer's hometown, or city of choice, anchored by local news, syndicated TV series, movies and lifestyle programming. In 2019, more than 130,000 hours of live, local news were streamed across STIRR City channels, a demonstration of how we are responding to and competing in the evolving media landscape.

STIRR recently added 2020 LIVE, a new channel dedicated to continuous, live access to daily campaign event feeds from across the country, including town hall meetings and stump speeches. This channel provides our audience with a transparent, commentary-free view into the campaign trail. Additionally, STIRR will soon offer on-demand viewing of some of the most popular syndicated shows, including Judge Judy, Dr. Phil, The Ellen DeGeneres Show, Wheel of Fortune, and Jeopardy, with the intention of fueling further growth.

Employer of Choice

Not only are we committed to setting new benchmarks to advance and modernize the industry, we are also committed to increasing employee satisfaction and quality of life, as we strive to be the Employer of Choice. Our goal is to retain and recruit the best employees; those who share our creativity and leadership culture. We consistently review our benefits, and recently increased the 401(k) company match and improved paid time off benefits, while also maintaining and enhancing affordable health care. In addition to these positive changes, we took the bold step to lead the industry in implementing a $15 minimum wage effective for 2020 to applicable employees.

Delivering Growth

Our operating successes and employee passion are apparent in our financial results. In 2019, our total revenue grew approximately 39% and adjusted EBITDA by approximately 25%, in large part due to our transformational acquisition of the RSNs.

While macro concerns relating to cord-cutting continue to exist for pay TV distributors and content providers, we believe that Sinclair is well-positioned to grow in this environment. We have created a more stable company long-term, having diversified by revenue generation, geographic location, and platform distribution, and offering the most important content that supports the pay TV bundle, in addition to having a strong balance sheet and liquidity position.

Next Season

Sinclair's new position as a diversified media company still honors our legacy – one that has always championed connecting people with content everywhere and taking on challenges with zeal and forward-thinking creativity. We believe we are well-prepared for any curveballs the future may throw at us. We are recruiting the brightest minds, adopting technology for the future, providing unique value propositions across all our segments, and setting new industry benchmarks. Collectively, all signs point to another winning season for our Company. We thank you, our employees and shareholders, for your continued support and look forward to our future success.

David D. Smith

Chairman of the Board

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BUSINESS

We are a diversified television media company with national reach and a strong focus on providing high-quality content on our local television stations, regional sports networks, and digital platforms. The content, distributed through our broadcast platform and third-party platforms, consists of programming provided by third-party networks and syndicators, local news, college and professional sports, and other original programming produced by us. Additionally, we own digital media products that are complementary to our extensive portfolio of television station and RSN 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. We are a Maryland corporation founded in 1986. Our principal executive offices are located at 10706 Beaver Dam Road, Hunt Valley, Maryland 21030. Our telephone number is (410) 568-1500 and our website address is www.sbgi.net. The information contained on, or accessible through, our website is not part of this annual report and is not incorporated herein by reference.

Segments

As of December 31, 2019, we have two reportable segments: local news and marketing services and sports. Our local news and marketing services segment is comprised of all of our television stations. Our sports segment is comprised of our regional sports networks. We also earn revenues from our owned networks, original content, digital and internet services, technical services, and non-media investments. These businesses are included within other.

Local News and Marketing Services

As of December 31, 2019, our local news and marketing services segment consists primarily of our broadcast television stations (stations). We own, provide programming and operating services pursuant to local marketing agreements (LMAs), or provide sales services and other non-programming operating services pursuant to other outsourcing agreements (such as JSAs and SSAs) to 191 stations in 89 markets. These stations broadcast 629 channels, including 241 channels affiliated with primary networks or program service providers comprised of: FOX (59), ABC (41), CBS (30), NBC (24), CW (48), and MyNetworkTV (MNT) (39). The other 388 channels broadcast programming from programming services including Antenna TV, Azteca, Bounce Network, CHARGE!, Comet, Dabl, Estrella TV, Get TV, Grit, Me TV, Movies!, Stadium, TBD, Telemundo, This TV, Unimas, Univision, Weather Nation, and two channels broadcasting independent programming. Solely for the purpose of this report, these 191 stations and 629 channels are referred to as “our” stations and channels, and the use of such term shall not be construed as an admission that we control such stations or channels. Refer to our *Television Markets and Stations* table later for more information.

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

We are one of the nation's largest producers of local news. We produce approximately 2,550 hours of news per week at 129 stations in 81 markets. During 2019, our stations were awarded with 386 journalism awards, including four National Edward R. Murrow awards.

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

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

Television Markets and Stations. As of December 31, 2019, our local news and marketing services segment owns and operates or provides programming and/or sales and other shared services to television stations in the following 89 markets as follows:

Market	Market Rank (a)	Number of Channels	Stations	Network Affiliation (b)
Washington, DC	7	4	WJLA	ABC
Seattle / Tacoma, WA	13	6	KOMO, KUNS	ABC
Minneapolis / St. Paul, MN	15	4	WUCW	CW
Portland, OR	22	10	KATU, KUNP, KUNP-LD	ABC
St. Louis, MO	23	4	KDNL	ABC
Pittsburgh, PA	24	7	WPGH, WPNT	FOX, MNT
Baltimore, MD	26	8	WBFF, WNUV(c), WUTB(d)	FOX, CW, MNT
Raleigh / Durham, NC	27	7	WLFL, WRDC	CW, MNT
Nashville, TN	28	10	WZTV, WNAB(d), WUXP	FOX, CW, MNT
Salt Lake City, UT	30	10	KUTV, KMYU, KENV(d), KJZZ	CBS, MNT, IND
San Antonio, TX	31	9	KABB, KMYS(d), WOAI	FOX, NBC, CW
Columbus, OH	34	9	WSYX, WTTE(c), WWHO(d)	ABC, FOX, CW, MNT
Milwaukee, WI	35	3	WVTV	CW, MNT
West Palm Beach / Fort Pierce, FL	36	13	WPEC, WTVX, WTCN-CA, WWHB-CA	CBS, CW, MNT
Cincinnati, OH	37	8	WKRC, WSTR(d)	CBS, CW, MNT
Asheville, NC / Greenville, SC	38	9	WLOS, WMYA(c)	ABC, MNT
Las Vegas, NV	39	8	KSNV, KVCW	NBC, CW, MNT
Austin, TX	40	2	KEYE	CBS
Norfolk, VA	42	4	WTVZ	MNT
Oklahoma City, OK	43	7	KOKH, KOCB	FOX, CW
Birmingham / Tuscaloosa, AL	44	15	WBMA-LD, WDBB(c), WTTO, WABM	ABC, CW, MNT
Grand Rapids / Kalamazoo / Battle Creek, MI	45	3	WWMT	CBS, CW
Harrisburg / Lancaster / Lebanon / York, PA	47	3	WHP	CBS, CW, MNT
Greensboro / High Point / Winston Salem, NC	49	7	WXLV, WMYV	ABC, MNT
Buffalo, NY	52	7	WUTV, WNYO	FOX, MNT
Richmond, VA	54	5	WRLH	FOX, MNT
Fresno / Visalia, CA	55	12	KMPH, KMPH-CD, KFRE	FOX, CW
Providence, RI / New Bedford, MA	56	4	WJAR	NBC
Mobile, AL / Pensacola, FL	57	12	WEAR, WPMI(d), WFGX, WJTC(d)	ABC, NBC, MNT, IND
Tulsa, OK	58	4	KTUL	ABC
Albany, NY	59	7	WRGB, WCWN	CBS, CW
Wilkes Barre / Scranton, PA	60	10	WOLF(c), WSWB(d), WQMY(c)	FOX, CW, MNT
Little Rock / Pine Bluff, AR	62	4	KATV	ABC
Dayton, OH	63	8	WKEF, WRGT(d)	ABC, FOX, MNT
Lexington, KY (f)	64	4	WDKY	FOX
Green Bay / Appleton, WI	67	8	WLUK, WCWF	FOX, CW
Des Moines, IA	68	4	KDSM	FOX
Roanoke / Lynchburg, VA	69	4	WSET	ABC
Spokane, WA	70	3	KLEW	CBS
Omaha, NE	71	7	KPTM, KXVO(c)	FOX, CW, MNT
Wichita, KS	72	19	KSAS, KOCW, KAAS, KAAS-LP, KSAS-LP, KMTW(c)	FOX, MNT
Charleston / Huntington, WV	74	7	WCHS, WVAH(d)	ABC, FOX

Market	Market Rank (a)	Number of Channels	Stations	Network Affiliation (b)
Columbia, SC	75	4	WACH	FOX
Rochester, NY	76	7	WHAM(d), WUHF	ABC, FOX, CW
Flint / Saginaw / Bay City, MI	77	11	WSMH, WEYI(d), WBSF(d)	FOX, NBC, CW
Portland, ME	79	7	WGME, WPFO(d)	CBS, FOX
Toledo, OH	80	4	WNWO	NBC
Madison, WI	81	4	WMSN	FOX
Harlingen / Weslaco / Brownsville / McAllen, TX (f)	83	3	KGBT	CBS
Paducah, KY/ Cape Girardeau, MO	84	8	KBSI, WDKA	FOX, MNT
Syracuse, NY	87	7	WTVH(d), WSTM, WSTQ-LP	CBS, NBC, CW
Champaign / Springfield / Decatur, IL	88	17	WICS, WICD, WCCU(d), WRSP(d), WBUI(d)	ABC, FOX, CW
Savannah, GA	89	4	WTGS	FOX
Cedar Rapids, IA	90	8	KGAN, KFXA(d)	CBS, FOX
Charleston, SC	91	3	WCIV	ABC, MNT
Chattanooga, TN	92	7	WTVC, WFLI(d)	ABC, FOX, CW, MNT
El Paso, TX	93	8	KDBC, KFOX	CBS, FOX, MNT
Myrtle Beach / Florence, SC	97	9	WPDE, WWMB(c)	ABC, CW
South Bend-Elkhart, IN	98	2	WSBT	CBS, FOX
Tri-Cities, TN-VA	99	7	WEMT(d), WCYB	FOX, NBC, CW
Greenville / New Bern / Washington, NC	100	8	WCTI, WYDO(d)	ABC, FOX
Boise, ID	102	8	KBOI, KYUU-LD	CBS, CW Plus
Reno, NV	104	9	KRXI, KRNV(d), KNSN (c)	FOX, NBC, MNT
Johnstown / Altoona, PA	106	4	WJAC	NBC, CW Plus
Lincoln and Hasting-Kearney, NE	107	11	KHGI, KHGI-CD, KWNB, KWNB-LD, KFXL, KHGI-LD	ABC, FOX
Tallahassee, FL	109	8	WTWC, WTLF(d)	NBC, FOX, CW Plus
Eugene, OR	117	18	KVAL, KCBY, KPIC(e), KMTR(d), KMCB(d), KTCW(d)	CBS, NBC, CW Plus
Yakima / Pasco / Richland / Kennewick, WA	118	18	KIMA, KEPR, KORX, KUNW-CD, KVVK-CD	CBS, CW Plus
Macon, GA	119	3	WGXA	ABC, FOX
Peoria / Bloomington, IL	120	1	WHOI	Comet
Traverse City / Cadillac, MI	121	11	WGTU(d), WGTQ(d), WPBN, WTOM,	ABC, NBC
Bakersfield, CA	125	8	KBAK, KBFX-CD	CBS, FOX
Corpus Christi, TX	128	3	KSCC, KTOV-LP, KXPX-LP	FOX
Chico-Redding, CA	131	14	KRCR, KCVU(d), KRVU-LD, KUCO-LP, KKTF-LD	ABC, FOX, MNT
Amarillo, TX	132	8	KVII, KVIH	ABC, CW Plus
Medford / Klamath Falls, OR	135	4	KTVL	CBS, CW Plus
Columbia / Jefferson City, MO	137	4	KRCG	CBS
Beaumont / Port Arthur / Orange, TX	143	8	KFDM, KBTV(d)	CBS, FOX, MNT, CW Plus
Sioux City, IA	148	15	KMEG(d), KPTH, KBVK-LP, KPTP-LD	CBS, FOX, MNT
Albany, GA	154	4	WFXL	FOX
Gainesville, FL	156	8	WGFL(c),WNBW(c), WYME-CD(c)	CBS, NBC, MNT
Wheeling, WV / Steubenville, OH	157	3	WTOV	NBC, FOX
Missoula, MT	163	6	KECI, KCFW	NBC
Abilene / Sweetwater, TX	164	4	KTXS, KTES-LD	ABC, CW Plus
Quincy, IL / Hannibal, MO / Keokuk, IA	174	3	KHQA	ABC, CBS
Butte / Bozeman, MT	186	3	KTVM	NBC

Market	Market Rank (a)	Number of Channels	Stations	Network Affiliation (b)
San Angelo, TX	195	3	KTXE-LD	ABC, CW
Eureka, CA	197	10	KAEF, KBVU(d), KECA-LD, KEUV-LP	ABC, FOX, CW, MNT
Ottumwa, IA / Kirksville, MO	201	3	KTVO	ABC, CBS
Total Television Channels		629		

(a) Rankings are based on the relative size of a station's Designated Market Area (DMA) among the 210 generally recognized DMAs in the United States as estimated by Nielsen Media Research (Nielsen) as of September 2019.
(b) We broadcast programming from the following providers on our channels and the channels of our JSA/LMA partners:

Affiliation	Number of Channels	Number of Markets	Expiration Dates (1)
ABC	41	30	August 31, 2022
CBS	30	25	April 30, 2020 through December 31, 2021
CW	48	37	August 31, 2021 through August 31, 2024
FOX	59	43	December 31, 2020 through December 31, 2021
MNT	39	32	August 31, 2020
NBC	24	17	December 31, 2021
Total Major Network Affiliates	241		

Affiliation	Number of Channels	Number of Markets	Expiration Dates (1)
Antenna TV	22	20	January 1, 2019 through January 1, 2021
Azteca	3	2	February 28, 2018 through August 31, 2020
Bounce Network	1	1	August 31, 2019
CHARGE!	66	58	(2)
Comet	90	75	(2)
Dabl	29	28	October 1, 2022
Estrella TV	1	1	September 30, 2020
Get TV	5	5	June 30, 2017
Grit	1	1	December 31, 2019
Independent programming	2	2	N/A
Me TV	18	15	February 28, 2018 through August 31, 2021
Movies!	5	4	November 1, 2019 through November 18, 2019
Stadium	53	48	(2)
TBD	74	64	(2)
Telemundo	1	1	December 31, 2022
This TV	1	1	November 1, 2014 through December 31, 2015
Unimas	1	1	December 31, 2020
Univision	9	5	February 29, 2020
Weather	6	4	December 31, 2017
Total Other Affiliates	388		
Total Television Channels	629		

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

(2) An owned and operated network, which is carried on our multi-cast distribution platform or the platform of our JSA/LMA partners.

(c) The license assets for these stations are currently owned by third parties. We provide programming, sales, operational, and administrative services to these stations pursuant to certain service agreements, such as LMAs.
(d) The license and programming assets for these stations are currently owned by third parties. We provide certain non-programming related sales, operational, and administrative services to these stations pursuant to service agreements, such as joint sales and shared services agreements.
(e) We provide programming, sales, operational, and administrative services to this station, of which 50% is owned by a third party.
(f) In January 2020, we agreed to sell the license and non-license assets of WDKY-TV in Lexington, KY and certain non-license assets associated with KGBT-TV in Harlingen, Texas. See *Dispositions* under *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion.

Sports

On August 23, 2019, we completed the acquisition of the controlling interests in 21 Regional Sports Network brands and Fox College Sports (collectively, the Acquired RSNs) from the Walt Disney Company (Disney). See *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion. In February 2019, we announced a joint venture with the Chicago Cubs (Cubs) that owns and operates Marquee Sports Network (Marquee, and, collectively with the Acquired RSNs, the RSNs), a regional sports network based in Chicago, Illinois. Marquee debuted February 22, 2020 with the airing of the Cubs' first Spring Training game and is the Chicago-region's exclusive network for fans to view live Cubs games, exclusive Cubs content, and other local sports programming. On August 29, 2019 we acquired a 20% equity interest in the Yankee Entertainment and Sports Network (the YES Network).

Through the RSNs and YES Network, we own equity interests in the largest collection of RSNs in the United States, broadcasting over 4,600 professional sports games and producing over 24,000 hours of new content each year. Our RSNs are located in attractive, highly-populated geographic areas of the United States with significant local viewership and 45 of the most exciting professional sports teams. We are a premier destination for local sports viewership, with our premium live sports content reaching more than 61 million subscribers nationally. We have an extensive footprint that includes exclusive long-term agreements with 16 Major League Baseball (MLB) teams, 17 National Basketball Association (NBA) teams and 12 National Hockey League (NHL) teams. Within our RSN portfolio are 23 brands, and 16 networks of separate affiliation agreements. We generate revenues by distributing our networks to MVPDs and vMVPDs, and from the sale of advertising inventory.

As of December 31, 2019, our RSNs have relationships with the following professional teams:

MLB Teams	**NBA Teams**	**NHL Teams**
Arizona Diamondbacks	Atlanta Hawks	Anaheim Ducks
Atlanta Braves	Charlotte Hornets	Arizona Coyotes
Chicago Cubs	Cleveland Cavaliers	Carolina Hurricanes
Cincinnati Reds	Dallas Mavericks	Columbus Blue Jackets
Cleveland Indians	Detroit Pistons	Dallas Stars
Detroit Tigers	Indiana Pacers	Detroit Red Wings
Kansas City Royals	Los Angeles Clippers	Florida Panthers
Los Angeles Angels	Memphis Grizzlies	Los Angeles Kings
Miami Marlins	Miami Heat	Minnesota Wild
Milwaukee Brewers	Milwaukee Bucks	Nashville Predators
Minnesota Twins	Minnesota Timberwolves	St. Louis Blues
San Diego Padres	New Orleans Pelicans	Tampa Bay Lightning
St. Louis Cardinals	Oklahoma City Thunder	
Tampa Bay Rays	Orlando Magic	
Texas Rangers	Phoenix Suns	
	San Antonio Spurs	

As of December 31, 2019, we also hold a noncontrolling interest in the YES Network, which has long term agreements with the New York Yankees and Brooklyn Nets. We also own Fox College Sports which offers collegiate programming throughout the country

Other

Owned Networks and Content

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

We also own and operate various networks carried on distribution platforms owned by us or others including: Comet, our science fiction multicast network; CHARGE!, our adventure and action-based emerging network; TBD, the first multiscreen TV network in the U.S. market to bring premium internet-first content to TV homes across America, and Stadium, a network that brings together professional sports highlights and college games.

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

Digital and Internet

In January 2019, we launched STIRR, a national free, ad-supported direct-to-consumer streaming app, which offers live and on-demand content spanning entertainment, sports, and news. With more than 1.6 million app downloads in its first year and over 100 channel offerings, STIRR offers access to some of the most popular local news, entertainment and digital first channels. In January 2020, it also added an original channel "2020 LIVE" which will have continuous live coverage featuring campaign events from around the country, including town hall meetings and stump speeches.

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

DataSphere Technologies, provides marketing services to small businesses across the country and works in partnership with multiple media companies, including Sinclair. NewsON is a free, ad-supported app that provides instant access to live or on-demand local news broadcasts. Sinclair Digital Ventures focuses on investment in emerging digital technologies, ad tech, and digital content companies that support, compliment, or expand the Company's businesses.

Technical Services

We own subsidiaries which are dedicated to providing technical services to the broadcast industry, including: Acrodyne Technical Services, a provider of service and support for broadcast transmitters throughout the world; Dielectric, a designer and manufacturer of broadcast systems including all components from transmitter output to antenna; ONE Media, a technology innovator at the forefront of developing industry standards and related technologies for NEXTGEN TV, a broadcast standard encompassing a flexible and enhanced vision for broadcasting; and ONE Media 3.0, a wholly-owned subsidiary whose purpose is to develop business opportunities, products, and services associated with the NEXTGEN TV broadcast transmission standard and TV platform. We have also partnered with Saankhya Labs to develop NEXTGEN TV technologies to be used in consumer devices, and formed a joint venture with SK Telecom focused on cloud infrastructure for broadcasting, ultra-low latency OTT broadcasting, and targeted advertising.

Non-media Investments

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

AVAILABLE INFORMATION

We regularly use our website as a source of company information and it can be accessed at www.sbgi.net. We make available, free of charge through our website, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such documents are electronically submitted to the SEC, who also makes these reports available at http://www.sec.gov. We intend to comply with the requirements of Item 5.05 of Form 8-K regarding amendments to and waivers under the code of business conduct and ethics applicable to our Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer by providing such information on our website within four days after effecting any amendment to, or granting any waiver under, that code, and we will maintain such information on our website for at least twelve months. In addition, a replay of each of our quarterly earnings conference calls is available on our website until the subsequent quarter’s earnings call. The information contained on, or otherwise accessible through, our website is not a part of this Annual Report and is not incorporated herein by reference.

FORWARD-LOOKING STATEMENTS

This report includes or incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the U.S. Private Securities Litigation Reform Act of 1995. When we use any of the words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” or similar expressions, we are making forward-looking statements. Although management believes that the expectations reflected in such forward-looking statements are based upon present expectations and reasonable assumptions, our actual results could differ materially from those set forth in the forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law. The following are some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

General risks

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

Industry risks

- the activities of our competitors;
- the business conditions of our advertisers, particularly in the political, automotive and service categories;
- competition with other broadcast television stations, radio stations, traditional and virtual multi-channel video programming distributors (MVPDs), internet and broadband content providers, and other print and media outlets serving in the same markets;
- the performance of networks and syndicators that provide us with programming content, sports teams performance, as well as the performance of internally originated programming;
- the loss of appeal of our sports programming, which may be unpredictable, the impact of strikes caused by collective bargaining between players and sports leagues, and increased programming costs may have a material negative effect on our business and our results of operations;
- the availability and cost of programming from networks and syndicators, as well as the cost of internally originated programming;
- our relationships with networks and sports leagues and teams, and their strategies to distribute their programming via means other than their local television affiliates or regional sports networks, such as over-the-top (OTT) or direct-to-consumer content;
- the potential for additional governmental regulation of broadcasting or changes in those regulations and court actions interpreting those regulations, including ownership regulations limiting over-the-air television's ability to compete effectively (including regulations relating to Joint Sales Agreements (JSA), Shared Services Agreements (SSA), cross ownership rules, and the national ownership cap), arbitrary or changing enforcement of indecency regulations, retransmission consent regulations, and political or other advertising restrictions, such as payola rules;
- the effects of the Federal Communications Commission’s (FCC) National Broadband Plan and other initiatives, the impact of the repacking of our broadcasting spectrum, as a result of the incentive auction, within a limited timeframe and funding allocated;
- the impact of FCC and Congressional efforts which may restrict a television station's retransmission consent negotiations;
- the impact of FCC rules relating to political advertising and other rules requiring broadcast stations to publish, among other information, political advertising rates online;
- the impact of foreign and domestic government rules related to privacy and digital and online assets;
- labor disputes and legislation and other union activity associated with film, acting, writing, and other guilds and professional sports leagues;
- the broadcasting community’s ability to develop and adopt a viable mobile digital broadcast television (mobile DTV) strategy and platform, such as the adoption of NEXTGEN TV (formerly known as ATSC 3.0) broadcast standard, and the consumer’s appetite for mobile television;
- the impact of programming payments charged by networks and teams pursuant to their affiliation agreements with broadcasters requiring compensation for network programming;
- the potential impact from the elimination of rules prohibiting mergers of the four major television networks;
- the effects of declining live/appointment viewership as reported through rating systems and local television efforts to adopt and receive credit for same day viewing plus viewing on-demand thereafter;
- changes in television rating measurement methodologies that could negatively impact audience results;
- the ability of local MVPDs to coordinate and determine local advertising rates as a consortium;
- the ability to negotiate terms at least as favorable as those in existence with MVPDs and others;

- changes in the makeup of the population in the areas where stations and regional sports networks (RSNs) are located;
- the operation of low power devices in the broadcast spectrum, which could interfere with our broadcast signals;
- OTT and other direct-to-consumer technologies and offerings and their potential impact on cord-cutting;
- the impact of MVPDs and OTTs offering "skinny" programming bundles that may not include television broadcast stations, regional sports networks, or other programming that we distribute;
- the effect of a decline in the number of subscribers to MVPD services;
- fluctuations in advertising rates and availability of inventory;
- the ability of others to retransmit our signal without our consent; and
- the ability to renew media rights agreements with various professional sports teams which have varying durations and terms that are at least as favorable as those in existence.

Risks specific to us

- the effectiveness of our management;
- our ability to attract and maintain local, national, and network advertising and successfully participate in new sales channels such as programmatic and addressable advertising through business partnership ventures and the development of technology;
- our ability to service our debt obligations and operate our business under restrictions contained in our financing agreements;
- our ability to successfully implement and monetize our own content management system (CMS) designed to provide our viewers significantly improved content via the internet and other digital platforms;
- our ability to successfully renegotiate retransmission consent and affiliation fees (cable network fees) agreements for our existing and acquired businesses;
- the ability of stations which we consolidate, but do not negotiate on their behalf, to successfully renegotiate retransmission consent and affiliation fees agreements;
- our ability to secure distribution of our programming to a wide audience;
- our ability to renew our FCC licenses;
- our ability to obtain FCC approval for any future acquisitions, as well as, in certain cases, customary antitrust clearance for any future acquisitions;
- our exposure to any wrongdoing by those outside the Company, but which could affect our business or pending acquisitions;
- our ability to identify media business investment opportunities and to successfully integrate any acquired businesses, as well as the success of our new content and distribution initiatives in a competitive environment, including CHARGE!, TBD, Comet, STIRR, other original programming, mobile DTV, and our recent acquisition of and investments in the RSNs;
- our ability to maintain our affiliation and programming service agreements with our networks, leagues, teams, and program service providers and at renewal, to successfully negotiate these agreements with favorable terms;
- our joint venture arrangements related to our regional sports networks are subject to a number of operational risks that could have a material adverse effect on our business, results of operations, and financial condition;
- our ability to generate synergies and leverage new revenue opportunities;
- our ability to renew contracts with leagues and sports teams;
- our ability to effectively respond to technology affecting our industry and to increasing competition from other media providers;
- our ability to deploy a next generation wireless platform (NEXTGEN TV) nationwide;
- the strength of ratings for our local news broadcasts including our news sharing arrangements; and
- the results of prior year tax audits by taxing authorities.

In addition, we describe risks and uncertainties that could cause actual results and events to differ materially in Quantitative and Qualitative Disclosures about Market Risk and Management's Discussion and Analysis of Financial Conditions and Results of Operation. However, additional factors and risks not currently known to us or that we currently deem immaterial may also cause actual results in the future to differ materially from those described in the forward-looking statements. In light of these risks, uncertainties and assumptions, events described in the forward-looking statements discussed in this report might not occur.

SELECTED FINANCIAL DATA

The selected consolidated financial data for the years ended December 31, 2019, 2018, 2017, 2016, and 2015 have been derived from our audited consolidated financial statements.The information below should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the *Consolidated Financial Statements* and related notes included elsewhere in this Annual Report.

STATEMENTS OF OPERATIONS DATA
(In millions, except per share data)

For the Years Ended December 31,	2019	2018	2017	2016	2015
Statements of Operations Data:					
Media revenues (a)	**$ 4,046**	$ 2,919	$ 2,567	$ 2,521	$ 2,030
Non-media revenues	**194**	136	69	102	96
Total revenues	**4,240**	3,055	2,636	2,623	2,126
Media programming and production expenses	**2,073**	1,191	1,064	956	733
Media selling, general and administrative expenses	**732**	630	534	502	432
Depreciation and amortization (b)	**424**	280	276	282	265
Amortization of program contract costs and net realizable value adjustments	**90**	101	116	128	125
Non-media expenses	**156**	122	75	85	84
Corporate general and administrative expenses	**387**	111	113	74	64
Gain on asset dispositions and other, net of impairment	**(92)**	(40)	(279)	(6)	1
Operating income	**470**	660	737	602	422
Interest expense and amortization of debt discount and deferred financing costs	**(422)**	(292)	(212)	(211)	(191)
Loss from extinguishment of debt	**(10)**	—	(1)	(24)	—
(Loss) income from equity method investments	**(35)**	(61)	(14)	1	1
Other income, net	**6**	3	9	4	2
Income before income taxes	**9**	310	519	372	234
Income tax benefit (provision)	**96**	36	75	(122)	(58)
Net income	**105**	346	594	250	176
Net income attributable to redeemable noncontrolling interests	**(48)**	—	—	—	—
Net income attributable to noncontrolling interests	**(10)**	(5)	(18)	(5)	(5)
Net income attributable to Sinclair Broadcast Group	**$ 47**	$ 341	$ 576	$ 245	$ 171
Earnings Per Common Share Attributable to Sinclair Broadcast Group:					
Basic earnings per share	**$ 0.52**	$ 3.38	$ 5.77	$ 2.62	$ 1.81
Diluted earnings per share	**$ 0.51**	$ 3.35	$ 5.72	$ 2.60	$ 1.79
Dividends declared per share	**$ 0.80**	$ 0.74	$ 0.72	$ 0.71	$ 0.66
Balance Sheet Data:					
Cash and cash equivalents	**$ 1,333**	$ 1,060	$ 681	$ 260	$ 150
Total assets	**$ 17,370**	$ 6,572	$ 6,784	$ 5,963	$ 5,432
Total debt (c)	**$ 12,438**	$ 3,893	$ 4,049	$ 4,204	$ 3,854
Redeemable noncontrolling interests	**$ 1,078**	$ —	$ —	$ —	$ —
Total equity	**$ 1,694**	$ 1,600	$ 1,534	$ 558	$ 500

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section in this report entitled "Forward-Looking Statements." Certain risks may cause our actual results, performance or achievements to differ materially from those expressed or implied by the following discussion.

Overview

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

Executive Overview — a description of our business, summary of significant events and financial highlights from 2019, and information about industry trends;

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

Results of Operations — a summary of the components of our revenues by category and by network affiliation or program service arrangement, a summary of other operating data and an analysis of our revenues and expenses for 2019, 2018, and 2017, including comparisons between years and certain expectations for 2020; and

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

EXECUTIVE OVERVIEW

We are a diversified television media company with national reach and a strong focus on providing high-quality content on our local television stations, regional sports networks, and digital platforms. This content consists of programming provided by third-party networks and syndicators, local news, college and professional sports, and other original programming produced by us. Additionally, we own digital and internet 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.

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

STG, for which certain assets and results of operations are included in the local news and marketing services segment and which is a wholly owned subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under the STG Bank Credit Agreement, the STG 5.625% Notes, STG 5.125% Notes, STG 5.875% Notes, and STG 5.500% Notes (the STG notes are collectively referred to as, the "STG Senior Notes"). SBG is a guarantor under all of the STG debt instruments. DSG, for which certain assets and results of operations are included in the sports segment and which is a wholly owned subsidiary of SBG, is the primary obligor under the DSG Bank Credit Agreement, the DSG 5.375% Secured Notes, and the DSG 6.625% Notes. Neither SBG, STG, or any of STG's subsidiaries is a guarantor under any of the DSG debt instruments. Our Class A Common Stock and Class B Common Stock remain securities of SBG and not obligations or securities of STG or DSG.

Summary of Significant Events and Financial Highlights from 2019

Transactions

- In August 2019, the Company completed the acquisition of controlling equity interests in 21 Regional Sports Networks and Fox College Sports from Disney for an aggregate purchase price of $9,817 million including certain adjustments. This is the largest collection of regional sports networks in the United States and expanded the Company's focus on local sports. The transaction was funded through a combination of debt financing raised by DSG and STG as described in *Note 7. Notes Payable and Commercial Bank Financing* within the *Consolidated Financial Statements* and *Redeemable Subsidiary Preferred Equity* under *Note 10. Redeemable Noncontrolling Interests* within the *Consolidated Financial Statements.*
- In August 2019, the Company, as part of a consortium led by Yankee Global Enterprises, acquired a 20% equity interest in the YES Network for $346 million. See *YES Network Investment* under *Note 6. Other Assets* within the *Consolidated Financial Statements* for further discussion.
- In December 2019, the Company increased its investment in Stadium, a multi-platform sports network featuring exclusive live and on-demand games and events, extensive highlights, and daily live studio programming.
- In January 2020, a minority partner in one of our RSNs exercised their right to sell the entirety of their non-controlling interest to the Company for $376 million.

Television and Digital Content

- In January 2019, the Company launched STIRR, a free, ad-supported streaming app that includes access to national news, sports, entertainment and digital first channels, a robust video on demand library and a new local channel featuring programming based on a user's location, ensuring that viewers can access the local news and lifestyle programming that is relevant to their everyday life.
- In January 2019, the Company, the licensees of stations to which the Company provides services, and NBC entered into multi-year renewals of NBC affiliates in 13 markets.
- In February 2019, the Company, the licensees of stations to which the Company provides services, and FOX Broadcasting Company entered into amendments to multi-year renewals of the 26 FOX affiliations that were previously renewed as part of the agreement entered in May 8, 2018, revising certain aspects of such agreements and waiving any termination rights the parties may have had with respect to such agreements.
- In February 2019, the Company and the Cubs announced the formation of a joint venture that will own and operate Marquee. Marquee debuted February 22, 2020 with the airing of the Cubs' first Spring Training game and is the Chicago-region's exclusive network for fans to view live Cubs games, exclusive Cubs content, and other local sports programming. In addition to the execution of the joint venture agreement, the Cubs simultaneously entered into a long-term rights agreement with Marquee.
- In April 2019, Tennis Channel's first full-length feature film, Strokes of Genius, was nominated for two Sports Emmy Awards by the National Academy of Television Arts & Sciences. The program was a finalist for the Outstanding Long Sports Documentary and Outstanding Musical Direction awards.
- In July 2019, the Company released its Compulse360 offering, a new daily OTT reported platform for CompulseOTT, providing advertisers near real-time campaign evaluation so they can optimize their advertising efforts in-flight.
- During 2019, the Company's newsrooms were honored with a total of 386 national and regional journalism awards and accolades.
- In January 2020, STIRR launched an original channel, *"2020 LIVE",* to offer a continuous stream of live election coverage, giving viewers live access to daily campaign event feeds from across the country, including town hall meetings and stump speeches.

Distribution

- In January 2019, the Company entered into a multi-year retransmission renewal with Mediacom for the carriage of the Company's stations, Tennis Channel, and the Company's emerging networks on its systems.
- In July 2019, the Company announced a multi-year agreement with Charter Communications, Inc. for the continued carriage of the Company's broadcast television stations and Tennis Channel, as well as carriage of Marquee. The agreement also provides for a term extension for the carriage of currently carried RSNs that is effective upon the closing of the RSN acquisition.
- In October 2019, the Company announced a multi-year agreement with AT&T for the continued carriage on DIRECTV and AT&T U-Verse of the Company's broadcast television stations and Tennis Channel, as well as carriage of Marquee. The companies also agreed to extend the existing carriage agreement for the Acquired RSNs as well as the YES Network through the same multi-year term.
- In October 2019, the Company entered into a multi-year agreement with Mediacom for the carriage of Marquee. The companies also agreed to extend the existing carriage agreements for the Acquired RSNs, as well as the YES Network, through the same multi-year term.
- In December 2019, Comcast extended its affiliation agreement with Fox Sports Detroit, extending the agreement to be co-terminus with the Company's remaining sports segment affiliation agreements with Comcast.
- In January 2020, the Company reached an agreement in principle to renew ten affiliation agreements with FOX Broadcasting Company.
- In February 2020, Marquee announced a carriage agreement with Hulu. Including Hulu and previously announced agreements with over-the top platform AT&T TV Now and traditional MVPDs Charter, AT&T U-Verse, DirecTV, and Mediacom, Marquee has signed affiliation agreements with 43 distributors.

NEXTGEN TV

- In January 2019, ONE Media 3.0, LLC, a subsidiary of the Company, and Saankhya Labs in collaboration with VeriSilicon and Samsung Foundry announced the completed design and development of a mobile chip die that supports NEXTGEN TV and other global standards. The compact design and low power operation make it a preferred receive device for mobile and portable applications. Reference designs are underway that will be used with cell phones and tablet devices.
- In January 2019, the Company, SK Telecom and Harman signed a Memorandum of Understanding to jointly develop and commercialize digital broadcasting network-based automotive electronics technology for global markets.
- In April 2019, a broad contingent of broadcasters announced the deployment of NEXTGEN TV in approximately 60 U.S. markets by the end of 2020. This includes dozens of markets in which the Company's stations will be participating in the deployment.
- In July 2019, the Company's ONE Media 3.0 subsidiary announced an agreement with Saankhya Labs to accelerate the development of a 5G Next Generation Broadcast Offload Platform.
- In October 2019, ONE Media and Saankhya Labs demonstrated the expanded capabilities and integration of the NEXTGEN TV platform with the wireless industry's deployment of 5G and its existing 4G networks at the India Mobile Congress and Mobile World Congress.
- In January 2020, the Company and SK Telecom announced Cast.era, a joint venture focused on cloud infrastructure for broadcasting, ultra-low latency OTT broadcasting, and targeted advertising.
- In February 2020, the Company became a member of Pearl TV, a business organization of U.S. broadcast companies with a shared interest in exploring forward-looking broadcasting opportunities, including innovative ways of promoting local broadcast TV content and developing digital media and wireless platforms for the broadcast industry.

Financing, Capital Allocation, and Shareholder Returns

- In August 2019, STG issued a seven-year incremental term loan facility in an aggregate principal amount of $600 million, the proceeds of which were used, with cash on hand, to redeem, in full, $600 million of STG's 5.375% Senior Unsecured Notes due 2021. The 5.375% Notes were called at 100% of their par value. See *STG Bank Credit Agreement* under *Note 7. Notes Payable and Commercial Bank Financing* within the *Consolidated Financial Statements* for further discussion.
- In November 2019, STG issued senior notes in an aggregated principal amount of $500 million, which bear interest at a rate of 5.500% per annum and mature on March 1, 2030. The net proceeds were used, plus cash on hand, to redeem STG's 6.125% senior unsecured notes due 2022 in an aggregate principal amount of $500 million. See *STG Senior Unsecured Notes* under *Note 7. Notes Payable and Commercial Bank Financing* within the *Consolidated Financial Statements* for further discussion.
- In December 2019, we redeemed 300,000 units of redeemable subsidiary preferred equity for an aggregate redemption price equal to $300 million plus accrued and unpaid dividends. See *Redeemable Subsidiary Preferred Equity* under *Note 10. Redeemable Noncontrolling Interests* within the *Consolidated Financial Statements* for further discussion.
- For the year ended December 31, 2019, we repurchased approximately 5 million shares of Class A Common Stock for $145 million.
- For the year ended December 31, 2019, we paid dividends of $0.80 per share. In February 2020, we declared a quarterly cash dividend of $0.20 per share.
- In January 2020, we redeemed 200,000 units of redeemable subsidiary preferred equity for an aggregate redemption price equal to $200 million plus accrued and unpaid dividends. See *Redeemable Subsidiary Preferred Equity* under *Note 10. Redeemable Noncontrolling Interests* within the *Consolidated Financial Statements* for further discussion.

Other Legal and Regulatory

- In March 2019, the Federal Communications Commission's administrative law judge dismissed with prejudice the July 2018 hearing designation order related to the Company’s terminated acquisition of Tribune.
- In January 2020, the Company and Nexstar agreed to settle the outstanding lawsuit between the Company and Tribune Media Company, which Nexstar acquired in September 2019. See *Litigation* under *Note 13. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

Other Events

- In January 2019, the Board of Directors voted to increase the size of the Board from eight to nine members and named the Honorable Benson Everett Legg to serve as its newest independent member.
- In March 2019, the Company, in partnership with the Salvation Army, held a day of giving to aid ongoing relief efforts for the survivors of the severe Midwest weather that brought historic flooding to significant parts of Nebraska and Iowa.
- In April 2019, Barry Faber was promoted to President, Distribution & Network Relations and David Gibber was promoted to Senior Vice President/General Counsel.
- In June 2019, at the Company's Annual Shareholders' Meeting, the Company's shareholders re-elected all nine Directors and ratified the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019.
- In June 2019, the Company, in partnership with the Salvation Army, held a nationwide day of giving, with its stations participating in on-air, digital and social media efforts to encourage viewers to donate and help local communities recover from damage caused by tornadoes and floods in the Midwest. In total, the initiative raised $56,000, with Sinclair providing an additional donation of $25,000.
- In July 2019, the Company awarded its Broadcast Diversity Scholarship to eight applicants, distributing $25,000 in aggregate tuition assistance to students demonstrating a promising future in the broadcast industry.
- In August 2019, the Company promoted Mark Aitken from Vice President to Senior Vice President of Advanced Technology, responsible for the Company’s development and deployment of next-gen technologies such as NEXTGEN TV, and promoted Scott Shapiro from Vice President to Senior Vice President of Corporate Development, responsible for driving forward the Company's vision through acquisitions and external investments.
- In November 2019, the Company named Robert Weisbord President of the Local News & Marketing Services division effective January 1, 2020 and announced the retirement of Steven Marks, Executive Vice President & Chief Operating Officer of the Company's TV Group effective December 31, 2019.
- In December 2019, and in keeping with the Company’s goal to become the employer of choice, the Company announced that its minimum hourly wage would increase to $15 for all applicable employees, effective December 29, 2019.

- In January 2020, Sinclair opened its Broadcast Diversity Scholarship for applications. Since launching the scholarship program, Sinclair has distributed over $148,000 in financial assistance to students demonstrating a promising future in the broadcast industry.
- In February 2020, the Company promoted Lucy Rutishauser to Executive Vice President & Chief Financial Officer, Del Parks to Executive Vice President & Chief Technology Officer, Don Thompson to Executive Vice President & Chief Human Resources Officer, Scott Shapiro to Senior Vice President/Chief Development Officer, Brian Bark to Senior Vice President/Chief Information Officer, and Don Roberts to VP/Sports Engineering and Production Systems.

Industry Trends

- Political spending is significantly higher in the even-numbered years due to the cyclicality of political elections. In addition, every four years, political spending is typically elevated further due to the advertising related to the presidential election.
- The FCC has permitted broadcast television stations to use their digital spectrum for a wide variety of services including multi-channel broadcasts. The FCC “must-carry” rules only apply to a station’s primary digital stream.
- Many broadcasters are enhancing / upgrading their websites to use the internet to deliver rich media content, such as newscasts and weather updates, to attract advertisers and to compete with other internet sites and smart phone and tablet device applications and other social media outlets.
- Seasonal advertising increases occur in the second and fourth quarters due to the anticipation of certain seasonal and holiday spending by consumers.
- Broadcasters have found ways to increase returns on their news programming initiatives while continuing to maintain locally produced content through the use of news sharing arrangements.
- Advertising revenue related to the Olympics occurs in even numbered years and the Super Bowl is aired on a different network each year. Both of these popularly viewed events can have an impact on our advertising revenues.
- The MVPD industry has continued to undergo significant consolidation, which gives top distributors purchase power.
- The vMVPDs have continued to gain increasing importance and have quickly become a critical segment of the market. These vMVPDs offer a limited number of networks at a significantly lower price point as compared to the traditional cable offering.
- The traditional MVPD industry continues to experience a decline in subscribers, which is partially offset by growth in subscribers of vMVPDs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

The Company generates distribution revenue through fees received from MVPDs, vMVPDs, and OTT providers for the right to distribute our broadcast channels and cable networks on their distribution platforms. Distribution arrangements are generally governed by multi-year contracts and the underlying fees are based upon a contractual monthly rate per subscriber. These arrangements represent licenses of intellectual property; revenue is recognized as the signal is provided to our customers (as usage occurs) which corresponds with the satisfaction of our performance obligation. Revenue is calculated based upon the contractual rate multiplied by an estimated number of subscribers. Our customers will remit payments based upon actual subscribers a short time after the conclusion of a month, which generally does not exceed 120 days. Historical adjustments to subscriber estimates have not been material.

Impairment of Goodwill, Intangibles, and Other Long-Lived Assets. We evaluate our goodwill and indefinite-lived intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate an impairment may exist. As of December 31, 2019, our consolidated balance sheet includes $4,716 million and $158 million of goodwill and indefinite-lived intangible assets, respectively.

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

For our annual goodwill and indefinite-lived intangibles impairment tests in 2019, 2018, and 2017, we concluded that it was more-likely-than-not that goodwill was not impaired based on our qualitative assessments. For one reporting unit in 2019, we elected to perform a quantitative assessment and concluded that its fair value significantly exceeded the carrying value.

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

Program Contract Costs. As discussed in *Television Programming* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*, we record an asset and corresponding liability for programming rights when the program is available for its first showing or telecast. These costs are expensed over the period in which an economic benefit is expected to be derived. To ensure the related assets for the programming rights are reflected in the consolidated balance sheets at the lower of unamortized cost or estimated net realizable value (NRV), management estimates future advertising revenue, net of sales commissions, to be generated by the remaining program material available under the contract terms. Management's judgment is required in determining the timing of expense for these costs, which is dependent on the economic benefit expected to be generated from the program and may significantly differ from the timing of related payments under the contractual obligation. If our estimates of future advertising revenues decline, amortization expense could be accelerated or NRV adjustments may be required.

Sports Programming Rights. As discussed in *Sports Programming Rights* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*, we have multi-year program rights agreements that provide the Company with the right to produce and telecast professional sports games within a specified territory in exchange for an annual rights fee. A prepaid asset is recorded for rights acquired related to future games upon payment of the contracted fee. The assets recorded for the acquired rights are classified as current or non-current based on the period when the games are expected to be aired. Liabilities are recorded for any program rights obligations that have been incurred but not yet paid at period end. We amortize these programing rights over each season based upon contractually stated rates. Amortization is accelerated in the event that the stated contractual rates over the term of the rights agreement results in an expense recognition pattern that is inconsistent with the projected growth of revenue over the contractual term.

Income Tax. As discussed in *Income Taxes* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*, we recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We provide a valuation allowance for deferred tax assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating our ability to realize net deferred tax assets, we consider all available evidence, both positive and negative, including our past operating results, tax planning strategies and forecasts of future taxable income. In considering these sources of taxable income, we must make certain judgments that are based on the plans and estimates used to manage our underlying businesses on a long-term basis. As of December 31, 2019 and 2018, a valuation allowance has been provided for deferred tax assets related to a substantial amount of our available state net operating loss carryforwards based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income. Future changes in operating and/or taxable income or other changes in facts and circumstances could significantly impact the ability to realize our deferred tax assets which could have a material effect on our consolidated financial statements.

Management periodically performs a comprehensive review of our tax positions and we record a liability for unrecognized tax benefits when such tax positions do not meet the "more-likely-than-not" threshold. Significant judgment is required in determining whether a tax position meets the "more-likely-than-not" threshold, and it is based on a variety of facts and circumstances, including interpretation of the relevant federal and state income tax codes, regulations, case law and other authoritative pronouncements. Based on this analysis, the status of ongoing audits and the expiration of applicable statute of limitations, liabilities are adjusted as necessary. The resolution of audits is unpredictable and could result in tax liabilities that are significantly higher or lower than for what we have provided. See *Note 12. Income Taxes* within the *Consolidated Financial Statements,* for further discussion of accrued unrecognized tax benefits.

Variable Interest Entities (VIEs). As discussed in *Note 14. Variable Interest Entities* within the *Consolidated Financial Statements*, we have determined that certain third-party licensees of stations for which we perform services pursuant to arrangements, including LMAs, JSAs, and SSAs, are VIEs and we are the primary beneficiary of those variable interests because, subject to the ultimate control of the licensees, we have the power to direct the activities which significantly impact the economic performance of the VIE through the services we provide and because we absorb losses and returns that would be considered significant to the VIEs. We have determined that certain RSN joint ventures are VIEs. We are the primary beneficiary of those RSN joint ventures because we have the power to direct the activities which significantly impact the economic performance of certain regional sports networks, including sales and certain operational services and because we absorb losses and returns that would be considered significant to the VIEs.

Transactions with Related Parties. We have determined that we conduct certain business-related transactions with related persons or entities. See *Note 15. Related Person Transactions* within the *Consolidated Financial Statements* for discussion of these transactions.

Recent Accounting Pronouncements

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

RESULTS OF OPERATIONS

The results of the Acquired RSNs and stations are included in our results of operations from their respective dates of acquisition. See *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion. Unless otherwise indicated, references in this discussion and analysis to 2019, 2018, and 2017 are to our fiscal years ended December 31, 2019, 2018, and 2017, respectively. Additionally, any references to the first, second, third, or fourth quarters are to the three months ended March 31, June 30, September 30, and December 31, respectively, for the year being discussed. We have two reportable segments, local news and marketing services and sports that are disclosed separately from our other and corporate activities.

Seasonality / Cyclicality

The operating results of our local news and marketing services segment are usually subject to cyclical fluctuations from political advertising. In even numbered years, political spending is usually significantly higher than in odd numbered years due to advertising expenditures preceding local and national elections. Additionally, every four years, political spending is usually elevated further due to advertising expenditures preceding the presidential election. Also, the second and fourth quarter operating results are usually higher than the first and third quarters' because advertising expenditures are increased in anticipation of certain seasonal and holiday spending by consumers.

The operating results of our sports segment are usually subject to cyclical fluctuations based on the timing and overlap of the seasons for professional baseball, basketball, and hockey. Usually, the second and third quarter operating results are higher than first and fourth quarters.

Consolidated Operating Data

The following table sets forth certain of our consolidated operating data for the years ended December 31, 2019, 2018, and 2017 (in millions). For definitions of terms, see the footnotes to the table in *Selected Financial Data.*

	Years Ended December 31,		
	2019	**2018**	**2017**
Media revenues	**$ 4,046**	$ 2,919	$ 2,567
Non-media revenues	**194**	136	69
Total revenues	**4,240**	3,055	2,636
Media programming and production expenses	**2,073**	1,191	1,064
Media selling, general and administrative expenses	**732**	630	534
Depreciation and amortization	**424**	280	276
Amortization of program contract costs and net realizable value adjustments	**90**	101	116
Non-media expenses	**156**	122	75
Corporate general and administrative expenses	**387**	111	113
Gain on asset dispositions and other, net of impairments	**(92)**	(40)	(279)
Operating income	**$ 470**	$ 660	$ 737
Net income attributable to Sinclair Broadcast Group	**$ 47**	$ 341	$ 576

LOCAL NEWS AND MARKETING SERVICES SEGMENT

The following table sets forth our revenue and expenses for our local news and marketing services segment, previously referred to as our broadcast segment, for the years ended December 31, 2019, 2018, and 2017 (in millions):

	2019	2018	2017	Percent Change Increase / (Decrease) '19 vs.'18	Percent Change Increase / (Decrease) '18 vs.'17
Revenue:					
Distribution revenue	**$ 1,341**	$ 1,186	$ 1,033	13%	15%
Advertising revenue	**1,268**	1,484	1,315	(15)%	13%
Other media revenue (a)	**46**	45	46	2%	(2)%
Media revenues	**$ 2,655**	$ 2,715	$ 2,394	(2)%	13%
Operating Expenses:					
Media programming and production expenses	**$ 1,173**	$ 1,081	$ 965	9%	12%
Media selling, general and administrative expenses	**552**	530	470	4%	13%
Amortization of program contract costs and net realizable value adjustments	**90**	101	116	(11)%	(13)%
Corporate general and administrative expenses	**144**	100	101	44%	(1)%
Depreciation and amortization expenses	**245**	251	244	(2)%	3%
Gain on asset dispositions and other, net of impairment	**(62)**	(100)	(226)	(38)%	(56)%
Operating income	**$ 513**	$ 752	$ 724	(32)%	4%

(a) Excludes $35 million of intercompany revenue related to certain services provided to the sports segment under a management services agreement as it is eliminated in consolidation.

Revenues

Distribution revenue. Distribution revenue, which includes payments from MVPDs, virtual MVPDs, and OTT distributors for our broadcast signals, increased $155 million in 2019 when compared to the same period in 2018. The increase was primarily due to an increase in rates, partially offset by a decrease in subscribers.

Distribution revenue increased $153 million in 2018 when compared to the same period in 2017, of which $28 million was related to stations not included in the same period of 2017. The remaining increase was primarily due to an increase in rates, partially offset by a decrease in subscribers.

Advertising revenue. Advertising revenue decreased $216 million in 2019, when compared to 2018. The decrease is primarily related to a decrease in political advertising revenue of $221 million, as 2018 was a political year. These decreases were partially offset by increases in certain categories, notably home products and services.

Advertising revenue increased $169 million in 2018, when compared to the same period in 2017. The increase is primarily related to an increase in political advertising revenue of $221 million, as 2018 was a political year and $33 million related to stations not included in the same period in 2017. These increases were partially offset by decreases in certain categories, notably $38 million in automotive, $20 million in food, $18 million in home products, and $7 million in schools due to political crowding out, the Super Bowl being carried on fewer of our stations than in the prior year, and the Olympics which is carried on NBC.

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

	Percent of Advertising Revenue (Excluding Digital) for the Twelve Months Ended December 31,		
	2019	**2018**	**2017**
Local news	**33%**	34%	32%
Syndicated/Other programming	**29%**	28%	30%
Network programming (a)	**24%**	25%	25%
Sports programming	**11%**	10%	10%
Paid programming	**3%**	3%	3%

(a) Excludes sports programming provided by networks.

The following table sets forth our affiliate percentages of advertising revenue for the years ended December 31, 2019, 2018, and 2017:

		Percent of Advertising Revenue for the Twelve Months Ended December 31,		
	Channels (a)	**2019**	**2018**	**2017**
ABC	**41**	**30%**	29%	29%
FOX	**59**	**25%**	24%	25%
CBS	**30**	**20%**	20%	20%
NBC	**24**	**13%**	16%	13%
CW	**48**	**6%**	6%	7%
MNT	**39**	**4%**	4%	5%
Other (b)	**388**	**2%**	1%	1%
Total	**629**			

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

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

Expenses

Media programming and production expenses. Media programming and production expenses increased $92 million during 2019 compared to 2018, which is primarily related to increases in fees pursuant to network affiliation agreements.

Media programming and production expenses increased $116 million during 2018 compared to 2017, of which $26 million related to stations not included in the same period of 2017, $108 million from increases in fees pursuant to network affiliation agreements, and a $12 million increase in employee compensation cost and retirement benefits. These increases were partially offset by a $17 million decrease in fees related to rating services and other decreases in marketing and advertising cost, production cost, and outside services.

Media selling, general and administrative expenses. Media selling, general and administrative expenses increased $22 million during 2019 compared to 2018. The increase is primarily due to a $13 million increase in third-party fulfillment costs from our digital business due to higher revenues and product mix, a $6 million increase related to regulatory cost, and $10 million increase related to employee compensation cost. These increases were partially offset by a $11 million decrease in national sales commissions.

Media selling, general and administrative expenses increased $60 million during 2018 compared to 2017. The increase is primarily due to $13 million of expenses related to stations not included in the same period in 2017, a $11 million increase in third-party fulfillment costs from our digital business, a $9 million increase related to employee compensation cost and retirement benefits, a $9 million increase in information technology costs, and a $12 million increase in certain costs related to higher advertising sales, such as commissions and transaction processing costs.

Amortization of program contract costs and net realizable value adjustments. The amortization of program contract costs decreased $11 million during 2019 compared to 2018. The decrease is primarily due to $11 million related to the timing of amortization on long term contracts and reduced renewal costs.

The amortization of program contract costs decreased $15 million during 2018 compared to 2017. The decrease is primarily due to the timing of amortization on long term contracts and a decrease in program renewal costs, partially offset by $2 million of amortization related to the stations not included in the same period of 2017.

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

Depreciation and amortization expenses. Depreciation of property and equipment and amortization of definite-lived intangibles and other assets decreased $6 million during 2019 compared to 2018, primarily related to $3 million of depreciation and amortization related to assets retired during 2019.

Depreciation of property and equipment and amortization of definite-lived intangibles and other assets increased $7 million during 2018 compared to 2017, primarily related to $12 million from stations not included in the same period of 2017, partially offset by $6 million of depreciation and amortization related to assets retired during 2018.

Gain on asset dispositions and other, net of impairments. During 2019 and 2018, we recorded a gain of $62 million and $6 million, respectively, primarily related to reimbursements from the FCC spectrum repack. For the year ended 2018, we recorded a gain of $83 million associated with the sale of broadcast spectrum in the broadcast incentive auction. See *Broadcast Incentive Auction* within *Note 2. Acquisitions and Dispositions of Assets* for further discussion of the broadcast incentive auction and FCC spectrum repack.

SPORTS SEGMENT

Our sports segment reflects the results of our 21 regional sports network brands acquired during the year ended December 31, 2019, Marquee, and a 20% equity interest in the YES Network. The RSNs and YES Network own the exclusive rights to air, among other sporting events, the games of 45 professional sports teams.

The following table sets forth our revenue and expenses for our sports segment for the period from August 23, 2019 to December 31, 2019 (in millions):

	2019
Revenue:	
Distribution revenue	$ 1,029
Advertising revenue	103
Other media revenue	7
Media revenue	$ 1,139
Operating Expenses:	
Media programming and production expenses	$ 769
Media selling, general and administrative expenses (a)	55
Depreciation and amortization expenses	157
Corporate general and administrative	93
Operating income	$ 65
Income from equity method investments	$ 18

(a) Excludes $35 million of intercompany expense related to certain serviced provided by the local news and marketing services segment under a management services agreement, as it is eliminated in consolidation.

Media revenue. Media revenue was $1,139 million for the year ended December 31, 2019 and is primarily derived from distribution and advertising revenue. Distribution revenue is generated through fees received from MVPDs for the right to distribute our RSNs. Advertising revenue is primarily generated from sales of commercial time within the regional sports networks' programming.

Media programming and production expenses. Media programming and production expenses were $769 million for the year ended December 31, 2019 and are primarily related to $673 million of amortization of our sports programming rights with MLB, NBA, and NHL teams and the costs of producing and distributing content for our brands including live games, pre-game and post-game shows, and backdrop programming.

Media selling, general, and administrative expenses. Media selling, general, and administrative expenses were $55 million for the year ended December 31, 2019 and are primarily related to employee compensation cost and advertising expenses.

Depreciation and amortization. Depreciation and amortization expense was $157 million for the year ended December 31, 2019 and is related to the depreciation of definite-lived assets and other assets.

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

Income from equity method investments. Income from equity method investments for the year ended December 31, 2019 was $18 million and is primarily related our investment in YES, which was acquired in August 2019.

OTHER

The following table sets forth our revenues and expenses for our owned networks and content, non-broadcast digital and internet solutions, technical services, and non-media investments (collectively, other) for the years ended December 31, 2019, 2018, and 2017 (in millions):

	2019	2018	2017	Percent Change Increase / (Decrease) '19 vs.'18	'18 vs.'17
Revenue:					
Distribution revenue	**$ 130**	$ 113	$ 107	15%	6%
Advertising revenue	**109**	75	54	45%	39%
Other media revenues	**13**	16	12	(19)%	33%
Media revenues	**$ 252**	$ 204	$ 173	24%	18%
Non-media revenues	**$ 194**	$ 136	$ 69	43%	97%
Operating Expenses:					
Media expenses	**$ 256**	$ 210	$ 163	22%	29%
Non-media expenses	**$ 156**	$ 122	$ 75	28%	63%
Corporate general and administrative expenses	**$ 1**	$ 1	$ 1	—%	—%
(Gain) loss on asset dispositions and other, net of impairments	**$ (4)**	$ 60	$ (53)	n/m	n/m
Operating income (loss)	**$ 15**	$ (82)	$ 25	118%	(428)%
Loss from equity method investments	**$ (53)**	$ (61)	$ (14)	(13)%	n/m

n/m — not meaningful

Revenue. Media revenue increased $48 million during 2019 compared to 2018. The increase for both periods is primarily related to an increase in distribution and advertising revenue related to our owned networks. Non-media revenue increased $58 million during 2019 when compared to 2018 and is primarily related to an increase in broadcast equipment sales and services, partially offset by decreased sales from our real estate development projects. Media revenue increased by $31 million during 2018 compared to 2017. The increase is primarily related to an increase in advertising revenue mostly related to the expansion of our non-broadcast digital initiatives and certain owned networks, and an increase in Tennis distribution revenues. Non-media revenue increased $67 million during 2018 when compared to 2017 and is primarily related to an increase in broadcast equipment sales, partially offset by a decrease associated with the sale of a consolidated investment in an alarm monitoring business in March 2017.

Expenses. Media expenses increased $46 million for both 2019 and 2018 when compared to the previous year. The increase is primarily related to our owned networks and our non-broadcast digital initiatives. Non-media expenses increased $34 million and $47 million during 2019 and 2018, respectively when compared to the previous year. The increase is primarily related to broadcast equipment business and services, primarily due to higher sales.

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

(Gain) loss on asset dispositions and other, net of impairments. During the year ended 2018, we recorded a non-cash impairment of $60 million related to a real estate development project. During the year ended 2017, we recognized a gain of $53 million related to the sale of Alarm. See *Alarm Funding Sale* under *Note 2. Acquisitions and Dispositions of Assets* within our consolidated financial statements.

Loss from equity method investments. Losses from equity method investments for the year ended December 31, 2018 increased by $47 million when compared to 2017 and is primarily related to investments in sustainability initiatives.

CORPORATE AND UNALLOCATED EXPENSES

The following table presents our corporate and unallocated expenses for the years ended December 31, 2019, 2018, and 2017 (in millions):

							Percent Change Increase/ (Decrease)	
		2019		**2018**		**2017**	**'19 vs.'18**	**'18 vs.'17**
Corporate general and administrative expenses	**$**	**387**	$	111	$	113	249%	(2)%
Interest expense and amortization of debt discount and deferred financing costs	**$**	**422**	$	292	$	212	45%	38%
Loss from extinguishment of debt	**$**	**10**	$	—	$	1	n/m	n/m
Income tax benefit	**$**	**96**	$	36	$	75	167%	(52)%
Net income attributable to redeemable noncontrolling interests	**$**	**(48)**	$	—	$	—	n/m	n/m
Net income attributable to noncontrolling interests	**$**	**(10)**	$	(5)	$	(18)	100%	(72)%

n/m — not meaningful

Corporate general and administrative expenses. The table above and the explanation that follows cover total consolidated corporate general and administrative expenses. Corporate general and administrative expenses increased in total by $276 million in 2019 compared to 2018. The increase is primarily due to a $187 million increase in legal, litigation, and regulatory costs, primarily related to the acquisition of the RSNs, $73 million in consulting fees and transaction costs, primarily related to the financing of the acquisition of the RSNs, and a $14 million increase in employee compensation cost.

Corporate general and administrative expenses decreased by $2 million in 2018 compared to 2017 primarily related to a $7 million decrease to employee compensation cost primarily due to one-time bonuses paid in 2017 as a result of the tax law change, partially offset by an increase of $6 million to health insurance costs.

We expect corporate general and administrative expenses to decrease in 2020 compared to 2019 primarily as a result of lower transaction, legal, litigation, and regulatory costs.

Interest expense. The table above and explanations that follows cover total consolidated interest expense. Interest expense increased by $130 million in 2019 compared to 2018. The increase is primarily related to $211 million of acquisition related financing, of which $189 million related to the DSG Senior Notes and DSG Bank Credit Agreement, and $22 million related to a new term loan facility at STG. See *Note 7. Notes Payable and Commercial Bank Financing* within our *Consolidated Financial Statements* for further discussion. The increase was partially offset by $79 million in financing ticking fees for the year ended December 31, 2018, associated with the Tribune acquisition, which was subsequently terminated in August 2018.

Interest expense increased by $80 million in 2018 compared to 2017. The increase is primarily related to $79 million in ticking fees and the write-off of previously capitalized debt issuance costs associated with the Tribune acquisition which was subsequently terminated and increased interest expense of $9 million for term loans primarily related to year-over-year increases in LIBOR. The increases were partially offset by a $6 million decrease related to debt financing fees expensed in 2017 related to the amendment of certain terms and extension of the maturity date of Term Loan B under the existing Bank Credit Agreement.

We expect interest expense to increase in 2020 compared to 2019 primarily as a result of the acquisition related financing discussed under *Note 7. Notes Payable and Commercial Bank Financing* within our *Consolidated Financial Statements.*

Income tax benefit (provision). The 2019 income tax benefit for our pre-tax income of $9 million resulted in an effective tax rate of (1,103.4)%. The 2018 income tax benefit for our pre-tax income (including the effects of noncontrolling interest) of $306 million resulted in an effective tax rate of (11.7)%. The increase in the effective tax rate from 2018 to 2019 is primarily due to greater impact of federal tax credits related to investments in sustainability initiatives and a 2019 benefit related to a change in the treatment of the gain from the sale of certain broadcast spectrum in connection with the Broadcast Incentive Auction.

The 2017 income tax benefit for our pre-tax income (including the effects of noncontrolling interest) of $501 million resulted in an effective tax rate of (15.1)%. The increase in the effective tax rate from 2017 to 2018 is primarily due to the 2017 tax benefit of the impact of the re-measurement of our deferred tax assets and liabilities related to the reduction of the U.S. federal tax rate from 35.0% to 21.0% under Tax Cuts and Jobs Act ("Tax Reform") exceeding the tax benefits of the greater 2018 federal tax credits, lower 2018 federal tax rate, and lower 2018 state taxes due to the impact of a change in apportionment on certain state deferred tax liabilities.

As of December 31, 2019, we had a net deferred tax liability of $407 million as compared to a net deferred tax liability of $413 million as of December 31, 2018. The decrease primarily relates to an increase in deferred tax assets associated with settlement and other accruals, partially offset by an increase in deferred tax liabilities resulting from certain partnership activity.

As of December 31, 2019, we had $11 million of gross unrecognized tax benefits. Of this total, $10 million (net of federal effect on state tax issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect our effective tax rate. As of December 31, 2018, we had $7 million of gross unrecognized tax benefits. Of this total, $6 million (net of federal effect on state tax issues) represents the amount of unrecognized tax benefits that, if recognized, would favorably affect our effective tax rate. We recognized $1 million and $0.3 million of income tax expense for interest related to uncertain tax positions for the years ended December 31, 2019 and 2018, respectively. See *Note 12. Income Taxes* within the Consolidated Financial Statements for further information.

Net income attributable to redeemable noncontrolling interests. Net income attributable to redeemable noncontrolling interests was $48 million for the year ended December 31, 2019 which is primarily related to dividends accrued and distributed related to our Redeemable Subsidiary Preferred Equity.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2019, we had net working capital of approximately $1,779 million, including $1,333 million in cash and cash equivalent balances. Borrowing capacity under our STG Revolving Credit Facility and DSG Revolving Credit Facility was $649 million and $650 million, respectively, as of December 31, 2019. Cash generated by our operations and borrowing capacity under the STG Bank Credit Agreement and DSG Bank Credit Agreement are used as our primary sources of liquidity.

On April 30, 2019, we paid in full the remaining principal balance of $92 million of Term Loan A-2 debt under the STG Revolving Credit Facility, due July 31, 2021.

On August 13, 2019, the Company redeemed, in full, $600 million of STG's 5.375% Senior Unsecured Notes due 2021. The 5.375% Notes were called at 100.0% of their par value. The redemption was funded through a combination of $600 million of STG Term Loan B-2b and cash on hand. See *STG Bank Credit Agreement* under *Note 7. Notes Payable and Commercial Bank Financing* within our *Consolidated Financial Statements* for further discussion.

In conjunction with the acquisition of the RSNs, on August 2, 2019, we issued $3,050 million principal amount of the DSG 5.375% Secured Notes and $1,825 million principal amount of the DSG 6.625% Notes. On August 23, 2019 we entered into an amendment and restatement of the STG Bank Credit Agreement, raising $700 million aggregate principal amount of STG Term Loan B-2a loans and replacing STG's existing revolving credit facility with a new $650 million five-year revolving credit facility. On August 23, 2019, we entered into the DSG Bank Credit Agreement, raising $3,300 million aggregate principal amount of the DSG Term Loans and obtaining a $650 million five-year revolving credit facility. On August 23, 2019, we issued preferred equity of Diamond Sports Holdings for $1,025 million. See *DSG Senior Notes*, *STG Bank Credit Agreement*, and *DSG Bank Credit Agreement* under *Note 7. Notes Payable and Commercial Bank Financing*, and *Redeemable Subsidiary Preferred Equity* under *Note 10. Redeemable Noncontrolling Interests*, within our *Consolidated Financial Statements* for further discussion.

On November 27, 2019, the Company redeemed, in full, $500 million of STG's 6.125% Senior Unsecured Notes due 2022 for a redemption price, including the outstanding principal amount of the STG 6.125% Notes, accrued and unpaid interest, and a make-whole premium, of $510 million. The redemption was funded by the issuance of $500 million of senior notes, which bear interest at a rate of 5.500% per annum and mature on March 1, 2030, plus cash on hand.

On December 13, 2019 and January 21, 2020, we redeemed 300,000 and 200,000 units of redeemable subsidiary preferred equity for an aggregate redemption price equal to $300 million and $200 million, respectively, plus accrued and unpaid interest.

In January 2020, a minority partner in one of our RSNs exercised their right to sell the entirety of their non-controlling interest to the Company for $376 million. This transaction closed in January 2020.

We anticipate that existing cash and cash equivalents, cash flow from our operations, and borrowing capacity under the STG Bank Credit Agreement and DSG Bank Credit Agreement will be sufficient to satisfy our debt service obligations, capital expenditure requirements, and working capital needs for the next twelve months. For our long-term liquidity needs, in addition to the sources described above, we may rely upon the issuance of long-term debt, the issuance of equity or other instruments convertible into or exchangeable for equity, or the sale of non-core assets. However, there can be no assurance that additional financing or capital or buyers of our non-core assets will be available, or that the terms of any transactions will be acceptable or advantageous to us.

For the year ended December 31, 2019, we were in compliance with all of the covenants related to the STG Bank Credit Agreement, DSG Bank Credit Agreement, STG Senior Notes, and DSG Senior Notes.

Sources and Uses of Cash

The following table sets forth our cash flows for the years ended December 31, 2019, 2018, and 2017 (in millions):

	2019	2018	2017
Net cash flows from operating activities	**$ 916**	$ 647	$ 432
Cash flows (used in) from investing activities:			
Acquisition of property and equipment	**$ (156)**	$ (105)	$ (84)
Acquisition of businesses, net of cash acquired	**(8,999)**	—	(271)
Spectrum repack reimbursements and auction proceeds	**62**	6	311
Proceeds from the sale of assets	**8**	2	195
Purchases of investments	**(452)**	(48)	(63)
Distributions from investments	**7**	24	32
Other, net	**—**	3	(6)
Net cash flows (used in) from investing activities	**$ (9,530)**	$ (118)	$ 114
Cash flows (used in) from financing activities:			
Proceeds from notes payable and commercial bank financing	**$ 9,956**	$ 4	$ 166
Repayments of notes payable, commercial bank financing, and finance leases	**(1,236)**	(167)	(340)
Proceeds from the sale of Class A Common Stock	**—**	—	488
Proceeds from the issuance of redeemable subsidiary preferred equity, net	**985**	—	—
Repurchase of outstanding Class A Common Stock	**(145)**	(221)	(30)
Dividends paid on Class A and Class B Common Stock	**(73)**	(74)	(71)
Dividends paid on redeemable subsidiary preferred equity	**(33)**	—	—
Redemption of redeemable subsidiary preferred equity	**(297)**	—	—
Debt issuance costs	**(199)**	(1)	(1)
Distributions to noncontrolling interests	**(32)**	(9)	(22)
Other, net	**(39)**	3	—
Net cash flows from (used in) financing activities	**$ 8,887**	$ (465)	$ 190

Operating Activities

Net cash flows from operating activities increased during the year ended December 31, 2019 compared to the same period in 2018. The increase is primarily due to the acquisition of the RSNs in August 2019 and higher distribution revenues.

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

Investing Activities

Net cash flows used in investing activities increased during the year ended December 31, 2019, compared to the same period in 2018. The increase is primarily related to the acquisition of the RSNs in August 2019, and an increase in net cash invested in debt and equity investments, primarily related to our investment in YES.

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

In 2020, we anticipate capital expenditures to increase from 2019. As discussed in *Note 2. Acquisitions and Dispositions of Assets* within our *Consolidated Financial Statements*, certain of our channels have been reassigned in conjunction with the FCC repacking process. We expect a significant amount of these expenditures will be reimbursed from the fund administered by the FCC.

Financing Activities

Net cash flows from financing activities increased during the year ended December 31, 2019, compared to the same period in 2018. The increase is primarily related to the issuance of debt and redeemable subsidiary preferred equity for the acquisition of the RSNs, offset by the redemption of the STG 5.375% Notes in August 2019, the STG 6.625% Notes in November 2019, and the redeemable subsidiary preferred equity in December 2019. See *Note 7. Notes Payable and Commercial Bank Financing* and *Note 10. Redeemable Noncontrolling Interests* within our *Consolidated Financial Statements* for further discussion.

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

Contractual Obligations

We have various contractual obligations which are recorded as liabilities in our consolidated financial statements. Other items, such as certain purchase commitments and other executory contracts are not recognized as liabilities in our consolidated financial statements but are required to be disclosed. For example, we are contractually committed to acquire future programming.

The following table reflects a summary of our contractual cash obligations as of December 31, 2019 and the future periods in which such obligations are expected to be settled in cash (in millions):

CONTRACTUAL OBLIGATIONS

	Total	2020	2021-2022	2023-2024	2025 and thereafter
Notes payable, finance leases and commercial bank financing (a)	$ 17,031	$ 730	$ 1,453	$ 3,174	$ 11,674
Operating leases	339	51	76	54	158
Programming rights and content (b)	17,798	2,575	4,095	2,913	8,215
Programming services (c)	208	91	77	37	3
Other (d)	450	130	146	64	110
Total contractual cash obligations	$ 35,826	$ 3,577	$ 5,847	$ 6,242	$ 20,160

(a) Includes interest on debt and finance leases, including finance leases payable to related parties. Estimated interest on our variable rate debt has been calculated at an effective weighted interest rate of 4.58% as of December 31, 2019. Variable rate debt represents $6 billion of our $12 billion total face value of debt as of December 31, 2019. See *Note 7. Notes Payable and Commercial Bank Financing* within the *Consolidated Financial Statements* for further discussion of the changes to notes payable, finance leases, and commercial bank financing during 2019 and *Note 15. Related Person Transactions* within the *Consolidated Financial Statements* for further discussion of related parties.

(b) Our programming rights and content includes contractual amounts owed through the expiration date of the underlying agreement for sports programming rights of $16.2 billion, active and future television program contracts, network programming, and additional advertising inventory in various dayparts. Active television program contracts are included in the balance sheet as an asset and liability while future television program contracts are excluded until the cost is known, the program is available for its first showing or telecast, and the licensee has accepted the program. Industry protocol typically enables us to make payments for television program contracts on a three-month lag, which differs from the contractual timing within the table. Network programming agreements may include variable fee components such as subscriber levels, which in certain circumstances have been estimated and reflected in the table above.

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

(d) Other includes obligations related to post-retirement benefits, guaranteed payments under a deferred purchase price liability, maintenance and support, other corporate contracts, other long-term liabilities, commitments to contribute capital to various non-media private equity investments, and LMA and outsourcing agreements. Excluded from the table are estimated amounts due pursuant to LMAs and outsourcing agreements where we consolidate the counter-party. The fees that we are required to pay under these agreements total $6 million and $3 million for the periods 2020 and 2021-2022, respectively. Certain station related operating expenses are paid by the licensee and reimbursed by us under the LMA agreements. Certain of these expenses that are in connection with contracts are included in the table above.

Off Balance Sheet Arrangements

Off balance sheet arrangements as defined by the SEC means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the registrant is a party, under which the registrant has: obligations under certain guarantees or contracts; retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangements; obligations under certain derivative arrangements; and obligations arising out of a material variable interest in an unconsolidated entity. As of December 31, 2019, we do not have any material off balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and consider entering into derivative instruments primarily for the purpose of reducing the impact of changing interest rates on our floating rate debt and to reduce the impact of changing fair market values on our fixed rate debt. See *Note 7. Notes Payable and Commercial Bank Financing* within the *Consolidated Financial Statements* for further discussion. We did not have any outstanding derivative instruments during the three years ended December 31, 2019, 2018, and 2017.

During the year ended December 31, 2019, we entered into an amended and restated STG Bank Credit Agreement and the DSG Bank Credit Agreement. We are exposed to risk from the changing interest rates of our variable rate debt issued under these credit agreements. As of December 31, 2019, our total variable rate debt under these credit agreements was $6 billion. We estimate that adding 1% to respective interest rates would result in an increase in our interest expense of $59 million.

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

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

As of February 26, 2020, there are approximately 43 shareholders of record of our Class A common stock. Many of our shares of Class A common stock are held by brokers and institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

We intend to pay regular quarterly dividends to our stockholders, although all future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions, and other factors that the Board of Directors may deem relevant.

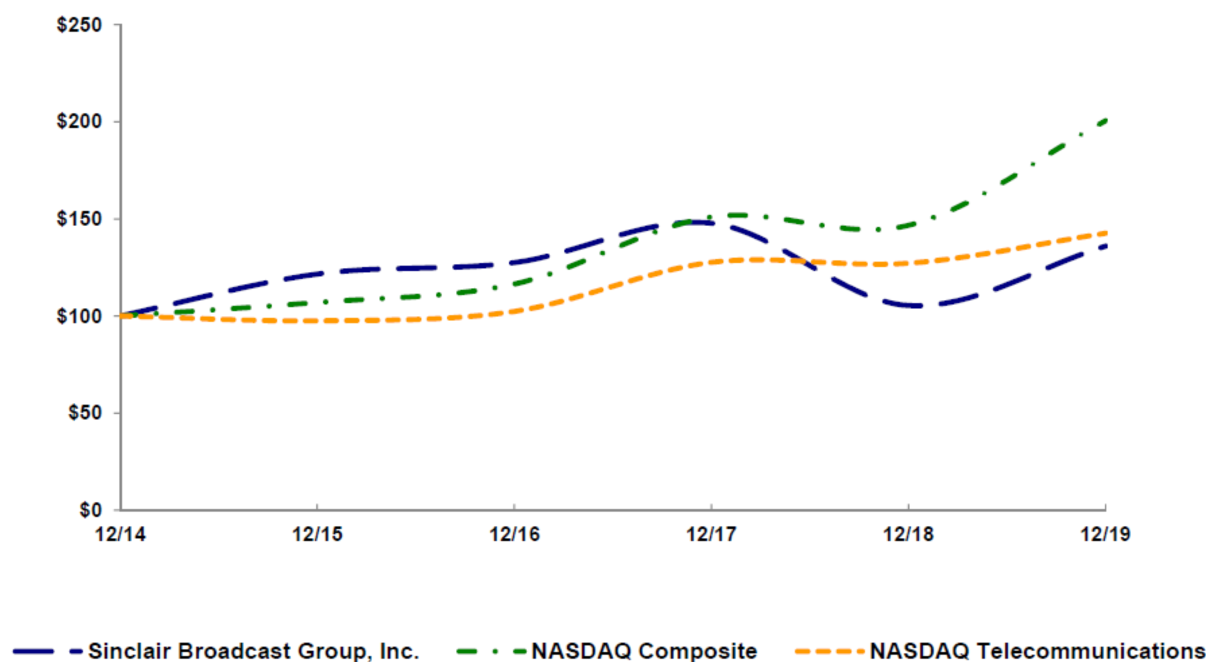
In February 2020, we declared a quarterly cash dividend of $0.20 per share.

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

Comparative Stock Performance

The following line graph compares the yearly percentage change in the cumulative total shareholder return on our Class A Common Stock with the cumulative total return of the NASDAQ Composite Index and the cumulative total return of the NASDAQ Telecommunications Index (an index containing performance data of radio and television broadcast companies and communication equipment and accessories manufacturers) from December 31, 2014 through December 31, 2019. The performance graph assumes that an investment of $100 was made in the Class A Common Stock and in each Index on December 31, 2014 and that all dividends were reinvested. Total shareholder return is measured by dividing total dividends (assuming dividend reinvestment) plus share price change for a period by the share price at the beginning of the measurement period.

Company/Index/Market	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Sinclair Broadcast Group, Inc.	100.00	121.60	127.48	147.74	105.39	135.98
NASDAQ Composite Index	100.00	106.96	116.45	150.96	146.67	200.49
NASDAQ Telecommunications Index	100.00	97.52	102.36	127.62	127.16	142.60



*$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Stock Repurchases

The following table summarizes repurchases of our stock in the quarter ended December 31, 2019:

Period	Total Number of Shares Purchased (a)	Average Price Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (in millions)
Class A Common Stock: (b)				
10/01/19 – 10/31/19	—	$ —	—	$ —
11/01/19 – 11/30/19	449,099	$ 35.54	449,099	$ 727
12/01/19 – 12/31/19	113,194	$ 34.93	113,194	$ 723

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

(b) On August 9, 2018, the Board of Directors authorized an additional $1 billion share repurchase authorization, in addition to the previous repurchase authorization of $150 million. There is no expiration date and currently, management has no plans to terminate this program. As of December 31, 2019, the remaining authorization under the program was $723 million.

CONTROLS AND PROCEDURES

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

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the design and effectiveness of our disclosure controls and procedures and our internal control over financial reporting as of December 31, 2019.

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

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

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that our receipts and expenditures are being made in accordance with authorizations of management or our Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material adverse effect on our financial statements.

Assessment of Effectiveness of Disclosure Controls and Procedures

Based on the evaluation of our disclosure controls and procedures as of December 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on our assessment, management has concluded that, as of December 31, 2019, our internal control over financial reporting was effective based on those criteria.

As permitted under Securities and Exchange Commission guidelines for newly acquired businesses, management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019 excluded the Regional Sports Networks (as defined in Note 2. Acquisitions and Dispositions of Assets), which were acquired on August 23, 2019. The operating results of these businesses are included in our consolidated financial statements for the periods subsequent to acquisition and represent collectively approximately 7% of total assets and 27% of total revenue as of December 31, 2019. The Regional Sports Networks will be included in management's assessment of internal control over financial reporting in fiscal year 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)

As of December 31,	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 1,333**	$ 1,060
Accounts receivable, net of allowance for doubtful accounts of $8 and $2, respectively	**1,132**	599
Current portion of program contract costs	**58**	64
Income taxes receivable	**103**	—
Prepaid expenses and other current assets	**287**	61
Total current assets	**2,913**	1,784
Program contract costs, less current portion	**5**	11
Property and equipment, net	**765**	683
Operating lease assets	**223**	—
Goodwill	**4,716**	2,124
Indefinite-lived intangible assets	**158**	158
Customer relationships, net	**5,979**	772
Other definite-lived intangible assets, net	**1,998**	855
Other assets	**613**	185
Total assets (a)	**$ 17,370**	$ 6,572
LIABILITIES , REDEEMABLE NON-CONTROLLING INTERESTS, AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 782**	$ 330
Income taxes payable	**—**	23
Current portion of notes payable, finance leases, and commercial bank financing	**71**	43
Current portion of operating lease liabilities	**38**	—
Current portion of program contracts payable	**88**	93
Other current liabilities	**155**	84
Total current liabilities	**1,134**	573
Notes payable, finance leases, and commercial bank financing, less current portion	**12,367**	3,850
Operating lease liabilities, less current portion	**217**	—
Program contracts payable, less current portion	**39**	50
Deferred tax liabilities	**407**	413
Other long-term liabilities	**434**	86
Total liabilities (a)	**14,598**	4,972
Commitments and contingencies (See *Note 13*)		
Redeemable noncontrolling interests	**1,078**	—
Shareholders' Equity:		
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 66,830,110 and 68,897,723 shares issued and outstanding, respectively	**1**	1
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 24,727,682 and 25,670,684 shares issued and outstanding, respectively, convertible into Class A Common Stock	**—**	—
Additional paid-in capital	**1,011**	1,121
Retained earnings	**492**	518
Accumulated other comprehensive loss	**(2)**	(1)
Total Sinclair Broadcast Group shareholders' equity	**1,502**	1,639
Noncontrolling interests	**192**	(39)
Total equity	**1,694**	1,600
Total liabilities, redeemable noncontrolling interests, and equity	**$ 17,370**	$ 6,572

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

(a) Our consolidated total assets as of December 31, 2019 and 2018 include total assets of variable interest entities (VIEs) of $228 million and $127 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of December 31, 2019 and 2018 include total liabilities of the VIEs of $27 million and $22 million, respectively, for which the creditors of the VIEs have no recourse to us. See *Note 14. Variable Interest Entities.*

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In millions, except share and per share data)

	2019	2018	2017
REVENUES:			
Media revenues	$ **4,046**	$ 2,919	$ 2,567
Non-media revenues	**194**	136	69
Total revenues	**4,240**	3,055	2,636
OPERATING EXPENSES:			
Media programming and production expenses	**2,073**	1,191	1,064
Media selling, general and administrative expenses	**732**	630	534
Amortization of program contract costs and net realizable value adjustments	**90**	101	116
Non-media expenses	**156**	122	75
Depreciation of property and equipment	**97**	105	97
Corporate general and administrative expenses	**387**	111	113
Amortization of definite-lived intangible and other assets	**327**	175	179
Gain on asset dispositions and other, net of impairment	**(92)**	(40)	(279)
Total operating expenses	**3,770**	2,395	1,899
Operating income	**470**	660	737
OTHER INCOME (EXPENSE):			
Interest expense and amortization of debt discount and deferred financing costs	**(422)**	(292)	(212)
Loss from extinguishment of debt	**(10)**	—	(1)
Loss from equity method investments	**(35)**	(61)	(14)
Other income, net	**6**	3	9
Total other expense, net	**(461)**	(350)	(218)
Income before income taxes	**9**	310	519
INCOME TAX BENEFIT	**96**	36	75
NET INCOME	**105**	346	594
Net income attributable to the redeemable noncontrolling interests	**(48)**	—	—
Net income attributable to the noncontrolling interests	**(10)**	(5)	(18)
NET INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	$ **47**	$ 341	$ 576
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:			
Basic earnings per share	$ **0.52**	$ 3.38	$ 5.77
Diluted earnings per share	$ **0.51**	$ 3.35	$ 5.72
Weighted average common shares outstanding (in thousands)	**92,015**	100,913	99,844
Weighted average common and common equivalent shares outstanding (in thousands)	**93,185**	101,718	100,789

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In millions)

	2019	2018	2017
Net income	**$ 105**	$ 346	$ 594
Adjustments to post-retirement obligations, net of taxes	**(1)**	1	(1)
Comprehensive income	**104**	347	593
Comprehensive income attributable to redeemable noncontrolling interests	**(48)**	—	—
Comprehensive income attributable to noncontrolling interests	**(10)**	(5)	(18)
Comprehensive income attributable to Sinclair Broadcast Group	**$ 46**	$ 342	$ 575

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

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017
(In millions, except share data)

	Sinclair Broadcast Group Shareholders								
	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
	Shares	Values	Shares	Values					
BALANCE, December 31, 2016	64,558,207	$ 1	25,670,684	$ —	$ 844	$ (256)	$ (1)	$ (30)	$ 558
Issuance of common stock, net of issuance costs	12,000,000	—	—	—	488	—	—	—	488
Dividends declared and paid on Class A and Class B Common Stock ($0.72 per share)	—	—	—	—	—	(71)	—	—	(71)
Repurchases of Class A Common Stock	(997,300)	—	—	—	(30)	—	—	—	(30)
Class A Common Stock issued pursuant to employee benefit plans	510,238	—	—	—	19	—	—	—	19
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(22)	(22)
Other comprehensive income	—	—	—	—	—	—	(1)	—	(1)
Net income	—	—	—	—	—	576	—	18	594
BALANCE, December 31, 2017	76,071,145	$ 1	25,670,684	$ —	$ 1,321	$ 249	$ (2)	$ (34)	$ 1,535

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

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018
(In millions, except share data)

	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	$ 1	25,670,684	$ —	$ 1,321	$ 249	$ (2)	$ (34)	$ 1,535
Cumulative effect of adoption of new accounting standard	—	—	—	—	—	2	—	—	2
Dividends declared and paid on Class A and Class B Common Stock ($0.74 per share)	—	—	—	—	—	(74)	—	—	(74)
Repurchases of Class A Common Stock	(7,761,529)	—	—	—	(221)	—	—	—	(221)
Class A Common Stock issued pursuant to employee benefit plans	588,107	—	—	—	21	—	—	—	21
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	(10)	(10)
Other comprehensive income	—	—	—	—	—	—	1	—	1
Net income	—	—	—	—	—	341	—	5	346
BALANCE, December 31, 2018	68,897,723	$ 1	25,670,684	$ —	$ 1,121	$ 518	$ (1)	$ (39)	$ 1,600

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

CONSOLIDATED STATEMENTS OF EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS FOR THE YEARS ENDED DECEMBER 31, 2019
(In millions, except share data)

		Sinclair Broadcast Group Shareholders								
	Redeemable Noncontrolling Interests	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, 2018	$ —	68,897,723	$ 1	25,670,684	$ —	$ 1,121	$ 518	$ (1)	$ (39)	$ 1,600
Issuance of redeemable subsidiary preferred equity, net of issuance costs	**985**	—	—	—	—	—	—	—	—	—
Dividends declared and paid on Class A and Class B Common Stock ($0.80 per share)	—	—	—	—	—	—	**(73)**	—	—	**(73)**
Class B Common Stock converted into Class A Common Stock	—	**943,002**	—	**(943,002)**	—	—	—	—	—	—
Repurchases of Class A Common Stock	—	**(4,555,487)**	—	—	—	**(145)**	—	—	—	**(145)**
Class A Common Stock issued pursuant to employee benefit plans	—	**1,544,872**	—	—	—	**35**	—	—	—	**35**
Noncontrolling interests acquired in a business combination	**380**	—	—	—	—	—	—	—	**248**	**248**
Distributions to noncontrolling interests, net	**(38)**	—	—	—	—	—	—	—	**(27)**	**(27)**
Redemption of redeemable subsidiary preferred equity, net of fees	**(297)**	—	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	**(1)**	—	**(1)**
Net income	**48**	—	—	—	—	—	**47**	—	**10**	**57**
BALANCE, December 31, 2019	**$ 1,078**	**66,830,110**	**$ 1**	**24,727,682**	**$ —**	**$ 1,011**	**$ 492**	**$ (2)**	**$ 192**	**$ 1,694**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In millions)

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 105**	$ 346	$ 594
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation of property and equipment	**97**	105	97
Amortization of definite-lived intangible and other assets	**327**	175	179
Amortization of program contract costs and net realizable value adjustments	**90**	101	116
Loss from extinguishment of debt	**10**	—	1
Stock-based compensation	**33**	26	16
Deferred tax benefit	**(5)**	(103)	(159)
Gain on asset disposition and other, net of impairment	**(62)**	(19)	(279)
Loss from equity method investments	**35**	61	14
Amortization of sports programming rights	**637**	—	—
Additions to sports programming rights	**(578)**	—	—
Changes in assets and liabilities, net of acquisitions:			
Decrease (increase) in accounts receivable	**70**	(37)	(42)
Increase in prepaid expenses and other current assets	**(27)**	(10)	(9)
Increase in accounts payable and accrued liabilities	**334**	24	35
Net change in net income taxes payable/receivable	**(127)**	49	(43)
Decrease in program contracts payable	**(94)**	(108)	(111)
Other, net	**71**	37	23
Net cash flows from operating activities	**916**	647	432
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	**(156)**	(105)	(84)
Acquisition of businesses, net of cash acquired	**(8,999)**	—	(271)
Spectrum repack reimbursements and auction proceeds	**62**	6	311
Proceeds from the sale of assets	**8**	2	195
Purchases of investments	**(452)**	(48)	(63)
Distributions from investments	**7**	24	32
Other, net	**—**	3	(6)
Net cash flows (used in) from investing activities	**(9,530)**	(118)	114
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Proceeds from notes payable and commercial bank financing	**9,956**	4	166
Repayments of notes payable, commercial bank financing, and finance leases	**(1,236)**	(167)	(340)
Proceeds from the sale of Class A Common Stock	**—**	—	488
Proceeds from the issuance of redeemable subsidiary preferred equity, net	**985**	—	—
Repurchase of outstanding Class A Common Stock	**(145)**	(221)	(30)
Dividends paid on Class A and Class B Common Stock	**(73)**	(74)	(71)
Dividends paid on redeemable subsidiary preferred equity	**(33)**	—	—
Redemption of redeemable subsidiary preferred equity	**(297)**	—	—
Debt issuance costs	**(199)**	(1)	(1)
Distributions to noncontrolling interests	**(32)**	(9)	(22)
Other, net	**(39)**	3	—
Net cash flows from (used in) financing activities	**8,887**	(465)	190
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	**273**	64	736
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	**1,060**	996	260
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	**$ 1,333**	$ 1,060	$ 996

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

SINCLAIR BROADCAST GROUP, INC.
NOTES TO THE 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 media company with national reach and a strong focus on providing high-quality content on our local television stations, regional sports networks, and digital platforms. The content, distributed through our broadcast platform and third-party platforms, consists of programming provided by third-party networks and syndicators, local news, college and professional sports, and other original programming produced by us. 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.

As of December 31, 2019, we had two reportable segments for accounting purposes, local news and marketing services and sports. The local news and marketing services segment consists primarily of our 191 broadcast television stations in 89 markets, 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 JSAs and SSAs). These stations broadcast 629 channels as of December 31, 2019. For the purpose of this report, these 191 stations and 629 channels are referred to as "our" stations and channels. The sports segment consists primarily of the 21 regional sports network brands acquired during the year ended December 31, 2019, Marquee, and a 20% equity interest in the YES Network. The RSNs and YES Network own the exclusive rights to air, among other sporting events, the games of 45 professional sports teams.

Principles of Consolidation

The consolidated financial statements include our accounts and those of our wholly-owned and majority-owned subsidiaries, including the operating results of the regional sports networks acquired on August 23, 2019, as discussed in *Note 2. Acquisitions and Dispositions of Assets*, and variable interest entities (VIEs) for which we are the primary beneficiary. Noncontrolling interests represent a minority owner's proportionate share of the equity in certain of our consolidated entities. Noncontrolling interests which may be redeemed by the holder, and the redemption is outside of our control, are presented as redeemable noncontrolling interests. All intercompany transactions and account balances have been eliminated in consolidation.

We consolidate VIEs when we are the primary beneficiary. We are the primary beneficiary of a VIE when we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. See *Note 14. Variable Interest Entities* for more information on our VIEs.

Investments in entities over which we have significant influence but not control are accounted for using the equity method of accounting. Income from equity method investments represents our proportionate share of net income generated by equity method investees.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) 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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance related to accounting for leases, Accounting Standards Codification (ASC) Topic 842. We adopted the new guidance on January 1, 2019 using the modified retrospective approach and the optional transition method. Under this adoption method, comparative prior periods were not adjusted and continue to be reported in accordance with our historical accounting policy. We elected to apply the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed us to carryforward our historical assessments of whether contracts are, or contain, leases and lease classification. The primary impact of adopting this standard was the recognition of $215 million of operating lease liabilities and $196 million of operating lease assets. The adoption did not have a material impact on how we account for finance leases. See *Note 8. Leases* for more information regarding our leasing arrangements.

In June 2016, the FASB issued amended guidance on the accounting for credit losses on financial instruments. Among other provisions, this guidance introduces a new impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a forward-looking "expected loss" model that will replace the current "incurred loss" model that will generally result in the earlier recognition of allowances for losses. This guidance is effective for interim and annual periods beginning after December 15, 2019. We do not expect this guidance to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued guidance which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, with the capitalized implementation costs of a hosting arrangement that is a service contract expensed over the term of the hosting arrangement. The new standard is effective for interim and annual reporting periods beginning after December 15, 2019, applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We do not expect this guidance to have a material impact on our consolidated financial statements.

In October 2018, the FASB issued guidance for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in GAAP). The new standard is effective for interim and annual reporting periods beginning after December 15, 2019, applied retrospectively. We do not expect this guidance to have a material impact on our consolidated financial statements.

In March 2019, the FASB issued guidance which requires that an entity test a film or license agreement within the scope of Subtopic 920-350 for impairment at the film group level, when the film or license agreement is predominantly monetized with other films and/or license agreements. The new standard is effective for interim and annual reporting periods beginning after December 15, 2019, applied prospectively. We do not expect this guidance to have a material impact on our consolidated financial statements.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

We regularly review accounts receivable and determine an appropriate estimate for the allowance for doubtful accounts based upon the impact of economic conditions on the merchant's ability to pay, past collection experience, and such other factors which, in management's judgment, deserve current recognition. In turn, a provision is charged against earnings in order to maintain the appropriate allowance level.

A rollforward of the allowance for doubtful accounts for the years ended December 31, 2019, 2018, and 2017 is as follows (in millions):

	2019	**2018**	**2017**
Balance at beginning of period	**$ 2**	$ 3	$ 2
Charged to expense	**9**	5	3
Net write-offs	**(3)**	(6)	(2)
Balance at end of period	**$ 8**	$ 2	$ 3

As of December 31, 2019, three customers accounted for 24%, 15%, and 11%, respectively, of our accounts receivable, net. For purposes of this disclosure, a single customer may include multiple entities under common control.

Television Programming

We have agreements with distributors for the rights to television programming over contract periods, which generally run from one to seven years. Contract payments are made in installments over terms that are generally equal to or shorter than the contract period. Pursuant to accounting guidance for the broadcasting industry, an asset and a liability for the rights acquired and obligations incurred under a license agreement are reported on the balance sheet when the cost of each program is known or reasonably determinable, the program material has been accepted by the licensee in accordance with the conditions of the license agreement, and the program is available for its first showing or telecast. The portion of program contracts which becomes payable within one year is reflected as a current liability in the accompanying consolidated balance sheets.

The rights to this programming are reflected in the accompanying consolidated balance sheets at the lower of unamortized cost or estimated net realizable value. With the exception of one to three-year contracts, amortization of program contract costs is computed using an accelerated method. Program contract costs are amortized on a straight-line basis for one to three-year contracts. Program contract costs estimated by management to be amortized in the succeeding year are classified as current assets. Payments of program contract liabilities are typically made on a scheduled basis and are not affected by adjustments for amortization or estimated net realizable value.

Estimated net realizable values are based on management's expectation of future advertising revenues, net of sales commissions, to be generated by the program material. We perform a net realizable value calculation quarterly for each of our program contract costs in accordance with the accounting guidance for the broadcasting industry. We utilize sales information to estimate the future revenue of each commitment and measure that amount against the commitment. If the estimated future revenue is less than the amount of the commitment, a loss is recorded in amortization of program contract costs and net realizable value adjustments in the consolidated statements of operations.

Sports Programming Rights

We have multi-year program rights agreements that provide the Company with the right to produce and telecast professional sports games within a specified territory in exchange for an annual rights fee. A prepaid asset is recorded for rights acquired related to future games upon payment of the contracted fee. The assets recorded for the acquired rights are classified as current or non-current based on the period when the games are expected to be aired. Liabilities are recorded for any program rights obligations that have been incurred but not yet paid at period end. We amortize these programming rights over each season based upon contractually stated rates. Amortization is accelerated in the event that the stated contractual rates over the term of the rights agreement results in an expense recognition pattern that is inconsistent with the projected growth of revenue over the contractual term.

Impairment of Goodwill, Intangibles, and Other Assets

We evaluate our goodwill and indefinite lived intangible assets for impairment annually in the fourth quarter, or more frequently, if events or changes in circumstances indicate that an impairment may exist. Our goodwill has been allocated to, and is tested for impairment at, the reporting unit level. A reporting unit is an operating segment or a component of an operating segment to the extent that the component constitutes a business for which discrete financial information is available and regularly reviewed by management. Components of an operating segment with similar characteristics are aggregated when testing goodwill for impairment.

In the performance of our annual assessment of goodwill for impairment, we have the option to qualitatively assess whether it is more likely than not that a reporting unit has been impaired. As part of this qualitative assessment, we weigh the relative impact of factors that are specific to the reporting units as well as industry, regulatory, and macroeconomic factors that could affect the significant inputs used to determine the fair value of the assets. We also consider the significance of the excess fair value over carrying value in prior quantitative assessments.

If we conclude that it is more likely than not that a reporting unit is impaired, or if we elect not to perform the optional qualitative assessment, we will determine the fair value of the reporting unit and compare it to the net book value of the reporting unit. If the fair value is less than the net book value, we will record an impairment to goodwill for the amount of the difference. We estimate the fair value of our reporting units utilizing a combination of a market-based approach, which considers earnings and cash flow multiples of comparable businesses and recent market transactions, as well as an income approach involving the performance of a discounted cash flow analysis. Our discounted cash flow model is based on our judgment of future market conditions based on our internal forecast of future performance, as well as discount rates that are based on a number of factors including market interest rates, a weighted average cost of capital analysis, and includes adjustments for market risk and company specific risk.

Our indefinite-lived intangible assets consist primarily of our broadcast licenses and a trade name. For our annual impairment test for indefinite-lived intangible assets, we have the option to perform a qualitative assessment to determine whether it is more likely than not that these assets are impaired. As part of this qualitative assessment we weigh the relative impact of factors that are specific to the indefinite-lived intangible assets as well as industry, regulatory, and macroeconomic factors that could affect the significant inputs used to determine the fair value of the assets. We also consider the significance of the excess fair value over carrying value in prior quantitative assessments. When evaluating our broadcast licenses for impairment, the qualitative assessment is done at the market level because the broadcast licenses within the market are complementary and together enhance the single broadcast license of each station. If we conclude that it is more likely than not that one of our broadcast licenses is impaired, we will perform a quantitative assessment by comparing the aggregate fair value of the broadcast licenses in the market to the respective carrying values. We estimate the fair values of our broadcast licenses using the Greenfield method, which is an income approach. This method involves a discounted cash flow model that incorporates several variables, including, but not limited to, market revenues and long-term growth projections, estimated market share for the typical participant without a network affiliation, and estimated profit margins based on market size and station type. The model also assumes outlays for capital expenditures, future terminal values, an effective tax rate assumption and a discount rate based on a number of factors including market interest rates, a weighted average cost of capital analysis based on the target capital structure for a television station, and includes adjustments for market risk and company specific risk. If the carrying amount of the broadcast licenses exceeds the fair value, then an impairment loss is recorded to the extent that the carrying value of the broadcast licenses exceeds the fair value.

We periodically evaluate our long-lived assets for impairment and continue to evaluate them as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. We evaluate the recoverability of long-lived assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time that such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are tested for impairment by comparing their estimated fair value to the carrying value. We typically estimate fair value using discounted cash flow models and appraisals. See *Note 5. Goodwill, Indefinite-Lived Intangible Assets, and Other Intangible Assets* for more information.

When factors indicate that there may be a decrease in value of an equity method investment, we assess whether a loss in value has occurred. If that loss is deemed to be other than temporary, an impairment loss is recorded accordingly. For any equity method investments that indicate a potential impairment, we estimate the fair values of those investments using discounted cash flow models, unrelated third-party valuations, or industry comparables, based on the various facts available to us. See *Note 6. Other Assets* for more information.

We recorded an impairment charge of $60 million for the year ended December 31, 2018 to adjust one of our consolidated real estate development projects to fair value less costs to sell based upon a pending sale transaction. This impairment is reflected in gain on asset dispositions and other, net of impairment within our statements of operations. 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 a discounted cash flow model.

Accounts Payable and Accrued Liabilities

Accrued liabilities consisted of the following as of December 31, 2019 and 2018 (in millions):

	2019	2018
Compensation and employee benefits	**$ 136**	$ 100
Interest	**154**	42
Programming related obligations	**191**	80
Legal, litigation, and regulatory	**186**	9
Accounts payable and other operating expenses	**115**	99
Total accounts payable and accrued liabilities	**$ 782**	$ 330

We expense these activities when incurred.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We provide a valuation allowance for deferred tax assets if we determine that it is more likely than not that some or all of the deferred tax assets will not be realized. In evaluating our ability to realize net deferred tax assets, we consider all available evidence, both positive and negative, including our past operating results, tax planning strategies and forecasts of future taxable income. In considering these sources of taxable income, we must make certain judgments that are based on the plans and estimates used to manage our underlying businesses on a long-term basis. As of December 31, 2019 and 2018, a valuation allowance has been provided for deferred tax assets related to a substantial amount of our available state net operating loss carryforwards based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income. Future changes in operating and/or taxable income or other changes in facts and circumstances could significantly impact the ability to realize our deferred tax assets which could have a material effect on our consolidated financial statements.

Management periodically performs a comprehensive review of our tax positions and we record a liability for unrecognized tax benefits when such tax positions do not meet the "more-likely-than-not" threshold. Significant judgment is required in determining whether a tax position meets the "more-likely-than-not" threshold, and it is based on a variety of facts and circumstances, including interpretation of the relevant federal and state income tax codes, regulations, case law and other authoritative pronouncements. Based on this analysis, the status of ongoing audits and the expiration of applicable statute of limitations, liabilities are adjusted as necessary. The resolution of audits is unpredictable and could result in tax liabilities that are significantly higher or lower than for what we have provided. See *Note 12. Income Taxes*, for further discussion of accrued unrecognized tax benefits.

Supplemental Information — Statements of Cash Flows

During the years ended December 31, 2019, 2018, and 2017, we had the following cash transactions (in millions):

	2019	**2018**	**2017**
Income taxes paid	**$ 32**	$ 17	$ 128
Income tax refunds	**$ 2**	$ —	$ 2
Interest paid	**$ 283**	$ 285	$ 204

Non-cash investing activities included property and equipment purchases of $10 million, $11 million, and $10 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Revenue Recognition

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

For the year ended December 31, 2019	Local News and Marketing Services	Sports	Other	Total
Distribution revenue	**$ 1,341**	**$ 1,029**	**$ 130**	**$ 2,500**
Advertising revenue	**1,268**	**103**	**109**	**1,480**
Other media and non-media revenues	**46**	**7**	**207**	**260**
Total revenues	**$ 2,655**	**$ 1,139**	**$ 446**	**$ 4,240**

For the year ended December 31, 2018	Local News and Marketing Services	Sports	Other	Total
Distribution revenue	$ 1,186	$ —	$ 113	$ 1,299
Advertising revenue	1,484	—	75	1,559
Other media and non-media revenues	45	—	152	197
Total revenues	$ 2,715	$ —	$ 340	$ 3,055

For the year ended December 31, 2017	Local News and Marketing Services	Sports	Other	Total
Distribution revenue	$ 1,033	$ —	$ 107	$ 1,140
Advertising revenue	1,315	—	54	1,369
Other media and non-media revenues	46	—	81	127
Total revenues	$ 2,394	$ —	$ 242	$ 2,636

Distribution Revenue. We generate distribution revenue through fees received from MVPDs and vMVPDs for the right to distribute our stations, RSNs, and other properties. Distribution arrangements are generally governed by multi-year contracts and the underlying fees are based upon a contractual monthly rate per subscriber. These arrangements represent licenses of intellectual property; revenue is recognized as the signal or network programming is provided to our customers (as usage occurs) which corresponds with the satisfaction of our performance obligation. Revenue is calculated based upon the contractual rate multiplied by an estimated number of subscribers. Our customers will remit payments based upon actual subscribers a short time after the conclusion of a month, which generally does not exceed 120 days. Historical adjustments to subscriber estimates have not been material.

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

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 revenue when cash payments are received or due in advance of our performance, including amounts which are refundable. Deferred revenue was $54 million, $83 million, and $50 million as of December 31, 2019, 2018, and 2017, respectively. Deferred revenue recognized during the year ended December 31, 2019 and 2018 that was included in the deferred revenue balance as of December 31, 2018 and 2017 was $76 million and $39 million, respectively.

For the year ended December 31, 2019, three customers accounted for 16%, 13%, and 10%, respectively, of our total revenues. For purposes of this disclosure, a single customer may include multiple entities under common control.

Advertising Expenses

Promotional advertising expenses are recorded in the period when incurred and are included in media production and other non-media expenses. Total advertising expenses, net of advertising co-op credits, were $25 million, $19 million, and $21 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Financial Instruments

Financial instruments, as of December 31, 2019 and 2018, consisted of cash and cash equivalents, trade accounts receivable, accounts payable, accrued liabilities, and notes payable. The carrying amounts approximate fair value for each of these financial instruments, except for the notes payable. See *Note 18. Fair Value Measurements* for additional information regarding the fair value of notes payable.

Post-retirement Benefits

We maintain a supplemental executive retirement plan (SERP) which we inherited upon the acquisition of certain stations. As of December 31, 2019, the estimated projected benefit obligation was $20 million, of which $2 million is included in accrued expenses and $18 million is included in other long-term liabilities on our consolidated balance sheets. At December 31, 2019, the projected benefit obligation was measured using a 3.04% discount rate compared to a discount rate of 4.11% for the year ended December 31, 2018. For both years ended December 31, 2019 and 2018, we made $2 million in benefit payments and recognized $2 million of actuarial losses and $1 million of actuarial gains, respectively, through other comprehensive income. For both years ended December 31, 2019 and 2018, we recognized $1 million of periodic pension expense, reported in other income, net on our consolidated statements of operations.

We also maintain other post-retirement plans provided to certain employees. The plans are voluntary programs that primarily allow participants to defer eligible compensation and they may also qualify to receive a discretionary match on their deferral. As of December 31, 2019, the assets and liabilities included on our consolidated balance sheets related to deferred compensation plans were $36 million and $33 million, respectively.

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:

During the years ended December 31, 2019 and 2017, we acquired certain businesses for an aggregate purchase price, net of cash acquired, of $9.3 billion, including working capital adjustments and other adjustments.

The following summarizes the material acquisition activity during the years ended December 31, 2019 and 2017:

2019 Acquisitions

RSN Acquisition. In May 2019, DSG entered into a definitive agreement to acquire controlling interests in 21 Regional Sports Network brands and Fox College Sports (collectively, the Acquired RSNs), from Disney for $9.6 billion plus certain adjustments. On August 23, 2019, we completed the acquisition for an aggregate preliminary purchase price, including cash acquired, and subject to an adjustment based upon finalization of working capital, net debt, and other adjustments, of $9,817 million, accounted for as a business combination under the acquisition method of accounting. The acquisition provides an expansion to our premium sports programming including the exclusive regional distribution rights to 42 professional teams consisting of 14 Major League Baseball teams, 16 National Basketball Association teams, and 12 National Hockey League teams. The Acquired RSNs are reported within Sports, a reportable segment within *Note 17. Segment Data*.

The transaction was funded through a combination of debt financing raised by DSG and STG as described in *Note 7. Notes Payable and Commercial Bank Financing* and redeemable subsidiary preferred equity described in *Note 10. Redeemable Noncontrolling Interests.*

The following table summarizes our current allocation of the fair value of acquired assets, assumed liabilities, and noncontrolling interests of the Acquired RSNs (in millions):

	Initial Allocation (a)	Adjustments	Updated Allocation
Cash and cash equivalents	$ 823	$ 1	$ 824
Accounts receivable, net	604	2	606
Prepaid expenses and other current assets	176	(1)	175
Property and equipment, net	25	—	25
Definite-lived intangible assets, net	7,676	(951)	6,725
Other assets	52	—	52
Accounts payable and accrued liabilities	(261)	80	(181)
Other long-term liabilities	(579)	183	(396)
Goodwill	1,924	691	2,615
Fair value of identifiable net assets acquired	$ 10,440	$ 5	$ 10,445
Redeemable noncontrolling interests	(380)	—	(380)
Noncontrolling interests	(231)	(17)	(248)
Gross purchase price	$ 9,829	$ (12)	$ 9,817
Purchase price, net of cash acquired	$ 9,006	$ (13)	$ 8,993

(a) As reported in our September 30, 2019 Form 10-Q.

The preliminary purchase price allocation presented above is based upon management's estimates of the fair value of the acquired assets, assumed liabilities, and noncontrolling interest using valuation techniques including income and cost approaches. The fair value estimates are based on, but not limited to, projected revenue, projected margins, and discount rates used to present value future cash flows. The adjustments to the initial purchase price are based on more detailed information obtained about the specific assets acquired and liabilities assumed. The adjustments made to the initial allocation did not result in material changes to the amortization expense recorded in previous quarters. The allocation is preliminary pending a final determination of the fair value of the assets and liabilities.

The definite-lived intangible assets of $6,725 million includes $5,439 million of customer relationships, primarily relating to MVPDs, $1,271 million of favorable contracts with sports teams, and $15 million of tradenames/trademarks. The intangible assets will be amortized on a straight-line basis over a weighted average useful life of 2 years for tradenames/trademarks, 12 years for contracts with sports teams and 13 years for customer relationships. 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, as well as expected future synergies. We estimate that $2,340 million of goodwill, which represents our interest in the Acquired RSNs, will be deductible for tax purposes.

2017 Acquisitions

Bonten. On September 1, 2017, we acquired the stock of Bonten Media Group Holdings, Inc. (Bonten) and Cunningham Broadcasting Corporation (Cunningham) acquired the membership interest of Esteem Broadcasting LLC for an aggregate purchase price of $240 million plus a working capital adjustment, excluding cash acquired, of $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 agreements 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 millions):

Accounts receivable	$	15
Prepaid expenses and other current assets		1
Program contract costs		1
Property and equipment		27
Definite-lived intangible assets		162
Other assets		3
Accounts payable and accrued liabilities		(9)
Program contracts payable		(1)
Deferred tax liability		(66)
Other long term liabilities		(12)
Fair value of identifiable, net assets acquired		121
Goodwill		121
Total purchase price, net of cash acquired	$	242

The final 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.

During the year ended December 31, 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 $2 million.

The definite-lived intangible assets of $162 million are comprised of network affiliations of $53 million and customer relationships of $109 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 $6 million.

Other 2017 Acquisitions. During 2017, we acquired certain media assets for an aggregate purchase price of $27 million, less working capital of $3 million. The transactions were funded with cash on hand.

Financial Results of Acquisitions

The following tables summarize the results of the net revenues and operating income (loss) included in the financial statements of the Company beginning on the acquisition date of each acquisition as listed below (in millions):

Revenues	**2019**	2018	2017
RSN	**$ 1,139**	$ —	$ —
Bonten	**96**	101	31
Other 2017 acquisitions	**17**	18	11
Total net revenues	**$ 1,252**	$ 119	$ 42

Operating Income (Loss)	**2019**	2018	2017
RSN (a)	**$ 70**	$ —	$ —
Bonten	**19**	21	7
Other 2017 acquisitions	**(4)**	(2)	—
Total operating income	**$ 85**	$ 19	$ 7

(a) Operating income (loss) includes transaction costs discussed below and excludes $35 million selling, general, and administrative expenses, respectively, for services provided by local news and marketing services to sports, which are eliminated in consolidation.

In connection with the 2019 and 2017 acquisitions, for the years ended December 31, 2019, and 2017, we recognized $96 million and $1 million, respectively, of transaction costs which we expensed as incurred and classified as corporate general and administrative expenses on our consolidated statements of operations.

Pro Forma Information

The following table sets forth unaudited pro forma results of operations, assuming that the RSN Acquisition, along with transactions necessary to finance the acquisition, occurred at the beginning of the year preceding the year of acquisition (in millions, except per data share):

	Unaudited	
	2019	**2018**
Total revenues	**$ 6,689**	$ 6,874
Net income	**$ 328**	$ 732
Net income attributable to Sinclair Broadcast Group	**$ 130**	$ 524
Basic earnings per share attributable to Sinclair Broadcast Group	**$ 1.41**	$ 5.20
Diluted earnings per share attributable to Sinclair Broadcast Group	**$ 1.39**	$ 5.16

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments, and is not indicative of what our results would have been had we operated the Acquired RSNs for the period presented because the pro forma results do not reflect expected synergies. The pro forma adjustments reflect depreciation expense and amortization of intangible assets related to the fair value adjustments of the assets acquired and any adjustments to interest expense to reflect the debt financing of the transactions. Depreciation and amortization expense are higher than amounts recorded in the historical financial statements of acquiree due to the fair value adjustments recorded for long-lived tangible and intangible assets in purchase accounting.

Termination of Material Definitive Agreement.

In August 2018, we received a termination notice from Tribune Media Company (Tribune), terminating the Agreement and Plan of Merger entered into on May 8, 2017, between the Company and Tribune (Merger Agreement), which provided for the acquisition by the Company of the outstanding shares of Tribune Class A common stock and Tribune Class B common stock (Merger). On January 27, 2020, the Company and Nexstar, which acquired Tribune in September 2019, agreed to settle the Tribune Complaint. See *Litigation* under *Note 13. Commitments and Contingencies* for further discussion on our settlement with Nexstar.

For the year ended December 31, 2018, we incurred $100 million of costs in connection with this acquisition, of which $21 million primarily related to legal and other professional services, that we expensed as incurred and classified as corporate general and administrative expenses on our consolidated statements of operations; and $79 million of ticking fees and the write-off of previously capitalized debt issuance costs associated with the Tribune acquisition which was subsequently terminated, which are recorded as interest expense on our consolidated statements of operations. For the year ended December 31, 2017, we incurred $21 million of costs in connection with this acquisition, primarily related to legal and other professional services, that we expensed as incurred and classified as corporate general and administrative expenses on our consolidated statements of operations.

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.

For the years ended December 31, 2018 and 2017, we recognized a gain of $83 million and $225 million, respectively, which was included within gain on asset dispositions and other, net of impairment on our consolidated statements of operations. These gains relate to the auction proceeds associated with three markets where the underlying spectrum was vacated during the first quarter of 2018 and fourth quarter of 2017. 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 100 of our stations have been assigned to new channels. Legislation has provided the FCC with a $2.75 billion fund to reimburse reasonable costs incurred by stations that are reassigned to new channels in the repack. We expect that the reimbursements from the fund will cover the majority of our expenses related to the repack. We recorded gains related to reimbursements for the spectrum repack costs incurred of $62 million and $6 million for the years ended December 31, 2019 and 2018, respectively, which are recorded within gain on asset dispositions and other, net of impairment on our consolidated statements of operations. During 2019 and 2018, capital expenditures related to the spectrum repack were $66 million and $31 million, respectively.

Alarm Funding Sale. In March 2017, we sold Alarm Funding Associates LLC (Alarm) for $200 million less working capital and transaction costs of $5 million. We recognized a gain on the sale of Alarm of $53 million of which $12 million was attributable to noncontrolling interests which is included in the gain on asset dispositions and other, net of impairments and net income attributable to the noncontrolling interest, respectively, on our consolidated statements of operations.

Broadcast Sales. In January 2020, we agreed to sell the license and non-license assets of WDKY-TV in Lexington, KY and certain non-license assets associated with KGBT-TV in Harlingen, Texas for an aggregate purchase price of $36 million. The KGBT-TV transaction closed during the first quarter of 2020 and we expect the WDKY-TV transaction to close during the second half of 2020, pending customary closing conditions and approval by the FCC. The carrying value of these assets was not material as of December 31, 2019.

3. STOCK-BASED COMPENSATION PLANS:

In June 1996, our Board of Directors adopted, upon approval of the shareholders by proxy, the 1996 Long-Term Incentive Plan (LTIP). The purpose of the LTIP is to reward key individuals for making major contributions to our success and the success of our subsidiaries and to attract and retain the services of qualified and capable employees. Under the LTIP, we have issued restricted stock awards (RSAs), stock grants to our non-employee directors, stock-settled appreciation rights (SARs), and stock options. A total of 14,000,000 shares of Class A Common Stock are reserved for awards under this plan. As of December 31, 2019, 4,968,511 shares were available for future grants. Additionally, we have the following arrangements that involve stock-based compensation: employer matching contributions (the Match) for participants in our 401(k) plan, an employee stock purchase plan (ESPP), and subsidiary stock awards. Stock-based compensation expense has no effect on our consolidated cash flows. For the years ended December 31, 2019, 2018, and 2017, we recorded stock-based compensation of $33 million, $26 million, and $19 million, respectively. Below is a summary of the key terms and methods of valuation of our stock-based compensation awards:

RSAs. RSAs issued in 2019, 2018, and 2017 have certain restrictions that lapse over two years at 50% and 50%, respectively. As the restrictions lapse, the Class A Common Stock may be freely traded on the open market. Unvested RSAs are entitled to dividends, and therefore, are included in weighted shares outstanding, resulting in a dilutive effect on basic and diluted earnings per share. The fair value assumes the closing value of the stock on the measurement date.

The following is a summary of changes in unvested restricted stock:

	RSAs	Weighted-Average	
Unvested shares at December 31, 2018	280,315	$	34.73
2019 Activity:			
Granted	**287,550**		33.54
Vested	**(164,423)**		34.59
Forfeited	**(2,000)**		34.48
Unvested shares at December 31, 2019	**401,442**	$	33.93

For the years ended December 31, 2019, 2018, and 2017, we recorded compensation expense of $9 million, $5 million, and $3 million, respectively. The majority of the unrecognized compensation expense of $8 million as of December 31, 2019 will be recognized in 2020.

Stock Grants to Non-Employee Directors. In addition to directors fees paid, on the date of each annual meetings of shareholders, each non-employee director receives a grant of unrestricted shares of Class A Common Stock. We issued 24,000 shares in 2019 and 20,000 shares in 2018 and 2017. We recorded expense of $1 million for each of the years ended December 31, 2019, 2018, and 2017, which was based on the average share price of the stock on the date of grant. Additionally, these shares are included in the total shares outstanding, which results in a dilutive effect on our basic and diluted earnings per share.

Stock Appreciation Rights (SARs). These awards entitle holders to the appreciation in our Class A Common Stock over the base value of each SAR over the term of the award. The SARs have a 10-year term with vesting periods ranging from zero to four years. The base value of each SAR is equal to the closing price of our Class A Common Stock on the date of grant. For the years ended December 31, 2019, 2018, and 2017, we recorded compensation expense of $4 million, $3 million, and $7 million, respectively.

The following is a summary of the 2019 activity:

	SARs	Weighted-Average	
Outstanding SARs at December 31, 2018	3,060,000	$	24.29
2019 Activity:			
Granted	**500,000**		32.81
Exercised	**(1,479,968)**		33.00
Outstanding SARs at December 31, 2019	**2,080,032**	$	20.14

The aggregate intrinsic value of the 2,080,032 outstanding as of December 31, 2019 was $27 million and the outstanding SARs have a weighted average remaining contractual life of 4 years as of December 31, 2019.

Valuation of SARS. Our SARs were valued using the Black-Scholes pricing model utilizing the following assumptions:

	2019	2018	2017
Risk-free interest rate	**2.5 %**	2.6 %	2.1 %
Expected years to exercise	**5 years**	5 years	5 years
Expected volatility	**33.8 %**	36.2 %	37.0 %
Annual dividend yield	**2.5 %**	2.1% - 2.2%	2.0 %

The risk-free interest rate is based on the U.S. Treasury yield curve, in effect at the time of grant, for U.S. Treasury STRIPS that approximate the expected life of the award. The expected volatility is based on our historical stock prices over a period equal to the expected life of the award. The annual dividend yield is based on the annual dividend per share divided by the share price on the grant date.

Options. As of December 31, 2019, there were options outstanding to purchase 375,000 shares of Class A Common Stock. These options are fully vested and have a weighted average exercise price of $31.08, a weighted average remaining contractual term of 6 years, and an aggregate intrinsic value of $1 million. There was no grant, exercise, or forfeiture activity during the year ended December 31, 2019. There was no expense recognized during the years ended December 31, 2019, 2018, and 2017.

During 2019, 2018, and 2017, outstanding SARs and options increased the weighted average shares outstanding for purposes of determining dilutive earnings per share.

401(k) Match. The Sinclair Broadcast Group, Inc. 401(k) Profit Sharing Plan and Trust (the 401(k) Plan) is available as a benefit for our eligible employees. Contributions made to the 401(k) Plan include an employee elected salary reduction amount with a match calculation (The Match). The Match and any additional discretionary contributions may be made using our Class A Common Stock, if the Board of Directors so chooses. Typically, we make the Match using our Class A Common Stock.

The value of the Match is based on the level of elective deferrals into the 401(k) Plan. The number of our Class A Common shares granted under the Match is determined based upon the closing price on or about March 1st of each year for the previous calendar year's Match. For the years ended December 31, 2019, 2018, and 2017, we recorded $17 million, $16 million, and $7 million, respectively, of stock-based compensation expense related to the Match. A total of 7,000,000 shares of Class A Common Stock are reserved for matches under the plan. As of December 31, 2019, 3,575,958 shares were available for future grants.

ESPP. The ESPP allows eligible employees to purchase Class A Common Stock at 85% of the lesser of the fair value of the common stock as of the first day of the quarter and as of the last day of that quarter, subject to certain limits as defined in the ESPP. The stock-based compensation expense recorded related to the ESPP for each of the years ended December 31, 2019, 2018, and 2017 was $1 million. A total of 3,200,000 shares of Class A Common Stock are reserved for awards under the plan. As of December 31, 2019, 520,052 shares were available for future purchases.

4. PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is generally computed under the straight-line method over the following estimated useful lives:

Buildings and improvements	10 - 30 years
Operating equipment	5 - 10 years
Office furniture and equipment	5 - 10 years
Leasehold improvements	Lesser of 10 - 30 years or lease term
Automotive equipment	3 - 5 years
Property and equipment under finance leases	Lease term

Acquired property and equipment as discussed in *Note 2. Acquisitions and Dispositions of Assets,* is depreciated on a straight-line basis over the respective estimated remaining useful lives.

Property and equipment consisted of the following as of December 31, 2019 and 2018 (in millions):

	2019	2018
Land and improvements	**$ 75**	$ 77
Real estate held for development and sale	**26**	35
Buildings and improvements	**293**	279
Operating equipment	**781**	744
Office furniture and equipment	**114**	107
Leasehold improvements	**36**	24
Automotive equipment	**64**	63
Finance lease assets	**53**	53
Construction in progress	**116**	71
	1,558	1,453
Less: accumulated depreciation	**(793)**	(770)
	$ 765	$ 683

5. GOODWILL, INDEFINITE-LIVED INTANGIBLE ASSETS, AND OTHER INTANGIBLE ASSETS:

Goodwill, which arises from the purchase price exceeding the assigned value of the net assets of an acquired business, represents the value attributable to unidentifiable intangible elements being acquired. Goodwill totaled $4,716 million and $2,124 million at December 31, 2019 and 2018, respectively. The change in the carrying amount of goodwill was as follows (in millions):

	Local News and Marketing Services	Sports	Other	Consolidated
Balance at December 31, 2017	$ 2,053	$ —	$ 71	$ 2,124
Measurement period adjustments related to prior year acquisitions	2	—	(2)	—
Balance at December 31, 2018 (a)	$ 2,055	—	$ 69	$ 2,124
Acquisition (b)	—	**2,615**	**6**	**2,621**
Assets held for sale	**(29)**	—	—	**(29)**
Balance at December 31, 2019 (a)	**$ 2,026**	**$ 2,615**	**$ 75**	**$ 4,716**

(a) Approximately $1 million of goodwill relates to consolidated VIEs as of December 31, 2019 and 2018.

(b) See *Note 2. Acquisitions and Dispositions of Assets* for discussion of acquisitions made during 2019.

For our annual goodwill impairment tests in 2019, 2018, and 2017, we concluded that it was more-likely-than-not that goodwill was not impaired for the reporting units in which we performed a qualitative assessment. The qualitative factors reviewed during our annual assessments indicated stable or improving margins and favorable or stable forecasted economic conditions including stable discount rates and comparable or improving business multiples. For one reporting unit in 2019, we elected to perform a quantitative assessment and concluded that its fair value significantly exceeded the carrying value. Additionally, the results of prior quantitative assessments supported significant excess fair value over carrying value of our reporting units. We did not have any indicators of impairment in any interim period in 2019, 2018, or 2017, and therefore did not perform interim impairment tests for goodwill during those periods. Our accumulated goodwill impairment as of December 31, 2019 and 2018 was $0.4 million.

As of December 31, 2019 and 2018, the carrying amount of our indefinite-lived intangible assets was as follows (in millions):

	Local News and Marketing Services	Other	Consolidated
Balance at December 31, 2017 (b)	$ 132	$ 27	$ 159
Disposition of assets (a)	(1)	—	(1)
Balance at December 31, 2018 (b) (c)	$ 131	$ 27	$ 158
Balance at December 31, 2019 (b) (c)	**$ 131**	**$ 27**	**$ 158**

(a) See *Note 2. Acquisitions and Dispositions of Assets* for discussion of divestitures made during 2018.

(b) Approximately $14 million of indefinite-lived intangible assets relate to consolidated VIEs as of December 31, 2019 and 2018.

(c) Our indefinite-lived intangible assets in our local news and marketing services segment relate to broadcast licenses and our indefinite-lived intangible assets in our other segment relate to trade names.

We did not have any indicators of impairment for our indefinite-lived intangible assets in any interim period in 2019 or 2018, and therefore did not perform interim impairment tests during those periods. We performed our annual impairment tests for indefinite-lived intangibles in 2019 and 2018 and as a result of our qualitative assessments, we recorded no impairment.

The following table shows the gross carrying amount and accumulated amortization of definite-lived intangibles (in millions):

	As of December 31, 2019		
	Gross Carrying Value	Accumulated Amortization	Net
Amortized intangible assets:			
Customer relationships (a)	**$ 6,548**	**$ (569)**	**$ 5,979**
Network affiliation (a)	**1,441**	**(689)**	**752**
Favorable sports contracts (a)	**1,271**	**(43)**	**1,228**
Other (a)	**46**	**(28)**	**18**
Total other definite-lived intangible assets, net (b)	**$ 2,758**	**$ (760)**	**$ 1,998**

	As of December 31, 2018		
	Gross Carrying Value	Accumulated Amortization	Net
Amortized intangible assets:			
Customer relationships	$ 1,113	$ (341)	$ 772
Network affiliation	1,452	(604)	848
Other	33	(26)	7
Total other definite-lived intangible assets, net (b)	$ 1,485	$ (630)	$ 855

(a) As a result of our 2019 acquisitions, we acquired $6.7 billion of definite-lived assets as discussed in *Note 2. Acquisitions and Dispositions of Assets.*

(b) Approximately $93 million and $68 million of definite-lived intangible assets relate to consolidated VIEs as of December 31, 2019 and 2018.

Definite-lived intangible assets and other assets subject to amortization are being amortized on a straight-line basis over their estimated useful lives. The definite-lived intangible assets amortized over a weighted average useful life of 13 years for customer relationships, 15 years for network affiliations, and 12 years for favorable sports contracts. The total weighted average useful life of definite-lived intangible assets and other assets subject to amortization acquired as a result of the acquisitions discussed in *Note 2. Acquisitions and Dispositions of Assets* is 13 years. The amortization expense of the definite-lived intangible and other assets for the years ended December 31, 2019, 2018, and 2017 was $327 million, $175 million, and $179 million, respectively. We analyze specific definite-lived intangibles for impairment when events occur that may impact their value in accordance with the respective accounting guidance for long-lived assets. There were no impairment charges recorded for the years ended December 31, 2019, 2018, and 2017.

The following table shows the estimated annual amortization expense of the definite-lived intangible assets for the next five years (in millions):

2020	$ 742
2021	707
2022	690
2023	670
2024	656
2025 and thereafter	4,512
	$ 7,977

6. OTHER ASSETS:

Other assets as of December 31, 2019 and 2018 consisted of the following (in millions):

	2019	2018
Equity method investments	**$ 459**	$ 72
Other equity investments	**52**	45
Post-retirement plan assets	**38**	28
Other	**64**	40
Total other assets	**$ 613**	$ 185

Equity Method Investments

We have a portfolio of investments, including our investment in the YES Network and entities that are primarily focused on the development of real estate, sustainability initiatives, and other non-media businesses. For the years ended December 31, 2019, 2018, and 2017 none of our investments were individually significant.

Summarized Financial Information. As described under *Principles of Consolidation* within *Note 1. Nature of Operations and Summary of Significant Accounting Policies*, we record our proportionate share of net income generated by equity method investees in loss from equity method investments on our consolidated statements of operations. The summarized results of operations and financial position of the investments accounted for under the equity method are as follows (in millions):

For the Years Ended December 31,	2019	2018	2017
Revenues, net	**$ 386**	$ 145	$ 115
Operating income (loss)	**$ 47**	$ (58)	$ (17)
Net income (loss)	**$ 13**	$ (82)	$ (42)

As of December 31,	2019	2018
Current assets	**$ 369**	$ 28
Noncurrent assets	**$ 4,056**	$ 711
Current liabilities	**$ 118**	$ 53
Noncurrent liabilities	**$ 2,313**	$ 544

YES Network Investment. On August 29, 2019, an indirect subsidiary of DSG, an indirect wholly-owned subsidiary of the Company, acquired a 20% equity interest in the YES Network for cash consideration of $346 million as part of a consortium led by Yankee Global Enterprises. We account for our investment in the YES Network as an equity method investment, which is recorded within other assets on our consolidated balance sheets, and in which our proportionate share of the net income generated by the investment is represented within loss from equity method investments on our consolidated statements of operations. For the year ended December 31, 2019, we recorded income of $16 million related to our investment.

Other Equity Investments

We measure our investments, excluding equity method investments, at fair value or, in situations where fair value is not readily determinable, we have the option to value investments at cost plus observable changes in value less impairment. Investments accounted for utilizing the measurement alternative were $28 million, net of $7 million of cumulative impairments, as of December 31, 2019, and $25 million as of December 31, 2018. We recorded a $7 million impairment related to two investments for the year ended December 31, 2019 and a $10 million impairment related to one investment for the year ended December 31, 2018, which are reflected in other income, net on our consolidated statements of operations.

As of December 31, 2019 and 2018, our unfunded commitments related to certain equity investments totaled $32 million and $29 million, respectively.

7. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

Notes payable, finance leases, and commercial bank financing (including finance leases to affiliates) consisted of the following as of December 31, 2019 and 2018 (in millions):

	2019	2018
STG Bank Credit Agreement:		
Term Loan A, due July 31, 2021 (a)	**$ —**	$ 96
Term Loan B, due January 3, 2024	**1,329**	1,343
Term Loan B-2, due September 30, 2026 (b)	**1,297**	—
DSG Bank Credit Agreement:		
Term Loan, due August 24, 2026 (b)	**3,291**	—
STG Senior Unsecured Notes:		
5.375% Notes, due April 1, 2021 (c)	**—**	600
6.125% Notes, due October 1, 2022 (c)	**—**	500
5.625% Notes, due August 1, 2024	**550**	550
5.875% Notes, due March 15, 2026	**350**	350
5.125% Notes, due February 15, 2027	**400**	400
5.500% Notes due March 1, 2030 (b)	**500**	—
DSG Senior Notes:		
5.375% Secured Notes, due August 15, 2026 (b)	**3,050**	—
6.625% Unsecured Notes, due August 15, 2027 (b)	**1,825**	—
Debt of variable interest entities	**21**	25
Debt of non-media subsidiaries	**18**	20
Finance leases	**27**	29
Finance leases - affiliate	**11**	13
Total outstanding principal	**12,669**	3,926
Less: Deferred financing costs and discounts	**(231)**	(33)
Less: Current portion	**(69)**	(41)
Less: Finance leases - affiliate, current portion	**(2)**	(2)
Net carrying value of long-term debt	**$ 12,367**	$ 3,850

(a) On April 30, 2019, we paid in full the remaining principal balance of $92 million of Term Loan A debt under the STG Bank Credit Agreement, due July 31, 2021.

(b) The STG Term Loan B-2, DSG Term Loan, and DSG Senior Notes were issued in August 2019 and the STG 5.500% Notes were issued in November 2019, as more fully described below.

(c) The STG 5.375% Notes and STG 6.125% Notes were redeemed, in full, in August 2019 and November 2019, respectively, as more fully described below.

Indebtedness under the STG Bank Credit Agreement, DSG Bank Credit Agreement, notes payable, and finance leases as of December 31, 2019 matures as follows (in millions):

	Notes and Bank Credit Agreements	Finance Leases	Total
2020	$ 66	$ 8	$ 74
2021	67	8	75
2022	68	7	75
2023	61	7	68
2024	1,871	6	1,877
2025 and thereafter	10,498	16	10,514
Total minimum payments	12,631	52	12,683
Less: Deferred financing costs and discounts	(231)	—	(231)
Less: Amount representing future interest	—	(14)	(14)
Net carrying value of debt	$ 12,400	$ 38	$ 12,438

Interest expense on our consolidated statements of operations was $422 million, $292 million, and $212 million for the years ended December 31, 2019, 2018, and 2017, respectively. Interest expense included amortization of deferred financing costs and debt discounts of $17 million for the year ended December 31, 2019 and $8 million for both the years ended December 31, 2018 and 2017 and ticking fees and the write-off of previously capitalized debt issuance costs associated with the Tribune acquisition, which was subsequently terminated, of $79 million for the year ended December 31, 2018.

The stated and weighted average effective interest rates on the above obligations are as follows, for the periods stated:

		Weighted Average Effective Rate	
	Stated Rate	2019	2018
STG Bank Credit Agreement:			
Term Loan B	LIBOR plus 2.25%	**4.62%**	4.34%
Term Loan B-2	LIBOR plus 2.50%	**4.36%**	—%
Revolving Credit Facility (a)	LIBOR plus 2.00%	**—%**	—%
DSG Bank Credit Agreement:			
Term Loan	LIBOR plus 3.25%	**5.31%**	—%
Revolving Credit Facility (b)	LIBOR plus 3.00%	**—%**	—%
STG Senior Unsecured Notes:			
5.625% Notes	5.63%	**5.83%**	5.83%
5.875% Notes	5.88%	**6.09%**	6.09%
5.125% Notes	5.13%	**5.33%**	5.33%
5.500% Notes	5.50%	**5.66%**	—%
DSG Senior Notes:			
5.375% Secured Notes	5.38%	**5.73%**	—%
6.625% Unsecured Notes	6.63%	**7.00%**	—%

(a) We incur a commitment fee on undrawn capacity of 0.25%, 0.375%, or 0.50% if our first lien indebtedness ratio is less than or equal to 2.75x, less than or equal to 3.0x but greater than 2.75x, or greater than 3.0x, respectively. As of December 31, 2019, there were no outstanding borrowings, $1 million in letters of credit outstanding, and $649 million available under the STG Revolving Credit Facility. As of December 31, 2018, there were no outstanding borrowings, $1 million in letters of credit outstanding, and $485 million available under the STG Revolving Credit Facility.

(b) We incur a commitment fee on undrawn capacity of 0.25%, 0.375%, or 0.50% if our first lien indebtedness ratio is less than or equal to 3.25x, less than or equal to 3.75x but greater than 3.25x, or greater than 3.75x, respectively. As of December 31, 2019, there were no outstanding borrowings, no letters of credit outstanding, and $650 million available under the DSG Revolving Credit Facility.

We recorded $222 million of debt issuance costs and original issuance discounts during the year ended December 31, 2019 and $1 million of debt issuance costs during both the years ended December 31, 2018 and 2017. Debt issuance costs and original issuance discounts are presented as a direct deduction from the carrying amount of an associated debt liability, except for debt issuance costs related to our STG Revolving Credit Facility and DSG Revolving Credit Facility, which are presented within other assets on our consolidated balance sheets.

STG Bank Credit Agreement

On August 13, 2019, we issued a seven-year incremental term loan facility in an aggregate principal amount of $600 million (the STG Term Loan B-2b) with an original issuance discount of $3 million, which bears interest at LIBOR plus 2.50%. The proceeds from the Term Loan B-2b were used, together with cash on hand, to redeem, at par value, $600 million aggregate principal amount of STG's 5.375% Senior Notes due 2021 (the STG 5.375% Notes). We recognized a loss on the extinguishment of the STG 5.375% Notes of $2 million for the year ended December 31, 2019.

On August 23, 2019, we amended and restated the STG Bank Credit Agreement which provided additional operating flexibility and revisions to certain restrictive covenants. Concurrent with the amendment, we raised a seven-year incremental term loan facility of $700 million (the STG Term Loan B-2a, and, together with the STG Term Loan B-2b, the STG Term Loan B-2) with an original issuance discount of $4 million, which bears interest at LIBOR plus 2.50%.

Prior to February 23, 2020, if we repay, refinance, or replace the STG Term Loan B-2, we are subject to a prepayment premium of 1% of the aggregate principal balance of the repayment. The STG Term Loan B-2 amortizes in equal quarterly installments in an aggregate amount equal to 1% of the original amount of such term loans, with the balance being payable on the maturity date.

Additionally, in connection with the amendment, we replaced STG's existing revolving credit facility with a new $650 million five-year revolving credit facility (the STG Revolving Credit Facility), priced at LIBOR plus 2.00%, which includes capacity for up to $50 million of letters of credit and for borrowings of up to $50 million under swingline loans.

The STG Bank Credit Agreement contains covenants that, subject to certain exceptions, qualifications, ratios, and "baskets", generally limit the ability of the borrower and its restricted subsidiaries to incur debt, create liens, make fundamental changes, enter into asset sales, make certain investments, pay dividends or distribute or redeem certain equity interests, prepay or redeem certain debt, and enter into certain transactions with affiliates. Also, the STG Revolving Credit Facility is subject to compliance with a first lien net leverage ratio test that will be tested at the end of each fiscal quarter if certain borrowings under the STG Revolving Credit Facility exceed 35% of the total commitments under the STG Revolving Credit Facility on such date. As of December 31, 2019, we were in compliance with all covenants.

STG Senior Unsecured Notes

On November 27, 2019, we issued $500 million principal amount of senior notes, which bear interest at a rate of 5.500% per annum and mature on March 1, 2030 (the STG 5.500% Notes). The net proceeds of the STG 5.500% Notes were used, plus cash on hand, to redeem $500 million aggregate principal amount of STG's 6.125% senior unsecured notes due 2022 (the STG 6.125% Notes) for a redemption price, including the outstanding principal amount of the STG 6.125% Notes, accrued and unpaid interest, and a make-whole premium, of $510 million. We recognized a loss on the extinguishment of the STG 6.125% Notes of $8 million for the year ended December 31, 2019.

Prior to December 1, 2024, we may redeem the STG 5.500% Notes, in whole or in part, at any time or from time to time at a price equal to 100% of the principal amount of the STG 5.500% Notes plus accrued and unpaid interest, if any, to the redemption date, plus a “make-whole” premium. In addition, on or prior to December 1, 2022, we may redeem up to 40% of the Notes using the proceeds of certain equity offerings. Beginning on December 1, 2024, we may redeem some or all of the STG 5.500% Notes at any time or from time to time at certain redemption prices, plus accrued and unpaid interest, if any, to the date of redemption. If the notes are redeemed during the twelve-month period beginning December 1, 2024, 2025, 2026, and 2027 and thereafter, then the redemption prices for the STG 5.500% Notes are 102.750%, 101.833%, 100.917%, and 100%, respectively. Upon the sale of certain of STG’s assets or certain changes of control, the holders of the STG 5.500% Notes may require us to repurchase some or all of the STG 5.500% Notes.

STG’s obligations under the STG 5.500% Notes are guaranteed, jointly and severally, on a senior unsecured basis, by the Company and each wholly-owned subsidiary of STG or the Company that guarantees the STG Bank Credit Agreement and rank equally with all of STG’s other senior unsecured indebtedness.

Upon issuance, the STG 5.625% Notes, STG 5.875% Notes, and STG 5.125% Notes were redeemable up to 35%. We may redeem 100% of these notes upon the date set forth in the indenture of each note. The price at which we may redeem the notes is set forth in the indenture of each note. Also, if we sell certain of our assets or experience specific kinds of changes of control, the holders of these notes may require us to repurchase some or all of the outstanding notes.

DSG Bank Credit Agreement

On August 23, 2019, DSG and Diamond Sports Intermediate Holdings LLC (DSIH), an indirect wholly owned subsidiary of the Company and an indirect parent of DSG, entered into a credit agreement (the DSG Bank Credit Agreement). Pursuant to the DSG Bank Credit Agreement, DSG raised a seven-year $3,300 million aggregate amount term loan (the DSG Term Loan), with an original issuance discount of $17 million, which bears interest at LIBOR plus 3.25%.

Prior to February 23, 2020, if we repay, refinance, or replace the DSG Term Loan, we are subject to a prepayment premium of 1% of the aggregate principal balance of the repayment. The DSG Term Loan amortizes in equal quarterly installments in an aggregate amount equal to 1% of the original amount of such term loan, with the balance being payable on the maturity date. Following the end of each fiscal year, beginning with the fiscal year ending December 31, 2020, we are required to prepay the DSG Term Loan in an aggregate amount equal to (a) 50% of excess cash flow for such fiscal year if the first lien leverage ratio is greater than 3.75 to 1.00, (b) 25% of excess cash flow for such fiscal year if the first lien leverage ratio is greater than 3.25 to 1.00 but less than or equal to 3.75 to 1.00, and (c) 0% of excess cash flow for such fiscal year if the first lien leverage ratio is equal to or less than 3.25 to 1.00.

Additionally, in connection with the DSG Bank Credit Agreement, DSG obtained a $650 million five-year revolving credit facility (the DSG Revolving Credit Facility, and, together with the DSG Term Loan, the DSG Credit Facilities), priced at LIBOR plus 3.00%, subject to reduction based on a first lien net leverage ratio, which includes capacity for up to $50 million of letters of credit and for borrowings of up to $50 million under swingline loans.

The DSG Bank Credit Agreement contains covenants that, subject to certain exceptions, qualifications, ratios, and "baskets", generally limit the ability of the borrower and its restricted subsidiaries to incur debt, create liens, make fundamental changes, enter into asset sales, make certain investments, pay dividends or distribute or redeem certain equity interests, prepay or redeem certain debt, and enter into certain transactions with affiliates. Also, the DSG Revolving Credit Facility is subject to compliance with a first lien net leverage ratio test that will be tested at the end of each fiscal quarter if certain borrowings under the DSG Revolving Credit Facility exceed 35% of the total commitments under the DSG Revolving Credit Facility on such date. As of December 31, 2019, we were in compliance with all covenants.

DSG's obligations under the DSG Bank Credit Agreement are (i) jointly and severally guaranteed by DSIH and DSG’s direct and indirect, existing and future wholly-owned domestic restricted subsidiaries, subject to certain exceptions, and (ii) secured by first-priority lien on substantially all tangible and intangible assets (whether now owned or hereafter arising or acquired) of DSG and the guarantors, subject to certain permitted liens and other agreed upon exceptions. The DSG Credit Facilities are not guaranteed by the Company, STG, or any of STG’s subsidiaries.

DSG Senior Notes

On August 2, 2019, DSG issued $3,050 million principal amount of senior secured notes, which bear interest at a rate of 5.375% per annum and mature on August 15, 2026 (the DSG 5.375% Secured Notes) and issued $1,825 million principal amount of senior notes, which bear interest at a rate of 6.625% per annum and mature on August 15, 2027 (the DSG 6.625% Notes and, together with the DSG 5.375% Secured Notes, the DSG Senior Notes). The proceeds of the DSG Senior Notes were used, in part, to fund the RSN Acquisition.

Prior to August 15, 2022, we may redeem the DSG Senior Notes, in whole or in part, at any time or from time to time, at a price equal to 100% of the principal amount of the applicable DSG Senior Notes plus accrued and unpaid interest, if any, to the date of redemption, plus a “make-whole” premium. Beginning on August 15, 2022, we may redeem the DSG Senior Notes, in whole or in part, at any time or from time to time at certain redemption prices, plus accrued and unpaid interest, if any, to the date of redemption. In addition, on or prior to August 15, 2022, we may redeem up to 40% of each series of the DSG Senior Notes using the proceeds of certain equity offerings. If the notes are redeemed during the twelve-month period beginning August 15, 2022, 2023, and 2024 and thereafter, then the redemption prices for the DSG 5.375% Secured Notes are 102.688%, 101.344%, and 100%, respectively, and the redemption prices for the DSG 6.625% Notes are 103.313%, 101.656%, and 100%, respectively.

DSG’s obligations under the DSG Senior Notes are jointly and severally guaranteed by DSIH, DSG’s direct parent, and certain wholly-owned subsidiaries of DSIH. The RSNs wholly-owned by DSIH and its subsidiaries will also jointly and severally guarantee the Issuers' obligations under the DSG Senior Notes. The DSG Senior Notes are not guaranteed by the Company, STG, or any of STG’s subsidiaries.

Debt of variable interest entities and guarantees of third-party debt

We jointly, severally, unconditionally, and irrevocably guarantee $57 million and $77 million of debt of certain third parties as of December 31, 2019 and 2018, respectively, of which $20 million and $24 million, net of deferred financing costs, related to consolidated VIEs is included on our consolidated balance sheets as of December 31, 2019 and 2018, respectively. These guarantees primarily relate to the debt of Cunningham as discussed under *Cunningham Broadcasting Corporation* within *Note 15. Related Person Transactions*. The credit agreements and term loans of these VIEs each bear interest of LIBOR plus 2.50%. As of December 31, 2019, we have determined that it is not probable that we would have to perform under any of these guarantees.

Finance leases

For more information related to our finance leases and affiliate finance leases see *Note 8. Leases* and *Note 15. Related Person Transactions*, respectively.

8. LEASES:

As described in *Note 1. Nature of Operations and Summary of Significant Accounting Policies*, we adopted new lease accounting guidance effective January 1, 2019.

We determine if a contractual arrangement is a lease at inception. Our lease arrangements provide the Company the right to utilize certain specified tangible assets for a period of time in exchange for consideration. Our leases primarily relate to building space, tower space, and equipment. We do not separate non-lease components from our building and tower leases for the purposes of measuring our lease liabilities and assets. Our leases consist of operating leases and finance leases which are presented separately on our consolidated balance sheets. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

We recognize a lease liability and a right of use asset at the lease commencement date based on the present value of the future lease payments over the lease term discounted using our incremental borrowing rate. Implicit interest rates within our lease arrangements are rarely determinable. Right of use assets also include, if applicable, prepaid lease payments and initial direct costs, less incentives received.

We recognize operating lease expense on a straight-line basis over the term of the lease within operating expenses. Expense associated with our finance leases consists of two components, including interest on our outstanding finance lease obligations and amortization of the related right of use assets. The interest component is recorded in interest expense and amortization of the finance lease asset is recognized on a straight-line basis over the term of the lease in depreciation of property and equipment.

Our leases do not contain any material residual value guarantees or material restrictive covenants. Some of our leases include optional renewal periods or termination provisions which we assess at inception to determine the term of the lease, subject to reassessment in certain circumstances.

The following table presents lease expense we have recorded on our consolidated statements of operations for the year ended December 31, 2019 (in millions):

	2019
Finance lease expense:	
Amortization of finance lease asset	$ 3
Interest on lease liabilities	4
Total finance lease expense	7
Operating lease expense (a)	47
Total lease expense	$ 54

(a) Includes variable and short-term lease expense of $5 million and $1 million, respectively, for the year ended December 31, 2019.

The following table summarizes our outstanding operating and finance lease obligations as of December 31, 2019 (in millions):

	Operating Leases	Finance Leases	Total
2020	$ 51	$ 8	$ 59
2021	43	8	51
2022	33	7	40
2023	30	7	37
2024	24	6	30
2025 and thereafter	158	16	174
Total undiscounted obligations	339	52	391
Less imputed interest	(84)	(14)	(98)
Present value of lease obligations	$ 255	$ 38	$ 293

Future minimum payments under operating leases as of December 31, 2018 were as follows (in millions):

2019	$ 32
2020	31
2021	30
2022	27
2023	24
2024 and thereafter	158
Total	$ 302

The following table summarizes supplemental balance sheet information related to leases as of December 31, 2019 (in millions, except lease term and discount rate):

	Operating Leases	Finance Leases	
Lease assets, non-current	**$ 223**	**$ 14**	(a)
Lease liabilities, current	**$ 38**	**$ 5**	
Lease liabilities, non-current	**217**	**33**	
Total lease liabilities	**$ 255**	**$ 38**	
Weighted average remaining lease term (in years)	**9.55**	**7.18**	
Weighted average discount rate	**5.7 %**	**8.8 %**	

(a) Finance lease assets are reflected in property and equipment, net on our consolidated balance sheets.

The following table presents other information related to leases for the year ended December 31, 2019 (in millions):

	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	**$ 38**
Operating cash flows from finance leases	**4**
Financing cash flows from finance leases	**5**
Leased assets obtained in exchange for new lease liabilities	**35**

9. PROGRAM CONTRACTS:

Future payments required under television program contracts as of December 31, 2019 were as follows (in millions):

2020	$	88
2021		14
2022		12
2023		9
2024		4
Total		127
Less: Current portion		88
Long-term portion of program contracts payable	$	39

Each future period's film liability includes contractual amounts owed, but what is contractually owed does not necessarily reflect what we are expected to pay during that period. While we are contractually bound to make the payments reflected in the table during the indicated periods, industry protocol typically enables us to make film payments on a three-month lag. Included in the current portion amount are payments due in arrears of $23 million. In addition, we have entered into non-cancelable commitments for future television program rights aggregating to $115 million as of December 31, 2019.

10. REDEEMABLE NONCONTROLLING INTERESTS:

We account for redeemable noncontrolling interests in accordance with ASC 480, *Distinguishing Liabilities from Equity*, and classify them as mezzanine equity on our consolidated balance sheets because their possible redemption is outside of the control of the Company. Our redeemable non-controlling interests consist of the following:

Redeemable Subsidiary Preferred Equity. On August 23, 2019, DSH, an indirect parent of DSG and indirect wholly-owned subsidiary of the Company, issued preferred equity (the Redeemable Subsidiary Preferred Equity) for $1,025 million.

The Redeemable Subsidiary Preferred Equity is redeemable by the holder in the following circumstances (1) in the event of a change of control with respect to DSH, the holder will have the right (but not the obligation) to require the redemption of the securities at a per unit amount equal to the liquidation preference per share plus accrued and unpaid dividends (2) in the event of the sale of new equity interests in DSG or direct and indirect subsidiaries to the extent of proceeds received and (3) beginning on August 23, 2027, so long as any Redeemable Subsidiary Preferred Equity remains outstanding, the holder, subject to certain minimum holding requirements, or investors holding a majority of the outstanding Redeemable Subsidiary Preferred Equity, may compel DSH and DSG to initiate a process to sell DSG and/or conduct an initial public offering.

We may redeem some or all of the Redeemable Subsidiary Preferred Equity from time to time thereafter at a price equal to $1,000 per unit plus the amount of dividends per unit previously paid in kind (the Liquidation Preference), multiplied by the applicable premium as follows (presented as a percentage of the Liquidation Preference): (i) on or after November 22, 2019 until February 19, 2020: 100%; (ii) on or after February 20, 2020 until August 22, 2020: 102%; (iii) on or after August 23, 2020 but prior to August 23, 2021: at a customary "make-whole" premium representing the present value of 103% plus all required dividend payments due on such Redeemable Subsidiary Preferred Equity through August 23, 2021; (iv) on or after August 23, 2021 until August 22, 2022: 103%; (v) on or after August 23, 2022 until August 22, 2023: 101%; and (vi) August 23, 2023 and thereafter: 100%, in each case, plus accrued and unpaid dividends.

The Redeemable Subsidiary Preferred Equity accrues an initial quarterly dividend commencing on August 23, 2019 equal to 1-Month LIBOR (0.75% floor) plus 7.5% (8% if paid in kind) per annum on the sum of (i) $1,025 million (the Aggregate Liquidation Preference) plus (ii) the amount of aggregate accrued and unpaid dividends as of the end of the immediately preceding dividend accrual period, payable, at DSH's election, in cash or, to the extent not paid in cash, by automatically increasing the Aggregate Liquidation Preference, whether or not such dividends have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividends. The Redeemable Subsidiary Preferred Equity dividend rate is subject to rate step-ups of 0.5% per annum, beginning on August 23, 2022; provided that, and subject to other applicable increases in the dividend rate described below, the cumulative dividend rate will be capped at 1-Month LIBOR plus 10.5% per annum until (a) on February 23, 2028, the Redeemable Subsidiary Preferred Equity dividend rate will increase by 1.50% with further increases of 0.5% on each six month anniversary thereafter and (b) the Redeemable Subsidiary Preferred Equity dividend rate will increase by 2% if we do not redeem the Redeemable Subsidiary Preferred Equity, to the extent elected by holders of the Redeemable Subsidiary Preferred Equity, upon a change of control; provided, in each case, that the cumulative dividend rate will be capped at 1-Month LIBOR plus 14% per annum.

Subject to limited exceptions, DSH shall not, and shall not permit its subsidiaries, directly or indirectly, to pay a dividend or make a distribution, unless DSH applies 75% of the amount of such dividend or distribution payable to DSH or its subsidiaries (with the amount payable calculated on a pro rata basis based on their direct or indirect common equity ownership by DSH) to make an offer to the holders of Redeemable Subsidiary Preferred Equity to redeem the Redeemable Subsidiary Preferred Equity (subject to certain redemption restrictions) at a price equal to 100% of the Liquidation Preference of such Redeemable Subsidiary Preferred Equity, plus accrued and unpaid dividends.

Dividends accrued during the year ended December 31, 2019 were $33 million and are reflected in net income attributable to the redeemable noncontrolling interests on our consolidated statements of operations. The balance of the Redeemable Subsidiary Preferred Equity as of December 31, 2019 was $700 million, net of issuance costs.

On December 13, 2019, we redeemed 300,000 units of the Redeemable Subsidiary Preferred Equity for an aggregate redemption price equal to $300 million plus accrued and unpaid dividends, representing 100% of the unreturned capital contribution with respect to the units redeemed, plus accrued and unpaid dividends with respect to the units redeemed up to, but not including, the redemption date, and after giving effect to any applicable rebates.

On January 21, 2020, we redeemed 200,000 units of the Redeemable Subsidiary Preferred Equity for an aggregate redemption price equal to $200 million plus accrued and unpaid dividends, representing 100% of the unreturned capital contribution with respect to the units redeemed, plus accrued and unpaid dividends with respect to the units redeemed up to, but not including, the redemption date, and after giving effect to any applicable rebates.

In connection with the Redeemable Subsidiary Preferred Equity, the Company provides a guarantee of collection of distributions.

Subsidiary Equity Put Right. A noncontrolling equity holder of one of our subsidiaries has the right to sell their interest to the Company at a fair market sale value of $376 million, plus any undistributed income, at any time during the 30-day period following January 2, 2020. As of December 31, 2019, this redeemable noncontrolling interest was recorded at $378 million which represents the $376 million plus $2 million of undistributed noncontrolling interest income. In January 2020, the noncontrolling equity holder exercised their right to sell their interest to the Company for $376 million. This transaction closed in January 2020.

11. COMMON STOCK:

Holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to ten votes per share, except for votes relating to “going private” and certain other transactions. Substantially all of the Class B Common Stock is held by David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith who entered into a stockholders’ agreement pursuant to which they have agreed to vote for each other as candidates for election to our board of directors until December 31, 2025. The Class A Common Stock and the Class B Common Stock vote together as a single class, except as otherwise may be required by Maryland law, on all matters presented for a vote. Holders of Class B Common Stock may at any time convert their shares into the same number of shares of Class A Common Stock. During 2019, 943,002 Class B Common Stock shares were converted into Class A Common Stock shares. During 2018, no Class B Common Stock shares were converted into Class A Common Stock shares.

Our Bank Credit Agreements and some of our subordinate debt instruments have restrictions on our ability to pay dividends on our common stock unless certain specific conditions are satisfied, including but not limited to:

- no event of default then exists under each indenture or certain other specified agreements relating to our indebtedness; and
- after taking into account the dividends payment, we are within certain restricted payment requirements contained in each indenture.

During 2019 and 2018, our Board of Directors declared a quarterly dividend in the months of February, May, August, and November which were paid in March, June, September, and December, respectively. The quarterly dividend per share was increased from $0.18 to $0.20 in November 2018. Total dividend payments for the years ended December 31, 2019 and 2018 were $0.80 and $0.74 per share, respectively. In February 2020, our Board of Directors declared a quarterly dividend of $0.20 per share. Future dividends on our common shares, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition, covenant restrictions, and other factors that the Board of Directors may deem relevant. The Class A Common Stock and Class B Common Stock holders have the same rights related to dividends.

On August 9, 2018, the Board of Directors approved an additional $1 billion share repurchase authorization, in addition to the previous repurchase authorization of $150 million. There is no expiration date and currently, management has no plans to terminate this program. For the year ended December 31, 2019, we repurchased approximately 5 million shares of Class A Common Stock for $145 million. As of December 31, 2019, the total remaining repurchase authorization was $723 million.

12. INCOME TAXES:

The (benefit) provision for income taxes consisted of the following for the years ended December 31, 2019, 2018, and 2017 (in millions):

	2019	2018	2017
Current (benefits) provision for income taxes:			
Federal	**$ (89)**	$ 59	$ 77
State	**(2)**	8	7
	(91)	67	84
Deferred (benefit) provision for income taxes:			
Federal	**(4)**	(69)	(196)
State	**(1)**	(34)	37
	(5)	(103)	(159)
(Benefit) provision for income taxes	**$ (96)**	$ (36)	$ (75)

The following is a reconciliation of federal income taxes at the applicable statutory rate to the recorded provision:

	2019	2018	2017
Federal statutory rate	**21.0 %**	21.0 %	35.0 %
Adjustments:			
Federal tax credits (a)	**(684.6)%**	(19.9)%	(2.2)%
Spectrum sales (b)	**(386.7)%**	(5.8)%	— %
Valuation allowance (c)	**(237.1)%**	0.7 %	— %
Nondeductible items (d)	**192.7 %**	0.4 %	1.7 %
Noncontrolling interest (e)	**(138.9)%**	(0.3)%	(0.8)%
Change in unrecognized tax benefits (f)	**72.2 %**	— %	0.5 %
State income taxes, net of federal tax benefit (g)	**56.6 %**	(8.8)%	5.2 %
Effect of consolidated VIEs (h)	**46.3 %**	1.6 %	1.0 %
Capital loss carryback (i)	**(26.0)%**	— %	— %
Stock-based compensation	**(15.9)%**	0.5 %	(0.2)%
Federal tax reform (j)	**— %**	(1.4)%	(54.3)%
Other	**(3.0)%**	0.3 %	(1.0)%
Effective income tax rate	**(1,103.4)%**	(11.7)%	(15.1)%

(a) Our 2019, 2018, and 2017 income tax provisions include a benefit of $57 million, $58 million, and $8 million, respectively, related to investments in sustainability initiatives whose activities qualify for federal income tax credits through 2021.

(b) Our 2019 and 2018 income tax provisions include a benefit of $34 million and $18 million, respectively, related to the treatment of the gain from the sale of certain broadcast spectrum in connection with the Broadcast Incentive Auction.

(c) Our 2019 income tax provision includes a $16 million benefit related to a release of valuation allowance on certain state net operating losses where utilization is now expected as a result of the RSN Acquisition.

(d) Our 2019 income tax provision includes a $19 million addition primarily related to regulatory costs, executive compensation and other nondeductible expenses.

(e) Our 2019 income tax provision includes a $12 million benefit related to noncontrolling interest of various partnerships.

(f) Our 2019 income tax provision includes a $4 million addition related to tax positions of prior tax years.

(g) Included in state income taxes are deferred income tax effects related to certain acquisitions, intercompany mergers and/or impact of changes in apportionment.

(h) Certain of our consolidated VIEs incur expenses that are not attributable to non-controlling interests because we absorb certain related losses of the VIEs. These expenses are nondeductible by us, and since these VIEs are treated as pass-through entities for income tax purposes, deferred income tax benefits are not recognized.

(i) Our 2019 income tax provision includes a $2 million benefit related to capital losses that will be carried back to tax years with 35% federal income tax rate.

(j) Our 2018 and 2017 income tax provisions include a non-recurring benefit of $4 million and $272 million, respectively, to reflect the effect of the Tax Reform enacted on December 22, 2017.

Temporary differences between the financial reporting carrying amounts and the tax bases of assets and liabilities give rise to deferred taxes. Total deferred tax assets and deferred tax liabilities as of December 31, 2019 and 2018 were as follows (in millions):

	2019	2018
Deferred Tax Assets:		
Net operating losses:		
Federal	**$ 22**	$ 29
State	**92**	74
Goodwill and intangible assets	**10**	13
Accruals	**39**	6
Other	**28**	41
	191	163
Valuation allowance for deferred tax assets	**(65)**	(66)
Total deferred tax assets	**$ 126**	$ 97
Deferred Tax Liabilities:		
Goodwill and intangible assets	**$ (415)**	$ (427)
Property & equipment, net	**(90)**	(80)
Other	**(28)**	(3)
Total deferred tax liabilities	**(533)**	(510)
Net deferred tax liabilities	**$ (407)**	$ (413)

At December 31, 2019, the Company had approximately $106 million and $1.9 billion of gross federal and state net operating losses, respectively. Those losses will expire during various years from 2020 to 2039, and some of them are subject to annual limitations under the Internal Revenue Code Section 382 and similar state provisions. As discussed in *Income Taxes* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies*, we establish valuation allowances in accordance with the guidance related to accounting for income taxes. As of December 31, 2019, a valuation allowance has been provided for deferred tax assets related to a substantial portion of our available state net operating loss carryforwards based on past operating results, expected timing of the reversals of existing temporary book/tax basis differences, alternative tax strategies and projected future taxable income. Although realization is not assured for the remaining deferred tax assets, we believe it is more likely than not that they will be realized in the future. During the year ended December 31, 2019, we decreased our valuation allowance by $1 million to $65 million. The decrease in valuation allowance was primarily due to the change in the realizability of certain state deferred tax assets as a result of a business combination in 2019. During the year ended December 31, 2018, we increased our valuation allowance by $3 million to $66 million. The increase in valuation allowance was primarily due to uncertainty in the realizability of a state deferred tax asset generated by a subsidiary in 2018.

The following table summarizes the activity related to our accrued unrecognized tax benefits (in millions):

	2019	2018	2017
Balance at January 1,	**$ 7**	$ 7	$ 5
Additions related to prior year tax positions	**4**	—	2
Additions related to current year tax positions	**—**	2	1
Reductions related to prior year tax positions	**—**	(1)	—
Reductions related to settlements with taxing authorities	**—**	—	(1)
Reductions related to expiration of the applicable statute of limitations	**—**	(1)	—
Balance at December 31,	**$ 11**	$ 7	$ 7

We are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. Our 2013 through 2015 federal tax returns are currently under audit, and several of our subsidiaries are currently under state examinations for various years. Our 2015 and subsequent federal and/or state tax returns remain subject to examination by various tax authorities. We do not anticipate the resolution of these matters will result in a material change to our consolidated financial statements. In addition, we believe it is reasonably possible that our liability for unrecognized tax benefits related to continuing operations could be reduced by up to $4 million, in the next twelve months, as a result of expected statute of limitations expirations, the application of limits under available state administrative practice exceptions, and the resolution of examination issues and settlements with federal and certain state tax authorities.

13. COMMITMENTS AND CONTINGENCIES:

Sports Programming Rights

We are contractually obligated to make payments to purchase sports programming rights. The following table presents our annual non-cancellable commitments relating to the sports segment's sports programming rights agreements as of December 31, 2019 (in millions):

2020	$	1,828
2021		1,783
2022		1,529
2023		1,478
2024		1,409
2025 and thereafter		8,215
Total	$	16,242

Other Liabilities

In connection with the RSN Acquisition, we assumed certain fixed payment obligations which are payable through 2027. We recorded these obligations in purchase accounting at estimated fair value. As of December 31, 2019, $56 million was recorded within other current liabilities and $145 million was recorded within other long-term liabilities on our consolidated balance sheets. Imputed interest expense of $4 million was recorded for the year ended December 31, 2019.

In connection with the RSN Acquisition, we assumed certain variable payment obligations which are payable through 2030. These contractual obligations are based upon the excess cash flow of certain RSNs. We recorded these obligations in purchase accounting at estimated fair value. As of December 31, 2019, $34 million was recorded within other current liabilities and $205 million was recorded within other long-term liabilities on our consolidated balance sheets. These obligations are recorded at fair value on a recurring basis. Total measurement adjustments of $8 million were recorded for the year ended December 31, 2019. For further information, see *Note 18. Fair Value Measurements*.

Litigation

We are a party to lawsuits, claims, and regulatory matters from time to time in the ordinary course of business. Actions currently pending are in various stages and no material judgments or decisions have been rendered by hearing boards or courts in connection with such actions. Except as noted below, we do not believe the outcome of these matters, individually or in the aggregate, will have a material effect on the Company's financial statements.

On December 21, 2017, the FCC issued a Notice of Apparent Liability for Forfeiture proposing a $13 million fine for alleged violations of the FCC's sponsorship identification rules by the Company and certain of its subsidiaries. We have responded to dispute the Commission's findings and the proposed fine; however, we cannot predict the outcome of any potential FCC action related to this matter. We do not believe that the ultimate outcome of this matter will have a material effect on the Company's financial statements.

On November 6, 2018, the Company agreed to enter into a proposed consent decree with the Department of Justice (DOJ). This consent decree resolves the Department of Justice's investigation into the sharing of pacing information among certain stations in some local markets. The DOJ filed the consent decree and related documents in the U.S. District Court for the District of Columbia on November 13, 2018. The U.S District Court for the District of Columbia entered the consent decree on May 22, 2019. The consent decree is not an admission of any wrongdoing by the Company and does not subject Sinclair to any monetary damages or penalties. The Company believes that even if the pacing information was shared as alleged, it would not have impacted any pricing of advertisements or the competitive nature of the market. The consent decree requires the Company to adopt certain antitrust compliance measures, including the appointment of an Antitrust Compliance Officer, consistent with what the Department of Justice has required in previous consent decrees in other industries. The consent decree also requires the Company's stations not to exchange pacing and certain other information with other stations in their local markets, which the Company's management has already instructed them not to do.

The Company is aware of twenty-two putative class action lawsuits that were filed against the Company following published reports of the DOJ investigation into the exchange of pacing data within the industry. On October 3, 2018, these lawsuits were consolidated in the Northern District of Illinois. The consolidated action alleges that the Company and thirteen other broadcasters conspired to fix prices for commercials to be aired on broadcast television stations throughout the United States and engaged in unlawful information sharing, in violation of the Sherman Antitrust Act. The consolidated action seeks damages, attorneys' fees, costs and interest, as well as injunctions against adopting practices or plans that would restrain competition in the ways the plaintiffs have alleged. Defendants in this action filed a motion to dismiss the consolidated action, and that motion is now fully briefed. The Company believes the lawsuits are without merit and intends to vigorously defend itself against all such claims.

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 proposed acquisition of Tribune. The HDO directed the FCC's Media Bureau to hold in abeyance all other pending applications and amendments thereto related to the proposed Merger with Tribune until the issues that are the subject of the HDO have been resolved with finality. The HDO asked 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 complied with the FCC's rules, and strongly rejects any allegation of misrepresentation or lack of candor. The Merger Agreement was terminated by Tribune on August 9, 2018, on which date the Company subsequently filed a letter with the FCC to withdraw the merger applications and have them dismissed with prejudice and filed with the ALJ a Notice of Withdrawal of Applications and Motion to Terminate Hearing (Motion). On August 10, 2018, the FCC's Enforcement Bureau filed a responsive pleading with the ALJ stating that it did not oppose dismissal of the merger applications and concurrent termination of the hearing proceeding. The ALJ granted the Motion and terminated the hearing on March 5, 2019. As part of a discussion initiated by the Company to respond to allegations raised in the HDO, the FCC's Media Bureau sent the Company a confidential letter of inquiry, which was inadvertently posted to the FCC's online docket and removed by FCC staff shortly thereafter. The FCC subsequently released a statement that said the Media Bureau is in the process of resolving an outstanding issue regarding Sinclair's conduct as part of the last year's FCC's review of its proposed merger with Tribune and that the Bureau believes that delaying consideration of this matter would not be in anyone's interest. We cannot predict the outcome of the FCC's inquiry or whether or how the issues raised in the now-terminated HDO might impact the Company's ability to acquire additional TV stations in the future.

On August 9, 2018, Edward Komito, a putative Company shareholder, filed a class action complaint (the "Initial Complaint") in the United States District Court for the District of Maryland (the "District of Maryland") against the Company, Christopher Ripley and Lucy Rutishauser, which action is now captioned In re Sinclair Broadcast Group, Inc. Securities Litigation, case No. 1:18-CV-02445-CCB (the "Securities Action"). On March 1, 2019, lead counsel in the Securities Action filed an amended complaint, adding David Smith and Steven Marks as defendants, and alleging that defendants violated the federal securities laws by issuing false or misleading disclosures concerning (a) the Merger prior to the termination thereof; and (b) the DOJ investigation concerning the alleged exchange of pacing information. The Securities Action seeks declaratory relief, money damages in an amount to be determined at trial, and attorney's fees and costs. On May 3, 2019, Defendants filed a motion to dismiss the amended complaint, which motion has been opposed by lead plaintiff. On February 4, 2020, the Court issued a decision granting the motion to dismiss in part and denying the motion to dismiss in part. On February 18, 2020, plaintiffs filed a motion for reconsideration or, in the alternative, to certify dismissal as final and appealable. The Company believes that the allegations in the Securities Action are without merit and intends to vigorously defend against the allegations.

In addition, beginning in late July 2018, Sinclair received letters from two putative Company shareholders requesting that the Board of Directors of the Company investigate whether any of the Company's officers and directors committed nonexculpated breaches of fiduciary duties in connection with, or gross mismanagement with respect to: (i) seeking regulatory approval of the Tribune Merger and (ii) the HDO, and the allegations contained therein. A committee consisting of independent members of the board of directors has been formed to respond to these demands (the "Special Litigation Committee"). The members of the Special Litigation Committee are Martin R. Leader, Larry E. McCanna, and the Honorable Benson Everett Legg, with Martin Leader as its designated Chair.

On November 29, 2018, putative Company shareholder Fire and Police Retiree Health Care Fund, San Antonio filed a shareholder derivative complaint in the District of Maryland against the members of the Company's Board of Directors, Mr. Ripley, and the Company (as a nominal defendant), which action is captioned Fire and Police Retiree Health Care Fund, San Antonio v. Smith, et al., Case No. 1:18-cv-03670-RDB (the "San Antonio Action"). On December 26, 2018, putative Company shareholder Teamsters Local 677 Health Services & Insurance Plan filed a shareholder derivative complaint in the Circuit Court of Maryland for Baltimore County (the "Circuit Court") against the members of the Company's Board of Directors, Mr. Ripley, and the Company (as a nominal defendant), which action is captioned Teamsters Local 677 Health Services & Insurance Plan v. Friedman, et al., Case No. 03-C-18-12119 (the "Teamsters Action"). A defendant in the Teamsters Action removed the Teamsters action to the District of Maryland, and the plaintiff in that case has moved to remand the case back to the Circuit Court. That motion is fully briefed and awaiting decision. On December 21, 2018, putative Company shareholder Norfolk County Retirement System filed a shareholder derivative complaint in the District of Maryland against the members of the Company's Board of Directors, Mr. Ripley, and the Company (as a nominal defendant), which action is captioned Norfolk County Retirement System v. Smith, et al., Case No. 1:18-cv-03952-RDB (the "Norfolk Action," and together with the San Antonio Action and the Teamsters Action, the "Derivative Actions"). The plaintiffs in each of the Derivative Actions allege breaches of fiduciary duties by the defendants in connection with (i) seeking regulatory approval of the Tribune Merger and (ii) the HDO, and the allegations contained therein. The plaintiffs in the Derivative Actions seek declaratory relief, money damages to be awarded to the Company in an amount to be determined at trial, corporate governance reforms, equitable or injunctive relief, and attorney's fees and costs. Additionally, the plaintiffs in the Teamsters and Norfolk Actions allege that the defendants were unjustly enriched, in the form of their compensation as directors and/or officers of the Company, in light of the alleged breaches of fiduciary duty, and seek restitution to be awarded to the Company. These allegations are the subject matter of the review being conducted by the Special Litigation Committee, as noted above. On April 30, 2019, the Special Litigation Committee moved to dismiss and, in the alternative, to stay the San Antonio and Norfolk Actions, which motion has been opposed by the plaintiffs. The Company and the remaining individual defendants joined in this motion. On October 23, 2019, the court granted the plaintiff's motion in the Teamsters Action to remand that action back to the Circuit Court. On December 9, 2019, the court denied defendants' motions to dismiss and, in the alternative, to stay the San Antonio and Norfolk Actions without prejudice, subject to potential renewal following limited discovery.

On August 9, 2018, Tribune filed a complaint (the "Tribune Complaint") in the Court of Chancery of the State of Delaware against the Company, which action is captioned Tribune Media Company v. Sinclair Broadcast Group, Inc, Case No. 2018-0593-JTL. The Tribune Complaint alleges that the Company breached the Merger Agreement by, among other things, failing to use its reasonable best efforts to secure regulatory approval of the Merger, and that such breach resulted in the failure of the Merger to obtain regulatory approval and close. The Tribune Complaint seeks declaratory relief, money damages in an amount to be determined at trial (but which the Tribune Complaint suggests could be in excess of $1 billion), and attorney's fees and costs. On August 29, 2018, the Company filed its Answer, Affirmative Defenses, and Verified Counterclaim to the Verified Complaint. In its counterclaim, the Company alleges that Tribune breached the Merger Agreement and seeks declaratory relief, money damages in an amount to be determined at trial, and attorneys' fees and costs. The Company intends to continue its vigorous defense of this matter, while exploring opportunities to resolve it on reasonable terms. Based on a review of the current facts and circumstances, and while no finding of liability or damages against the Company has been made, management has provided for what is believed to be a reasonable estimate of the potential loss exposure for this matter. On January 27, 2020, the Company and Nexstar, which acquired Tribune in September 2019, agreed to settle the Tribune Complaint. As part of this settlement, the companies agreed to dismiss with prejudice the Tribune Complaint and release each other from any current and future claims relating to the terminated merger. Neither party has admitted any liability or wrongdoing in connection with the terminated merger; both parties have settled the lawsuit to avoid the costs, distraction, and uncertainties of continued litigation. On January 28, 2020, Tribune and Sinclair filed a stipulation voluntarily dismissing this litigation.

For the year ended December 31, 2019, we recorded a liability of $175 million for certain of the above legal matters, which is reflected within corporate general and administrative expenses and selling, general, and administrative expenses on our consolidated statements of 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 that made certain LMAs attributable. The FCC adopted policies to grandfather 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 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 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 seeks comment on new factors and evidence to consider in its evaluation of claims of bad faith negotiation, including service interruptions prior to a "marquee sports or entertainment event," restrictions on online access to broadcast programming during negotiation impasses, broadcasters' ability to offer bundles of broadcast signals with other broadcast stations or cable networks, and broadcasters' ability to invoke the FCC's exclusivity rules during service interruptions. On July 14, 2016, the FCC's Chairman at the time announced that the FCC would not, at that time, proceed to adopt additional rules governing good faith negotiations of retransmission consent. No formal action has yet been taken on this Proposed Rulemaking, and we cannot predict if the full Commission will agree to terminate the Rulemaking without action.

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. Petitions for Review of the Ownership Order on Reconsideration, including the elimination of the JSA attribution rule, were filed before the U.S. Court of Appeals for the Third Circuit. On September 23, 2019, the court vacated and remanded the Ownership Order on Reconsideration. Petitions for rehearing *en banc* were filed by the FCC and industry intervenors (including the Company) on November 7, 2019. The Third Circuit denied the petitions for rehearing on November 20, 2019 and the court's mandate issued on November 29, 2019. On February 7, 2020, the FCC and industry intervenors filed applications to extend the time to file petitions for writ of certiorari with the Supreme Court from February 18, 2020 to March 19, 2020, which applications were granted on February 12, 2020. We cannot predict whether the Supreme Court will grant a writ of certiorari or what the outcome of the proceeding would be. If we are required to terminate or modify our LMAs or JSAs, our business could be adversely affected in several ways, including loss of revenues, increased costs, losses on investments, and termination penalties.

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 dismissed 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. Changes to the national ownership cap could limit our ability to make television station acquisitions.

On December 13, 2018, the FCC released a Notice of Proposed Rulemaking to initiate the 2018 Quadrennial Regulatory Review of the FCC's broadcast ownership rules. The NPRM seeks comment on whether the Local Radio Ownership Rule, the Local Television Ownership Rule, and the Dual Network Rule continue to be necessary in the public interest or whether they should be modified or eliminated. With respect to the Local Television Ownership Rule specifically, among other things, the NPRM seeks comment on possible modifications to the rule's operation, including the relevant product market, the numerical limit, the top-four prohibition; and the implications of multicasting, satellite stations, low power stations and the next generation standard. In addition, the NPRM examines further several diversity related proposals raised in the last quadrennial review proceeding. The public comment period began on April 29, 2019, and reply comments were due by May 29, 2019. We cannot predict the outcome of the rulemaking proceeding. Changes to these rules could impact our ability to make radio or television station acquisitions.

14. VARIABLE INTEREST ENTITIES:

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.

We are party to a joint venture associated with Marquee. Marquee is party to a long term telecast rights agreement which provides the rights to air certain live game telecasts and other content, which we guarantee. In connection with the RSN Acquisition, we became party to a joint venture associated with one other regional sports network. We participate significantly in the economics and have the power to direct the activities which significantly impact the economic performance of these regional sports networks, including sales and certain operational services. We consolidate these regional sports networks because they are variable interest entities and we are the primary beneficiary.

The carrying amounts and classification of the assets and liabilities of the VIEs mentioned above which have been included on our consolidated balance sheets as of December 31, 2019 and 2018 were as follows (in millions):

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 39**	$ —
Accounts receivable, net	**39**	28
Other current assets	**16**	7
Total current asset	**94**	35
Program contract costs, less current portion	**1**	2
Property and equipment, net	**15**	5
Operating lease assets	**8**	—
Goodwill and indefinite-lived intangible assets	**15**	15
Definite-lived intangible assets, net	**93**	68
Other assets	**2**	2
Total assets	**$ 228**	$ 127
LIABILITIES		
Current liabilities:		
Other current liabilities	**$ 19**	$ 18
Notes payable, finance leases, and commercial bank financing, less current portion	**15**	19
Operating lease liabilities, less current portion	**6**	—
Program contracts payable, less current portion	**7**	8
Other long term liabilities	**1**	1
Total liabilities	**$ 48**	$ 46

The amounts above represent the consolidated assets and liabilities of the VIEs described above, for which we are the primary beneficiary. Total liabilities associated with certain outsourcing agreements and purchase options with certain VIEs, which are excluded from above, were $127 million and $125 million as of December 31, 2019 and December 31, 2018, 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 December 31, 2019, all of the liabilities are non-recourse to us except for the debt of certain VIEs. See *Debt of variable interest entities and guarantees of third-party debt* under *Note 7. Notes Payable and Commercial Bank Financing* for further discussion. The risk and reward characteristics of the VIEs are similar.

Other VIEs

We have several investments in entities 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.

The carrying amounts of our investments in these VIEs for which we are not the primary beneficiary were $71 million as of December 31, 2019 and 2018 and are included in other assets on our consolidated balance sheets. See *Note 6. Other Assets* for more information related to our equity investments. Our maximum exposure is equal to the carrying value of our investments. The income and loss related to equity method investments and other equity investments are recorded in (loss) income from equity method investments and other income, net, respectively, on our consolidated statements of operations. We recorded losses of $50 million, $45 million, and $5 million for the years ended December 31, 2019, 2018, and 2017, respectively, related to these investments.

15. 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 entities owned by the controlling shareholders. Lease payments made to these entities were $5 million for each of the years ended December 31, 2019, 2018 and 2017.

Finance leases payable related to the aforementioned relationships were $11 million, net of $3 million interest, and $13 million, net of $4 million interest, as of December 31, 2019 and 2018, respectively. The finance leases mature in periods through 2029. For further information on finance leases to affiliates, see *Note 7. Notes Payable and Commercial Bank Financing*.

Charter Aircraft. We lease aircraft owned by certain controlling shareholders. For all leases, we incurred expenses of $2 million for each of the years ended December 31, 2019, 2018, and 2017.

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 14. Variable Interest Entities*, for further discussion of the scope of services provided under these types of arrangements. As of December 31, 2019, we have jointly, severally, unconditionally, and irrevocably guaranteed $46 million of Cunningham debt, of which $9 million, net of $1 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 there are 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 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 cumulative prepayments made under these purchase agreements were $51 million and $47 million as of December 31, 2019 and 2018, respectively. The remaining aggregate purchase price of these stations, net of prepayments, as of both December 31, 2019 and 2018 was approximately $54 million. Additionally, we provide services to WDBB-TV pursuant to an LMA, which expires April 22, 2025, and have a purchase option to acquire for $0.2 million. We paid Cunningham, under these agreements, $8 million, $10 million, and $9 million for the years ended December 31, 2019, 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 between December 2020 and August 2025, and certain stations have renewal provisions for successive eight-year periods. Cunningham assumed the joint sales agreement under which we 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*.

As we consolidate the licensees as VIEs, the 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 $155 million, $171 million, and $125 million for the years ended December 31, 2019, 2018, and 2017, respectively, related to the Cunningham Stations.

In December 2017, Cunningham repaid, in its entirety, a January 2016 promissory note to borrow $20 million from us. Interest income from the note receivable was $1 million for the year ended December 31, 2017.

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 June 2022. Under the agreement, Cunningham paid us an initial fee of $1 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 million.

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 $0.2 million for both the years ended December 31, 2019 and 2018, and $0.6 million for the year ended December 31, 2017.

Leased property by real estate ventures

Certain of our real estate ventures have entered into leases with entities owned by members of the Smith Family. Total rent received under these leases was $1 million for each of the years ended December 31, 2019, 2018, and 2017.

Equity method investees

YES Network. In August 2019, YES Network, an equity method investee, entered into a management services agreement with the Company, in which the Company provides certain services for an initial term that expires on August 29, 2025. The agreement will automatically renew for two 2-year renewal terms, with a final expiration on August 29, 2029. Pursuant to the terms of the agreement, YES Network paid us a management services fee of $2 million for the year ended December 31, 2019.

In conjunction with the acquisition of the RSNs on August 23, 2019, as discussed in *Note 2. Acquisitions and Dispositions of Assets*, we assumed a minority interest in certain mobile production businesses, which we account for as equity method investments. During the year ended December 31, 2019, we made payments to these businesses totaling $12 million for production services.

Programming Rights

The Company has rights agreements covering the broadcast of regular season games with five professional teams, that have affiliates which have non-controlling equity interests in certain of our RSNs. These agreements expire on various dates during the fiscal years ended 2030 through 2033. Program rights fees paid by the Company to these teams, in total, were $150 million for the year ended December 31, 2019.

16. EARNINGS PER SHARE:

The following table reconciles income (numerator) and shares (denominator) used in our computations of earnings per share for the years ended December 31, 2019, 2018, and 2017 (in millions, except share amounts which are reflected in thousands):

	2019	2018	2017
Income (Numerator)			
Net income	**$ 105**	$ 346	$ 594
Net income attributable to the redeemable noncontrolling interests	**(48)**	—	—
Net income attributable to the noncontrolling interests	**(10)**	(5)	(18)
Numerator for diluted earnings available to common shareholders	**$ 47**	$ 341	$ 576
Shares (Denominator)			
Weighted-average common shares outstanding	**92,015**	100,913	99,844
Dilutive effect of outstanding stock settled appreciation rights and stock options	**1,170**	805	945
Weighted-average common and common equivalent shares outstanding	**93,185**	101,718	100,789

The net earnings per share amounts are the same for Class A and Class B Common Stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

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.

	2019	2018	2017
Weighted-average stock-settled appreciation rights and outstanding stock options excluded	**238**	1,325	450

17. SEGMENT DATA:

We measure segment performance based on operating income (loss). We have two reportable segments: local news and marketing services and sports. Our local news and marketing services segment, previously disclosed as our broadcast segment, provides free over-the-air programming to television viewing audiences and includes stations in 89 markets located throughout the continental United States. Our sports segment provides viewers with live professional sports content and includes 23 regional sports network brands. Other and corporate are not reportable segments but are included for reconciliation purposes. Other primarily consists of original networks and content, including Tennis, non-broadcast digital and internet solutions, technical services, and other non-media investments. Corporate costs primarily include our costs to operate as a public company and to operate our corporate headquarters location. All of our businesses are located within the United States.

For the year ended December 31, 2019, local news and marketing services and sports excluded from the below table is $35 million of revenue and selling, general, and administrative expenses, respectively, for services provided by local news and marketing services to sports, which are eliminated in consolidation. We had $13 million, $15 million, and $19 million in intercompany interest expense related to intercompany loans between other and corporate for the years ended December 31, 2019, 2018 and 2017, respectively. All other intercompany transactions are immaterial.

Segment financial information is included in the following tables for the years ended December 31, 2019, 2018, and 2017 (in millions):

As of December 31, 2019	**Local News and Marketing Services**	**Sports**	**Other**	**Corporate**	**Consolidated**
Goodwill	**$ 2,026**	**$ 2,615**	**$ 75**	**$ —**	**$ 4,716**
Assets	**4,866**	**11,237**	**693**	**574**	**17,370**
Capital expenditures	**139**	**9**	**4**	**4**	**156**

As of December 31, 2018	**Local News and Marketing Services**	**Sports**	**Other**	**Corporate**	**Consolidated**
Goodwill	$ 2,055	$ —	$ 69	$ —	$ 2,124
Assets	4,797	—	721	1,054	6,572
Capital expenditures	95	—	5	5	105

For the year ended December 31, 2019	**Local News and Marketing Services**	**Sports**	**Other**	**Corporate**	**Consolidated**
Revenue	**$ 2,655**	**$ 1,139**	**$ 446**	**$ —**	**$ 4,240**
Depreciation of property and equipment and amortization of definite-lived intangible assets and other assets	**245**	**157**	**22**	**—**	**424**
Amortization of sports programming rights (a)	**—**	**637**	**—**	**—**	**637**
Amortization of program contract costs and net realizable value adjustments	**90**	**—**	**—**	**—**	**90**
Corporate general and administrative overhead expenses	**144**	**93**	**1**	**149**	**387**
Gain on asset dispositions and other, net of impairment	**(62) (b)**	**—**	**(4)**	**(26)**	**(92)**
Operating income (loss)	**513 (b)**	**65**	**15**	**(123)**	**470**
Interest expense and amortization of debt discount and deferred financing costs	**5**	**200**	**1**	**216**	**422**
Income (loss) from equity method investments	**—**	**18**	**(53)**	**—**	**(35)**

For the year ended December 31, 2018	Local News and Marketing Services	Sports	Other	Corporate	Consolidated
Revenue	$ 2,715	$ —	$ 340	$ —	$ 3,055
Depreciation of property and equipment and amortization of definite-lived intangible assets and other assets	251	—	29	—	280
Amortization of program contract costs and net realizable value adjustments	101	—	—	—	101
Corporate general and administrative overhead expenses	100	—	1	10	111
(Gain) loss on asset dispositions and other, net of impairment	(100) (c)	—	60 (d)	—	(40)
Operating income (loss)	752 (c)	—	(82) (d)	(10)	660
Interest expense and amortization of debt discount and deferred financing costs	6	—	1	285	292
Loss from equity method investments	—	—	(61)	—	(61)

For the year ended December 31, 2017	Local News and Marketing Services	Sports	Other	Corporate	Consolidated
Revenue	$ 2,394	$ —	$ 242	$ —	$ 2,636
Depreciation of property and equipment and amortization of definite-lived intangible assets and other assets	244	—	31	1	276
Amortization of program contract costs and net realizable value adjustments	116	—	—	—	116
Corporate general and administrative overhead expenses	101	—	1	11	113
Gain on asset dispositions and other, net of impairment	(226)	—	(53) (e)	—	(279)
Operating income (loss)	724	—	25 (e)	(12)	737
Interest expense and amortization of debt discount and deferred financing costs	5	—	2	205	212
Loss from equity method investments	—	—	(14)	—	(14)

(a) The amortization of sports programming rights is included within media programming and production expenses on our consolidated statements of operations.

(b) Includes a gain of $62 million related to reimbursements for the spectrum repack costs. See *Note 2. Acquisitions and Dispositions of Assets.*

(c) Includes a gain of $83 million related to the auction proceeds. See *Note 2. Acquisitions and Dispositions of Assets.*

(d) Includes a $60 million impairment to the carrying value of a consolidated real estate venture. See *Note 1. Nature of Operations and Summary of Significant Accounting Policies.*

(e) Includes a gain on the sale of Alarm of $53 million, of which $12 million was attributable to noncontrolling interests. See *Note 2. Acquisitions and Dispositions of Assets.*

18. 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 carrying value and fair value of our financial assets and liabilities as of December 31, 2019 and 2018 (in millions):

	2019		2018	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Level 1:				
STG:				
Money market funds	**$ 913**	**$ 913**	$ 961	$ 961
Deferred compensation assets	**36**	**36**	26	26
Deferred compensation liabilities	**33**	**33**	24	24
Level 2 (a):				
STG:				
6.125% Senior Unsecured Notes due 2022 (b)	**—**	**—**	500	504
5.875% Senior Unsecured Notes due 2026	**350**	**368**	350	326
5.625% Senior Unsecured Notes due 2024	**550**	**566**	550	516
5.500% Senior Unsecured Notes due 2030 (c)	**500**	**511**	—	—
5.375% Senior Unsecured Notes due 2021 (b)	**—**	**—**	600	599
5.125% Senior Unsecured Notes due 2027	**400**	**411**	400	353
Term Loan A (d)	**—**	**—**	96	92
Term Loan B	**1,329**	**1,326**	1,343	1,275
Term Loan B-2 (c)	**1,297**	**1,300**	—	—
DSG:				
6.625% Senior Unsecured Notes due 2027 (c)	**1,825**	**1,775**	—	—
5.375% Senior Secured Notes due 2026 (c)	**3,050**	**3,085**	—	—
Term Loan (c)	**3,292**	**3,284**	—	—
Debt of variable interest entities	**21**	**21**	25	25
Debt of non-media subsidiaries	**18**	**18**	20	20
Level 3:				
DSG:				
Variable payment obligations (e)	**239**	**239**	—	—

(a) Amounts are carried on our consolidated balance sheets net of debt discount and deferred financing costs, which are excluded in the above table, of $231 million and $33 million as of December 31, 2019 and 2018, respectively.

(b) The STG 6.125% Notes and STG 5.375% Notes were redeemed, in full, in November 2019 and August 2019, respectively. See *Note 7. Notes Payable and Commercial Bank Financing* for additional information.

(c) The STG Term Loan B-2, DSG Term Loan, and DSG Senior Notes were issued in August 2019 and the STG 5.500% Notes were issued in November 2019. See *Note 7. Notes Payable and Commercial Bank Financing* for additional information.

(d) On April 30, 2019, we paid in full the remaining principal balance of $92 million of Term Loan A debt under the STG Bank Credit Agreement, due July 31, 2021.

(e) The Company records its variable payment obligations at fair value on a recurring basis. These liabilities are further described in *Other Liabilities* within *Note 13. Commitments and Contingencies*. Significant unobservable inputs used in the fair value measurement are projected future operating income before depreciation and amortization; and weighted average discount rate of 9%. Significant increases (decreases) in projected future operating income would generally result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rates, would result in a significantly (lower) higher fair value measurement.

The following table summarizes the changes in financial liabilities measured at fair value on a recurring basis and categorized as Level 3 under the fair value hierarchy (in millions):

		Variable Payment Obligations
Fair value at December 31, 2018	$	—
Liabilities acquired in the acquisition of the RSNs		**264**
Payments		**(33)**
Measurement adjustments		**8**
Fair value at December 31, 2019	**$**	**239**

19. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS:

Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary and the television operating subsidiary of Sinclair Broadcast Group, Inc. (SBG), is the primary obligor under STG's Bank Credit Agreement, 5.625% Notes, 5.875% Notes, 5.125% Notes, 5.500% Notes and, until they were redeemed, STG's 5.375% Notes and 6.125% Notes. STG's 5.625% Notes were publicly registered in a Registration Statement on Form S-3ASR (No. 333-203483), effective April 17, 2015, and, until they were redeemed, STG's 6.125% Notes were publicly registered in a Registration Statement on Form S-4 (No. 333-187724), effective April 16, 2013. Our Class A Common Stock and Class B Common Stock as of December 31, 2019, were obligations or securities of SBG and not obligations or securities of STG. SBG is a guarantor under STG's Bank Credit Agreement, 5.625% Notes, 5.875% Notes, 5.125% Notes, 5.500% Notes and, until they were redeemed, STG's 5.375% Notes and 6.125% Notes. As of December 31, 2019, our consolidated total debt of $12,438 million included $4,433 million of debt related to STG and its subsidiaries of which SBG guaranteed $4,395 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 comprehensive income, and consolidated statements of cash flows of SBG, STG, KDSM, LLC and the guarantor subsidiaries, the direct and indirect non-guarantor subsidiaries of SBG and the eliminations necessary to arrive at our information on a consolidated basis.

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019
(In millions)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash and cash equivalents	$ —	$ 357	$ 3	$ 973	$ —	1,333
Accounts receivable, net	—	—	561	571	—	1,132
Other current assets	5	41	264	188	(50)	448
Total current assets	5	398	828	1,732	(50)	2,913
Property and equipment, net	1	31	659	96	(22)	765
Investment in consolidated subsidiaries	2,270	3,558	—	—	(5,828)	—
Goodwill	—	—	2,091	2,625	—	4,716
Indefinite-lived intangible assets	—	—	144	14	—	158
Definite-lived intangible assets	—	—	1,426	6,598	(47)	7,977
Other long-term assets	82	1,611	279	618	(1,749)	841
Total assets	$ 2,358	$ 5,598	$ 5,427	$ 11,683	$ (7,696)	$ 17,370
Accounts payable and accrued liabilities	$ 142	$ 109	$ 286	$ 296	$ (51)	$ 782
Current portion of long-term debt	—	27	4	41	(1)	71
Other current liabilities	—	1	133	147	—	281
Total current liabilities	142	137	423	484	(52)	1,134
Long-term debt	700	4,348	32	8,317	(1,030)	12,367
Other liabilities	13	53	1,418	547	(934)	1,097
Total liabilities	855	4,538	1,873	9,348	(2,016)	14,598
Redeemable noncontrolling interests	—	—	—	1,078	—	1,078
Total Sinclair Broadcast Group equity	1,503	1,060	3,554	1,069	(5,684)	1,502
Noncontrolling interests in consolidated subsidiaries	—	—	—	188	4	192
Total liabilities, redeemable noncontrolling interests, and equity	$ 2,358	$ 5,598	$ 5,427	$ 11,683	$ (7,696)	$ 17,370

CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018
(In millions)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Cash and cash equivalents	$ —	$ 962	$ 19	$ 79	$ —	$ 1,060
Accounts receivable, net	—	—	531	68	—	599
Other current assets	3	6	103	37	(24)	125
Total current assets	3	968	653	184	(24)	1,784
Property and equipment, net	1	32	594	70	(14)	683
Investment in consolidated subsidiaries	1,604	3,654	4	—	(5,262)	—
Goodwill	—	—	2,120	4	—	2,124
Indefinite-lived intangible assets	—	—	144	14	—	158
Definite-lived intangible assets	—	—	1,609	70	(52)	1,627
Other long-term assets	31	851	119	166	(971)	196
Total assets	$ 1,639	$ 5,505	$ 5,243	$ 508	$ (6,323)	$ 6,572
Accounts payable and accrued liabilities	$ —	$ 78	$ 237	$ 40	$ (25)	$ 330
Current portion of long-term debt	—	31	4	8	—	43
Other current liabilities	—	1	144	55	—	200
Total current liabilities	—	110	385	103	(25)	573
Long-term debt	—	3,776	36	383	(345)	3,850
Other liabilities	—	40	1,169	173	(833)	549
Total liabilities	—	3,926	1,590	659	(1,203)	4,972
Total Sinclair Broadcast Group equity	1,639	1,579	3,653	(108)	(5,124)	1,639
Noncontrolling interests in consolidated subsidiaries	—	—	—	(43)	4	(39)
Total liabilities and equity	$ 1,639	$ 5,505	$ 5,243	$ 508	$ (6,323)	$ 6,572

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019
(In millions)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ 35	$ 2,841	$ 1,487	$ (123)	$ 4,240
Media programming and production expenses	—	—	1,238	894	(59)	2,073
Selling, general and administrative	147	147	663	202	(40)	1,119
Depreciation, amortization and other operating expenses	—	(20)	278	334	(14)	578
Total operating expenses	147	127	2,179	1,430	(113)	3,770
Operating (loss) income	(147)	(92)	662	57	(10)	470
Equity in earnings of consolidated subsidiaries	165	577	—	—	(742)	—
Interest expense	(5)	(216)	(4)	(216)	19	(422)
Other income (expense)	2	(7)	(53)	24	(5)	(39)
Total other income (expense)	162	354	(57)	(192)	(728)	(461)
Income tax benefit (provision)	32	66	(21)	19	—	96
Net income (loss)	47	328	584	(116)	(738)	105
Net income attributable to the redeemable noncontrolling interests	—	—	—	(48)	—	(48)
Net income attributable to the noncontrolling interests	—	—	—	(10)	—	(10)
Net income (loss) attributable to Sinclair Broadcast Group	$ 47	$ 328	$ 584	$ (174)	$ (738)	$ 47
Comprehensive income (loss)	$ 47	$ 327	$ 584	$ (116)	$ (738)	$ 104

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018
(In millions)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ —	$ 2,856	$ 293	$ (94)	$ 3,055
Media programming and production expenses	—	—	1,131	141	(81)	1,191
Selling, general and administrative	10	100	613	20	(2)	741
Depreciation, amortization and other operating expenses	—	5	258	207	(7)	463
Total operating expenses	10	105	2,002	368	(90)	2,395
Operating (loss) income	(10)	(105)	854	(75)	(4)	660
Equity in earnings of consolidated subsidiaries	348	724	—	—	(1,072)	—
Interest expense	—	(285)	(4)	(18)	15	(292)
Other income (expense)	2	(2)	(58)	—	—	(58)
Total other income (expense)	350	437	(62)	(18)	(1,057)	(350)
Income tax benefit (provision)	2	90	(62)	6	—	36
Net income (loss)	342	422	730	(87)	(1,061)	346
Net income attributable to the noncontrolling interests	—	—	—	(5)	—	(5)
Net income (loss) attributable to Sinclair Broadcast Group	$ 342	$ 422	$ 730	$ (92)	$ (1,061)	$ 341
Comprehensive income (loss)	$ 347	$ 422	$ 730	$ (87)	$ (1,065)	$ 347

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017
(In millions)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ —	$ 2,507	$ 210	$ (81)	$ 2,636
Media programming and production expenses	—	—	1,013	124	(73)	1,064
Selling, general and administrative	9	103	522	15	(2)	647
Depreciation, amortization and other operating expenses	1	6	132	51	(2)	188
Total operating expenses	10	109	1,667	190	(77)	1,899
Operating (loss) income	(10)	(109)	840	20	(4)	737
Equity in earnings of consolidated subsidiaries	579	794	—	—	(1,373)	—
Interest expense	—	(205)	(4)	(22)	19	(212)
Other income (expense)	2	5	(6)	(7)	—	(6)
Total other income (expense)	581	594	(10)	(29)	(1,354)	(218)
Income tax benefit (provision)	5	100	(30)	—	—	75
Net income (loss)	576	585	800	(9)	(1,358)	594
Net income attributable to the noncontrolling interests	—	—	—	(18)	—	(18)
Net income (loss) attributable to Sinclair Broadcast Group	$ 576	$ 585	$ 800	$ (27)	$ (1,358)	$ 576
Comprehensive income (loss)	$ 593	$ 584	$ 800	$ (9)	$ (1,375)	$ 593

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In million)

	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	$ (5)	$ (210)	$ 734	$ 396	$ 1	$ 916
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment	—	(4)	(152)	(11)	11	(156)
Acquisition of businesses, net of cash acquired	—	—	—	(8,999)	—	(8,999)
Proceeds from the sale of assets	—	—	—	8	—	8
Purchases of investments	(6)	(39)	(54)	(353)	—	(452)
Distributions from investments	—	3	—	4	—	7
Spectrum repack reimbursements	—	—	62	—	—	62
Other, net	—	—	(1)	1	—	—
Net cash flows (used in) from investing activities	(6)	(40)	(145)	(9,350)	11	(9,530)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable and commercial bank financing	—	1,793	—	8,163	—	9,956
Repayments of notes payable, commercial bank financing and finance leases	—	(1,213)	(4)	(19)	—	(1,236)
Proceeds from the issuance of redeemable subsidiary preferred equity, net	—	—	—	985	—	985
Dividends paid on Class A and Class B Common Stock	(73)	—	—	—	—	(73)
Dividends paid on redeemable subsidiary preferred equity	—	—	—	(33)	—	(33)
Repurchases of outstanding Class A Common Stock	(145)	—	—	—	—	(145)
Redemption of redeemable subsidiary preferred equity	—	—	—	(297)	—	(297)
Debt issuance costs	—	(25)	—	(174)	—	(199)
Distributions to noncontrolling interests	—	—	—	(32)	—	(32)
Increase (decrease) in intercompany payables	227	(905)	(601)	1,291	(12)	—
Other, net	2	(5)	—	(36)	—	(39)
Net cash flows from (used in) financing activities	11	(355)	(605)	9,848	(12)	8,887
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	—	(605)	(16)	894	—	273
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period	—	962	19	79	—	1,060
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period	$ —	$ 357	$ 3	$ 973	$ —	$ 1,333

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In millions)

	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	$ (9)	$ (253)	$ 936	$ (40)	$ 13	647
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	—	(7)	(98)	(4)	4	(105)
Spectrum repack reimbursements	—	—	6	—	—	6
Proceeds from the sale of assets	—	—	2	—	—	2
Purchases of investments	(2)	(14)	(29)	(3)	—	(48)
Distributions from investments	6	—	—	18	—	24
Other, net	—	—	3	—	—	3
Net cash flows from (used in) investing activities	4	(21)	(116)	11	4	(118)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable and commercial bank financing	—	—	—	4	—	4
Repayments of notes payable, commercial bank financing and finance leases	—	(148)	(4)	(15)	—	(167)
Debt issuance costs	—	—	—	(1)	—	(1)
Dividends paid on Class A and Class B Common Stock	(74)	—	—	—	—	(74)
Repurchase of outstanding Class A Common Stock	(221)	—	—	—	—	(221)
Distributions to noncontrolling interests	—	—	—	(9)	—	(9)
Increase (decrease) in intercompany payables	297	738	(1,117)	100	(18)	—
Other, net	3	—	(3)	2	1	3
Net cash flows from (used in) financing activities	5	590	(1,124)	81	(17)	(465)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	—	316	(304)	52	—	64
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period	—	646	323	27	—	996
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period	$ —	$ 962	$ 19	$ 79	$ —	$ 1,060

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In millions)

	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	$ (8)	$ (181)	$ 600	$ 12	$ 9	$ 432
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:						
Acquisition of property and equipment	—	(15)	(68)	(3)	2	(84)
Acquisition of businesses, net of cash acquired	—	(8)	(263)	—	—	(271)
Proceeds from the sale of assets	—	—	—	195	—	195
Purchases of investments	(1)	(8)	(21)	(33)	—	(63)
Distributions from investments	6	20	—	6	—	32
Spectrum auction proceeds	—	—	311	—	—	311
Other, net	—	—	—	(6)	—	(6)
Net cash flows from (used in) investing activities	5	(11)	(41)	159	2	114
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable and commercial bank financing	—	159	—	7	—	166
Repayments of notes payable, commercial bank financing and finance leases	(2)	(214)	(3)	(121)	—	(340)
Debt issuance costs	—	(1)	—	—	—	(1)
Proceeds from sale of Class A Common Stock	488	—	—	—	—	488
Dividends paid on Class A and Class B Common Stock	(71)	—	—	—	—	(71)
Repurchase of outstanding Class A Common Stock	(30)	—	—	—	—	(30)
Distributions to noncontrolling interests	—	—	—	(22)	—	(22)
(Decrease) increase in intercompany payables	(382)	661	(243)	(25)	(11)	—
Other, net	—	1	(1)	—	—	—
Net cash flows from (used in) financing activities	3	606	(247)	(161)	(11)	190
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	—	414	312	10	—	736
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period	—	232	11	17	—	260
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period	$ —	$ 646	$ 323	$ 27	$ —	$ 996

QUARTERLY FINANCIAL INFORMATION (UNAUDITED):
(In millions, except per share data)

	For the Quarter Ended			
	3/31/2019	**6/30/2019**	**9/30/2019**	**12/31/19**
Total revenues	**$ 722**	**$ 771**	**$ 1,125**	**$ 1,622**
Operating income (loss)	**$ 93**	**$ 106**	**$ (6)**	**$ 277**
Net income (loss)	**$ 23**	**$ 43**	**$ (49)**	**$ 88**
Net income (loss) attributable to Sinclair Broadcast Group	**$ 21**	**$ 42**	**$ (60)**	**$ 44**
Basic earnings (loss) per common share	**$ 0.23**	**$ 0.46**	**$ (0.65)**	**$ 0.47**
Diluted earnings (loss) per common share	**$ 0.23**	**$ 0.45**	**$ (0.64)**	**$ 0.47**

	For the Quarter Ended			
	3/31/2018	**6/30/2018**	**9/30/2018**	**12/31/2018**
Total revenues	$ 665	$ 730	$ 766	$ 894
Operating income	$ 107	$ 132	$ 158	$ 263
Net income	$ 44	$ 29	$ 65	$ 208
Net income attributable to Sinclair Broadcast Group	$ 43	$ 28	$ 64	$ 206
Basic earnings per common share	$ 0.42	$ 0.27	$ 0.63	$ 2.12
Diluted earnings per common share	$ 0.42	$ 0.27	$ 0.62	$ 2.10

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Sinclair Broadcast Group, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

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

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

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in the Report of Management on Internal Control over Financial Reporting, management has excluded 21 Regional Sports Network brands and Fox College Sports (collectively referred to as the "Regional Sports Networks") from its assessment of internal control over financial reporting as of December 31, 2019 because they were acquired by the Company in a purchase business combination during 2019. We have also excluded the Regional Sports Networks from our audit of internal control over financial reporting. The Regional Sports Networks are subsidiaries whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting collectively represent approximately 7% and 27%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2019.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the

consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of the Multi-Channel Video Programming Distributors ("MVPD") customer relationships intangible assets acquired in the Regional Sports Networks acquisition

As described in Note 2 to the consolidated financial statements, the Company completed the Regional Sports Networks acquisition in 2019, which resulted in $5.4 billion of customer relationship intangible assets being recorded, primarily relating to MVPD customer relationships. Management estimated the fair value of the MVPD customer relationships intangible assets acquired using the income approach, which involved the use of significant estimates and assumptions with respect to the projected revenue, projected margins, and the discount rate used to present value future cash flows.

The principal considerations for our determination that performing procedures relating to the valuation of the MVPD customer relationships intangible assets acquired in the Regional Sports Networks acquisition is a critical audit matter are there was significant judgment by management when developing the fair value measurement of the MVPD customer relationships intangible assets. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the significant assumptions used by management, including projected revenue and the discount rate. The audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the MVPD customer relationships intangible assets and controls over the development of the assumptions related to the valuation of the intangible assets, including projected revenue and the discount rate. These procedures also included, among others, (i) reading the purchase agreement, (ii) testing management's process for estimating the fair value of the MVPD customer relationships intangible assets, (iii) evaluating the appropriateness of the income approach used to value the intangible assets, (iv) testing the completeness, accuracy, and relevance of underlying data used in the income approach, and (v) evaluating the significant assumptions used by management, which included projected revenue and the discount rate. Evaluating the reasonableness of the projected revenue used in the fair value estimate involved considering the past performance of the acquired business, as well as economic and industry forecasts. The discount rate was evaluated by considering the cost of capital of comparable businesses as well as other industry factors. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's income approach and the discount rate significant assumption.

PricewaterhouseCoopers LLP

Baltimore, Maryland
March 2, 2020

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

Sinclair Broadcast Group, Inc.

BOARD OF DIRECTORS

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Chairman of the Board, Executive Chairman

Frederick G. Smith
Vice President

J. Duncan Smith
Vice President, Secretary

Robert E. Smith
Director

Howard E. Friedman
Director

Daniel C. Keith
Director

Martin R. Leader
Director

Benson E. Legg
Director

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Director

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President, Triangle Sign & Service LLC

W. Gary Dorsch
President, Keyser Capital LLC

Jeffrey Krolik
President, Regional Sports Networks

Kenneth A. Solomon
President, Tennis Channel Inc.

Robert D. Weisbord
President, Local News and Marketing Services

Andrew H. Whiteside
President, Dielectric LLC and General Manager, Acrodyne Technical Services LLC

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Executive Chairman

Frederick G. Smith
Vice President

J. Duncan Smith
Vice President

Christopher S. Ripley
President & Chief Executive Officer

Barry M. Faber
President, Distribution & Network Relations

Lucy A. Rutishauser
Executive Vice President, Chief Financial Officer

Delbert R. Parks III
Executive Vice President, Chief Technology Officer

Donald H. Thompson
Executive Vice President, Chief Human Resources Officer

Brian S. Bark
Senior Vice President, Chief Information Officer

David R. Bochenek
Senior Vice President, Chief Accounting Officer & Corporate Controller

David B. Gibber
Senior Vice President, General Counsel

Scott H. Shapiro
Senior Vice President, Chief Development Officer

ANNUAL MEETING

The Annual Meeting of stockholders will be held at Sinclair Broadcast Group's corporate offices,
10706 Beaver Dam Road
Hunt Valley, MD 21030
Thursday, June 4, 2020 at 10:00am.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers, LLP
100 East Pratt Street, Suite 2600
Baltimore, MD 21202-1096

TRANSFER AGENT AND REGISTRAR

Questions regarding stock certificates, change of address, or other stock transfer account matters may be directed to:

American Stock Transfer & Trust Company, LLC
Operations Center
6201 15th Ave.
Brooklyn, NY 11219
Toll Free: 1-800-937-5449
Email: help@astfinancial.com
Website: www.astfinancial.com

FORM 10-K, ANNUAL REPORT

A copy of the Company's 2019 Form 10-K, as filed with the Securities and Exchange Commission, is available, at no charge, on the Company's website www.sbgi.net or upon written request to:

Billie Jo McIntire
Director, Investor Relations
Sinclair Broadcast Group, Inc.
10706 Beaver Dam Road
Hunt Valley, MD 21030
410-568-1500

COMMON STOCK

The Company's Class A Common Stock trades on the Nasdaq Global Select Market tier of the Nasdaq[SM] Stock Market under the symbol SBGI.

SINCLAIR
BROADCAST GROUP