SINCLAIR
BROADCAST GROUP

Playing to WIN

2020 ANNUAL REPORT

Dear Fellow Shareholders,

This year has been one like no other and has redefined what it means to be grateful.

From the COVID-19 pandemic that upended our way of life, to civil protests and an unprecedented presidential election, there is no doubt we are in a transformative moment in our nation's history, as well as Sinclair's. In the face of these changing times, I am proud to say that our company rose to the occasion, adapting in ways that were truly inspiring. Despite the challenges, we came out of the year focused on 'playing to win' for the future.

First and foremost, I want to extend my gratitude to the thousands of essential Sinclair employees who ensured our broadcasts remained on the air and continued to provide important news and COVID related information to the masses, as well as other programming to distract from the perils. With national news often dictating the local narrative, your steadfast reporting has reminded our communities why they can continue to trust us. This year has reinforced that through unfortunate weather and other disasters, it is broadcast television that remains a constant for local communities.

Our commitment to the ethos 'play to win' is why I have such high optimism for our future. Whether it be our dedication to heightening the local sports viewing experience, investing in digital transformation, developing new and exciting ways to engage with consumers, or leading the advancement of broadcast technologies, Sinclair continues to drive ahead. As we look forward, we may never return to business as usual, but I believe Sinclair is well-positioned to thrive despite an unpredictable, modern economy and an ever-changing technical and media landscape. It is that confidence in our future that led us to opportunistically repurchase approximately 21% of our equity during 2020 at an average price of less than $18.00 per share. No matter what curveball was thrown our way this year, Sinclair proved to be resilient, nimble, and ready to adapt to a new normal.

We're All in This Together

Despite the challenges, 2020 was a year that reminded us that we are stronger together. We have seen people go above and beyond to help their friends and neighbors, a sentiment that Sinclair holds dear. Whether the overnight transition of thousands of staff to a work-from-home environment, a focus on automation, remote technologies, and new business processes, or ensuring the safest workplaces possible based upon CDC guidelines, the Sinclair community rose to the occasion.

While we quickly moved to control costs in multiple areas to offset the declines in our top line as a result of the pandemic's impact on our business, we also took steps early on to support our workforce. These efforts included a vacation buyback program, advances on commissions, extra paid time off, and advanced payments and loans to sports freelancers who were without work due to the suspension of professional sports league play. And while we unfortunately have had to make difficult decisions since then due to the pandemic's continuing and even increasing spread, we believe we have acted with compassion, transparency and accountability. Our swift action to cut non-essential costs early on and throughout 2020, meant that our recent reduction in workforce could be minimized, impacting approximately 5% of our workforce.

We continued our long-standing partnership with the Salvation Army and the communities in which we operate, and with the support of our local TV stations, regional sports networks (RSNs) and digital properties, helped raise over $35 million throughout 2020 to assist communities impacted by COVID, natural disasters and for other causes. In addition, Sinclair directly donated over $1 million to local organizations, awarded 10 scholarships through our Diversity Scholarship Fund and donated over 1,200 hours of airtime for public service announcements. This was in addition to the over 9 million pounds of food collected, more than 2 million meals provided, and the many toys, backpacks, school supplies, coats, and units of blood collected.

In April 2021, our Board of Directors added our first female Director, increasing our diversity, strengthening our governance and adding more viewpoints, experience and skills.

Award-Winning Relentless News Reporting

Local news is, and always has been, the backbone of Sinclair. This is why we recommitted ourselves to funding long-form, investigative journalism at a time when many news outlets have leaned into commentary-driven programming. This is just one reason Sinclair won more than 350 news awards in 2020 alone. Notable was work done by Project Baltimore for its investigations into local education issues that expose governmental neglect and lack of oversight. Once again, the Project Baltimore team was honored with the prestigious national Investigative Reporters and Editors Investigative award.

Since the launch of our first investigative and nationally-esteemed segment, Project Baltimore, we have expanded our investigative reporting initiative to other markets that focus on topics of importance to their communities, resulting in similar feedback and outcomes. KOMO-TV, our station in Seattle, produced a 90-minute documentary, “The Fight for the Soul of Seattle,” a bold program that shined a spotlight on the growing and systemic homeless and drug addiction problems in the city. For more than two years, our Seattle newsroom has focused on these issues and the impact on the city’s quality of life. This thought-provoking documentary has been viewed by more than six million people on multiple platforms. “The Fight for the Soul of Seattle” followed the award-winning Sinclair documentary, “Seattle is Dying,” which led to the creation of Project Seattle, our on-going commitment to focus on Seattle’s challenges.

Our relentless reporting on matters of public concern is the foundation of our journalistic mission. Asking questions, digging deeper, holding officials accountable and being a voice for the voiceless members of our community is at the core of what we do. Another noteworthy achievement during the year involved our TV station in Jefferson City, Missouri, KRCG-TV, which won the coveted National Edward R. Murrow Award for outstanding breaking news coverage of tornadoes that tore through the community. Their comprehensive coverage helped save countless lives during a storm that formed at one of the most vulnerable times, the dead of night. These are just three of the many recognitions Sinclair received this past year for its industry-defining news coverage.

As the world continues to rely on local broadcast news to inform their daily lives, we continue to innovate while staying true to our local-first roots. For example, in early 2021, we launched “The National Desk,” a program that leverages our incredible local assets to create a new experience for millions of Americans. A commentary-free program, The National Desk elevates the most important stories occurring in cities and towns across the country, bringing them to a national audience. We believe this dynamic format is a model for the future, redefining how news is presented and consumed, and opening the door to a range of content that resonates with audiences across the country.

A Spectrum of Opportunities

Sinclair was built on a culture of innovation at our core and 2020 was no different, as we continued our legacy of moving the broadcasting industry forward. During the past year, we deployed NEXTGEN TV, powered by the ATSC 3.0 transmission standard, in

11 of our markets. By the end of 2021, the industry is on track to be broadcasting with the new technology in 45 markets, reaching over 60% of the U.S. television households. With over 20 models of NEXTGEN television sets available to consumers today and Sinclair's MarkONE prototype mobile phone currently being tested, we expect consumer adoption to begin to accelerate.
This technology, developed in part by Sinclair, greatly improves signal receivability. It also improves the broadcast audio and video quality, enhances the viewer experience, and provides for mobility, personalization, addressability, and the distribution of data to vehicles, tablets and other devices. This will reposition the broadcast industry as a more dynamic and competitive service in the future. Sinclair stood as an early advocate of ATSC 3.0, and our continued commitment to this new Internet Protocol transmission technology shows how and why we remain a leader in broadcast.

Local Focus, National Reach

As a diversified media company with must-have local news, sports and popular general entertainment content, we have the added benefit of connecting advertisers with mass audiences across multiple platforms through our digital agency business, Compulse. Whether linear, social, web or connected TVs, Compulse and our network of local and national marketing consultants offer advertisers an omni-channel, one-stop shop approach to optimizing campaigns. While the pandemic and shelter-in-place rules certainly impacted Main Street and the many small and medium sized businesses our platforms support, for those businesses that continued to advertise, our '360' approach and unified distribution helped to deliver their messages in a more efficient, broad-based or targeted manner. While the pandemic caused a decline in core advertising in 2020, we experienced a record political advertising year, driven by the desire of political and issue campaigns to reach our coveted news audiences on all platforms.

As viewers broaden their interest in consuming content from multiple sources, Sinclair's STIRR and NewsON apps have become top contenders in the streaming game, landing as top-3 local news apps on the #1 streaming platform in the nation. STIRR, our free ad-supported streaming platform, offers over 120 channels, including its most-watched channel, the unique and local news-focused, STIRR City, in addition to thousands of hours of on-demand content. The STIRR City channel offers live local news in 73 U.S. markets. The trends for STIRR are favorable; and with its increasing downloads, impressions and session growth, STIRR is an example of how broadcast television can continue to connect with changing audience behaviors. NewsON is also a free ad-supported app that provides instant access to live and on-demand newscasts from over 275 trusted local TV station partners in over 165 U.S. markets, allowing viewers to personalize their experience by setting favorite stations and watch breaking news coverage from multiple locations and devices.

Our Bet on Sports

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.

On the RSN front, we managed through the months-long suspension of live sports, the bedrock of programming for these valuable assets. Overnight, we were able to pivot and fill the void with shared content from our other sports properties such as Tennis Channel, Stadium and Ring of Honor, demonstrating the value of having a broad content portfolio. And while the RSNs have been impacted by subscriber declines and dropped carriage, the RSN business model did reflect its resiliency and built-in hedges throughout the shortened sports seasons.

Our goal of taking sports viewing to new heights was bolstered by our enterprise-wide transformational partnership with Bally's Corporation, one of the most innovative betting operators. As part of the agreement, 19 of our majority owned RSNs have been rebranded as Bally Sports and our broadcast assets will be integrated with Bally's. In addition to the RSNs receiving revenue for the naming rights and committed advertising spend from Bally's, Sinclair received equity interests in their company. We believe this is a game-changing partnership, both for Sinclair and Bally's, as our portfolio of TV stations, RSNs, Tennis Channel, Stadium and STIRR are expected to drive Bally's brand and first-time betting customers, which in return should drive audience engagement, and therefore future value, to the RSN platform.

Under the new Bally Sports brand, viewers can expect a more engaging and satisfying experience. The Bally's partnership goes beyond legalized sports betting and enables our efforts in the gamification of sports. Central to this effort will be developing community-based fandom and engagement, contests, and fantasy sports, that can be accessed in conjunction with watching live sporting events. We believe there is an incredible opportunity to change the way in which people consume and interact with sports content - to transform a one-dimensional viewing experience into a highly-interactive and personalized activity.

Just as our digital platforms on the broadcast side have for many years introduced a 'lean in' experience, we will be pursuing the same strategy on the sports side. To ensure we capitalize on these trends, we have developed and are launching a new and enhanced digital platform for the RSNs that will feature more than just live sports, with added elements such as sports news, gaming opportunities, and super-fan content. The rise of U.S. online sports betting and iGaming tells us this type of content can be particularly attractive to younger households, which the industry is eager to better engage. By partnering in Bally's, our goal is to participate in and benefit from the estimated $50 billion future market opportunity in the U.S. online sports betting and iGaming addressable market.

Meanwhile, Tennis Channel completed an industry-changing, long-term media partnership with the ATP Men's professional tour which, coupled with similar existing WTA Women's tour rights, makes the network the exclusive partner for all professional tour tennis events in the U.S., across all media distribution platforms. In 2020, Tennis Channel also debuted its global streaming subscription service, Tennis Channel International, in Europe with expanded distribution expected.

Future Forward

Our team has displayed a resiliency, ambition, and optimism that will carry well past today's challenges, and we are prepared to see through the transition to a post-COVID world and its new paradigms. For local news, this means being at the ready to deliver crucial information to communities. For sports, this means more holistically engaging audiences by providing a more enjoyable and captivating experience through interactive elements, including gamification, with the goal of elevating the sports watching experience. For broadcast television, this means the deployment of new technologies and monetization opportunities like datacasting and mobile-first business models. For Sinclair, this means presenting our customers, viewers and partners with a unified portfolio of brands, platforms, reach and experience. The Sinclair culture was built upon leading, innovating and evolving and, as we look forward to the future, we are 'playing to win.'

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

TABLE OF CONTENTS

Business	2
Forward-looking Statements	8
Selected Financial Data	9
Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Quantitative and Qualitative Disclosure About Market Risk	32
Market For Registrant's Common Equity, Related Stockholder Matters and Issuers Purchases of Equity Securities	32
Controls and Procedures	34
Consolidated Balance Sheet	36
Consolidated Statement of Operations	37
Consolidated Statement of Comprehensive Income	38
Consolidated Statements of Equity	39
Consolidated Statement of Cash Flow	42
Notes to the Consolidated Financial Statements	43
Report of Independent Registered Public Accounting Firm	96

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 and national 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 regional sports network 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, 2020, we have two reportable segments: broadcast and local sports. Our broadcast segment is comprised of all of our television stations, which are owned and/or operated by our wholly-owned subsidiary, Sinclair Television Group, Inc. (STG) and its direct and indirect subsidiaries. Our local sports segment is comprised of our regional sports networks, which are owned and operated by our subsidiary, Diamond Sports Group, LLC (DSG) and its direct and indirect subsidiaries. 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 the other segment. Other is not a reportable segment but is included for reconciliation purposes.

Broadcast

As of December 31, 2020, our broadcast segment consists primarily of our broadcast television stations. We own, provide programming and operating services pursuant to local marketing agreements (LMAs), or provide sales services and other non-programming operating services pursuant to other outsourcing agreements (such as joint sales agreements (JSAs) and shared services agreements (SSAs)) to 188 stations in 88 markets. These stations broadcast 628 channels, including 240 channels affiliated with primary networks or program service providers comprised of: FOX (57), ABC (40), CBS (31), NBC (25), CW (48), and MyNetworkTV (MNT) (39). The other 388 channels broadcast programming from programming services including Antenna TV, Azteca, Bounce Network, CHARGE!, Comet, Dabl, Decades, Estrella TV, Get TV, Grit, Me TV, Stadium, TBD, Telemundo, This TV, UniMas, Univision, Weather, and two channels broadcasting independent programming. Solely for the purpose of this report, these 188 stations and 628 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 broadcast segment provides free over-the-air programming to television viewing audiences in the communities we serve through our local television stations. The programming that we provide on our primary channels consists of network provided programs, locally-produced news, local sporting events, programming from program service arrangements, syndicated entertainment programs, and internally originated programming. We provide live, local sporting events on many of our stations by acquiring the local television broadcast rights for these events or through our relationship with national networks.

We are one of the nation's largest producers of local news. We produce more than 2,500 hours of news per week at 130 stations in 82 markets. During 2020, our stations were awarded with 356 journalism awards, including one National Edward R. Murrow award.

Our broadcast segment derives revenue primarily from the sale of advertising inventory on our television stations and fees received from traditional multi-channel video programming distributors (MVPDs), such as cable and satellite providers; virtual MVPDs (vMVPDs, and together with MVPDs, "Distributors"), which distribute multiple television channels through the internet without supplying their own data transport infrastructure; and other over-the-top (OTT) distributors that deliver live and on-demand programming over the internet, for the right to distribute our channels on their distribution platforms without a subscription with a Distributor. 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 600 marketing consultants and 90 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, 2020, our broadcast segment owns and operates or provides programming and/or sales and other shared services to television stations in the following 88 markets:

Market	Market Rank (a)	Number of Channels	Stations	Network Affiliation (b)
Washington, D.C.	9	6	WJLA, WDCO-CD, WIAV-CD	ABC
Seattle / Tacoma, WA	12	6	KOMO, KUNS	ABC
Minneapolis / St. Paul, MN	14	4	WUCW	CW
Portland, OR	21	7	KATU, KUNP	ABC
St. Louis, MO	23	4	KDNL	ABC
Raleigh / Durham, NC	24	7	WLFL, WRDC	CW, MNT
Pittsburgh, PA	26	7	WPGH, WPNT	FOX, MNT
Baltimore, MD	28	8	WBFF, WNUV(c), WUTB(d)	FOX, CW, MNT
Nashville, TN	29	10	WZTV, WNAB(d), WUXP	FOX, CW, MNT
Salt Lake City, UT	30	10	KUTV, KMYU, KJZZ, KENV(d)	CBS, MNT, IND
San Antonio, TX	31	9	KABB, WOAI, KMYS(d)	FOX, NBC, CW
Columbus, OH	33	11	WSYX, WTTE(c), WWHO(d)	ABC, CW, MNT, FOX
Asheville, NC / Greenville, SC	35	9	WLOS, WMYA(c)	ABC, MNT
Cincinnati, OH	36	8	WKRC, WSTR(d)	CBS, CW, MNT
Milwaukee, WI	37	3	WVTV	CW, MNT
Austin, TX	38	2	KEYE	CBS
West Palm Beach / Ft Pierce, FL	39	13	WPEC, WTVX, WTCN-CD, WWHB-CD	CBS, CW, MNT
Las Vegas, NV	40	9	KSNV, KVCW	NBC, CW, MNT
Grand Rapids / Kalamazoo / Battle Creek, MI	41	3	WWMT	CBS, CW
Harrisburg / Lancaster / Lebanon / York, PA	42	4	WHP	CBS, CW, MNT
Oklahoma City, OK	44	7	KOKH, KOCB	FOX, CW
Birmingham / Tuscaloosa, AL	45	15	WBMA-LD, WDBB(c), WTTO, WABM	ABC, CW, MNT
Norfolk, VA	46	4	WTVZ	MNT
Greensboro / High Point / Winston-Salem, NC	47	7	WXLV, WMYV	ABC, MNT
Providence, RI / New Bedford, MA	52	4	WJAR	NBC
Buffalo, NY	53	7	WUTV, WNYO	FOX, MNT
Fresno / Visalia, CA	55	12	KMPH, KMPH-CD, KFRE	FOX, CW
Richmond, VA	56	5	WRLH	FOX, MNT
Mobile, AL / Pensacola, FL	57	12	WEAR, WPMI(d), WJTC(d), WFGX	ABC, NBC, IND, MNT
Wilkes Barre / Scranton, PA	58	10	WOLF(c), WSWB(d), WQMY(c)	FOX, CW, MNT
Little Rock / Pine Bluff, AR	59	4	KATV	ABC
Albany, NY	60	7	WRGB, WCWN	CBS, CW
Tulsa, OK	61	4	KTUL	ABC
Dayton, OH	65	8	WKEF, WRGT(d)	ABC, FOX, MNT
Spokane, WA	66	3	KLEW	CBS
Des Moines, IA	68	4	KDSM	FOX
Green Bay / Appleton, WI	69	8	WLUK, WCWF	FOX, CW
Wichita, KS	70	19	KSAS, KOCW, KAAS, KAAS-LP, KSAS-LP, KMTW(c)	FOX, MNT
Roanoke / Lynchburg, VA	71	4	WSET	ABC
Omaha, NE	72	7	KPTM, KXVO(c)	FOX, CW, MNT
Flint / Saginaw / Bay City, MI	73	11	WSMH, WEYI(d), WBSF(d)	FOX, NBC, CW

Market	Market Rank (a)	Number of Channels	Stations	Network Affiliation (b)
Charleston / Huntington, WV	75	8	WCHS, WVAH(d)	ABC, FOX
Columbia, SC	76	4	WACH	FOX
Rochester, NY	77	7	WHAM(d), WUHF	ABC, FOX, CW
Portland, ME	78	7	WPFO(d), WGME	FOX, CBS
Toledo, OH	80	4	WNWO	NBC
Madison, WI	81	4	WMSN	FOX
Paducah, KY / Cape Girardeau, MO	84	8	KBSI, WDKA	FOX, MNT
Harlingen / Weslaco / Brownsville / McAllen, TX	85	2	KGBT	TBD
Syracuse, NY	87	6	WTVH(d), WSTM	CBS, NBC, CW
Chattanooga, TN	88	7	WTVC, WFLI(d)	ABC, FOX, CW, MNT
Charleston, SC	89	3	WCIV	ABC, MNT
Champaign / Springfield / Decatur, IL	90	17	WICS, WICD, WRSP(d), WCCU(d), WBUI(d)	ABC, FOX, CW
Savannah, GA	91	4	WTGS	FOX
Cedar Rapids, IA	92	8	KGAN, KFXA(d)	CBS, FOX
El Paso, TX	93	8	KFOX, KDBC	FOX, CBS, MNT
South Bend-Elkhart, IN	98	2	WSBT	CBS, FOX
Myrtle Beach / Florence, SC	99	9	WPDE, WWMB(c)	ABC, CW
Tri-Cities, TN-VA	100	7	WEMT(d), WCYB	FOX, NBC, CW
Boise, ID	101	8	KBOI, KYUU-LD	CBS, CW Plus
Greenville / New Bern / Washington, NC	102	8	WCTI-TV, WYDO(d)	ABC, FOX
Reno, NV	104	9	KRXI, KRNV(d), KNSN(c)	FOX, NBC, MNT
Lincoln and Hastings-Kearney, NE	105	9	KHGI, KWNB, KWNB-LD, KHGI-CD, KFXL	ABC, FOX
Johnstown / Altoona, PA	107	4	WJAC	NBC, CW Plus
Tallahassee, FL	108	8	WTWC, WTLF(d)	NBC, FOX, CW Plus
Eugene, OR	113	18	KVAL, KCBY, KPIC(e), KMTR(d), KMCB(d), KTCW(d)	CBS, NBC, CW Plus
Yakima / Pasco / Richland / Kennewick, WA	117	18	KIMA, KEPR, KUNW-CD, KVVK-CD, KORX-CD	CBS, CW Plus
Traverse City / Cadillac, MI	118	11	WGTU(d), WGTQ(d), WPBN, WTOM	ABC, NBC
Macon, GA	120	3	WGXA	FOX, ABC
Peoria / Bloomington, IL	123	1	WHOI	TBD
Bakersfield, CA	125	8	KBFX-CD, KBAK	FOX, CBS
Corpus Christi, TX	130	3	KSCC	FOX, MNT
Amarillo, TX	131	8	KVII, KVIH	ABC, CW Plus
Chico-Redding, CA	132	15	KRCR-TV, KCVU(d), KRVU-LD, KKTF-LD, KUCO-LD	ABC, FOX, MNT
Medford / Klamath Falls, OR	134	4	KTVL	CBS, CW Plus
Columbia / Jefferson City, MO	135	4	KRCG	CBS
Beaumont / Port Arthur / Orange, TX	144	8	KFDM, KBTV(d)	CBS, CW Plus, FOX
Sioux City, IA	148	14	KPTH, KPTP-LD, KBVK-LP, KMEG(d)	FOX, MNT, CBS
Albany, GA	154	4	WFXL	FOX
Gainesville, FL	160	8	WGFL(c), WNBW(c), WYME-CD(c)	CBS, NBC, MNT
Missoula, MT	161	6	KECI-TV, KCFW	NBC
Wheeling, WV / Steubenville, OH	163	3	WTOV	NBC, FOX
Abilene / Sweetwater, TX	165	4	KTXS-TV, KTES-LD	ABC, CW Plus
Quincy, IL / Hannibal, MO / Keokuk, IA	174	3	KHQA	CBS, ABC
Butte / Bozeman, MT	185	6	KTVM-TV, KDBZ-CD	NBC
Eureka, CA	193	10	KAEF-TV, KBVU(d), KECA-LD, KEUV-LP	ABC, FOX, CW Plus, MNT
San Angelo, TX	197	3	KTXE-LD	ABC, CW Plus
Ottumwa, IA / Kirksville, MO	200	3	KTVO	ABC, CBS
Total Television Channels		**628**		

(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 2020.

(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	40	30	August 31, 2022
FOX	57	42	December 31, 2023
CBS	31	24	October 31, 2023 through December 31, 2024
NBC	25	17	December 31, 2021
CW	48	37	August 31, 2021 through August 31, 2024
MNT	39	32	August 31, 2021
Total Major Network Affiliates	**240**		

Affiliation	Number of Channels	Number of Markets	Expiration Dates (1)
Antenna TV	23	21	December 31, 2019 through January 1, 2024
Azteca	2	1	August 31, 2020
Bounce	1	1	August 31, 2019
Charge	67	59	(2)
Comet	90	74	(2)
DABL	30	29	October 31, 2022
Decades	1	1	January 31, 2022
Estrella	1	1	September 30, 2022
GetTV	5	5	June 30, 2017
Grit	1	1	December 31, 2019
IND	2	2	N/A
MeTV	19	15	August 31, 2022 through August 1, 2024
Stadium	52	48	(2)
TBD	77	65	(2)
Telemundo	1	1	December 31, 2022
This TV	1	1	November 1, 2014
UniMas	1	1	December 31, 2021
Univision	8	5	December 31, 2021 through November 30, 2022
Weather	6	4	December 31, 2017
Total Other Affiliates	**388**		
Total Television Channels	**628**		

(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 the same terms and conditions until a new affiliation agreement is entered into.

(2) An owned and operated network, which is carried on our multicast distribution platform or the platform of our JSA/LMA partners. Thus, there is no expiration date.

(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 JSAs and SSAs.

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

Local sports

On August 23, 2019, we completed the acquisition of the controlling interests in certain 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 minority equity interest in the Yankee Entertainment and Sports Network (the YES Network), a regional sports network based in New York, New York.

Through our RSNs and the YES Network, we own equity interests in the largest collection of regional sports networks in the United States, broadcasting approximately 4,800 professional sports games and producing approximately 24,800 hours of new content each year. As a result of the modified sports seasons due to the COVID-19 pandemic, during the year ended December 31, 2020, our RSNs and the YES Network broadcast approximately 2,270 professional sports games and produced approximately 12,200 hours of new content. Our RSNs and the YES Network 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. Our RSNs are a premier destination for local sports viewership, with premium live sports content reaching approximately 52 million subscribers nationally, excluding YES Network subscribers. Our RSNs and the YES Network 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 sports network portfolio are 21 regional sports network brands (to be rebranded as 19 Bally Sports network brands), Marquee, and a minority equity interest in the YES Network. We generate revenues by distributing our networks to Distributors, and from the sale of advertising inventory.

In connection with our agreement with Bally's Corporation (Bally's), our RSNs will be rebranded with the Bally Sports name. See *Note 1. Nature of Operations and Summary of Significant Accounting Policies* and *Note 6. Other Assets* within the *Consolidated Financial Statements* for further discussion. As of December 31, 2020, 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, 2020, we also hold a minority 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 network; CHARGE!, our adventure and action-based 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; The National Desk hosted by Jan Jeffcoat (The National Desk); and Full Measure with Sharyl Attkisson (Full Measure), our national Sunday morning investigative and political analysis program.

Digital and Internet

In January 2019, we launched STIRR, a national free, ad-supported direct-to-consumer (DTC) streaming app, which offers live and on-demand content spanning entertainment, sports, and news. With more than 6 million app downloads to date, STIRR had a break-out year and exceeded expectations with viewership up significantly, doubling the number of average monthly users and minutes viewed for the full year compared to a year ago. Driving this growth is STIRR's local news channel, STIRR City, the addition of exclusive local on-demand rights, over 120 free TV channels, and two commercial free channels that cover both local and national elections and *Covid-19* live press conferences from across the country. STIRR's growth throughout the year enabled it to reach critical mass for national and local advertisers.

We earn revenues from Compulse Integrated Marketing (Compulse), a full-service digital agency which uses our digital expertise, including our OTT advertising platform, CompulseOTT, to help businesses run social media, search, advertising, email marketing, web design, mobile marketing and creative services, audience extension, and navigate and compete in a world of constant innovation and changes in consumer behavior.

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, including non-Sinclair affiliate partners. Sinclair Digital Ventures focuses on investment in emerging digital technologies, ad tech, and digital content companies that support, complement, or expand the Company's businesses.

In November 2020, we entered into agreements for a long-term, enterprise-wide strategic partnership with Bally's Corporation (Bally's) to combine Bally's vertically integrated, proprietary sports betting technology and expansive market access footprint with our premier portfolio of local broadcast stations, RSNs, Tennis Channel, STIRR and digital and over-the-air television network Stadium. This partnership is expected to enhance the gamification of live sports to provide audiences a first-of-its-kind interactive viewing experience and drive legalized sports betting monetization. In connection with the agreement, we also received various equity interests in Bally's. See *Note 1. Nature of Operations and Summary of Significant Accounting Policies* and *Note 6. Other Assets* within the *Consolidated Financial Statements* for further information.

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; and ONE Media 3.0, 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 several other companies in the design and deployment of NEXTGEN TV services including: Saankhya Labs to develop NEXTGEN TV technologies to be used in consumer devices; Cast.era, a joint venture with South Korea's leading mobile operator, SK Telecom, to develop wireless, cloud infrastructure and artificial intelligence technologies; and BitPath, a joint venture with Nexstar Media Group, to deploy and exploit datacasting models using NEXTGEN capabilities.

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. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, contingencies, our dividend policy, and other non-historical statements. When we use words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or similar expressions, we are making forward-looking statements. Such forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements including, but not limited to, those listed below in summary form and as more fully described under *Management's Discussion and Analysis of Financial Conditions and Results of Operations* and *Quantitative and Qualitative Disclosures about Market Risk,* as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (SEC), which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings with the SEC. 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.

SELECTED FINANCIAL DATA

The selected consolidated financial data for the years ended December 31, 2020, 2019, 2018, 2017, and 2016 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,				
	2020	**2019**	**2018**	**2017**	**2016**
Statements of Operations Data:					
Media revenues (a)	**$ 5,843**	$ 4,046	$ 2,919	$ 2,567	$ 2,521
Non-media revenues	**100**	194	136	69	102
Total revenues	**5,943**	4,240	3,055	2,636	2,623
Media programming and production expenses	**2,735**	2,073	1,191	1,064	956
Media selling, general and administrative expenses	**832**	732	630	534	502
Amortization of program contract costs	**86**	90	101	116	128
Non-media expenses	**91**	156	122	75	85
Depreciation of property and equipment	**102**	97	105	97	98
Corporate general and administrative expenses	**148**	387	111	113	74
Amortization of definite-lived intangible and other assets	**572**	327	175	179	184
Impairment of goodwill and definite-lived intangible assets	**4,264**	—	—	—	—
Gain on asset dispositions and other, net of impairment	**(115)**	(92)	(40)	(279)	(6)
Operating (loss) income	**(2,772)**	470	660	737	602
Interest expense including amortization of debt discount and deferred financing costs	**(656)**	(422)	(292)	(212)	(211)
Loss on extinguishment of debt	**(10)**	(10)	—	(1)	(24)
(Loss) gain from equity method investments	**(36)**	(35)	(61)	(14)	1
Other income, net	**325**	6	3	9	4
(Loss) income before income taxes	**(3,149)**	9	310	519	372
Income tax benefit (provision)	**720**	96	36	75	(122)
Net (loss) income	**(2,429)**	105	346	594	250
Net income attributable to redeemable noncontrolling interests	**(56)**	(48)	—	—	—
Net loss (income) attributable to noncontrolling interests	**71**	(10)	(5)	(18)	(5)
Net (loss) income attributable to Sinclair Broadcast Group	**$ (2,414)**	$ 47	$ 341	$ 576	$ 245
Earnings Per Common Share Attributable to Sinclair Broadcast Group:					
Basic earnings per share	**$ (30.20)**	$ 0.52	$ 3.38	$ 5.77	$ 2.62
Diluted earnings per share	**$ (30.20)**	$ 0.51	$ 3.35	$ 5.72	$ 2.60
Dividends declared per share	**$ 0.80**	$ 0.80	$ 0.74	$ 0.72	$ 0.71

	As of December 31,				
	2020	**2019**	**2018**	**2017**	**2016**
Balance Sheet Data:					
Cash and cash equivalents	**$ 1,259**	$ 1,333	$ 1,060	$ 681	$ 260
Total assets	**$ 13,382**	$ 17,370	$ 6,572	$ 6,784	$ 5,963
Total debt (c)	**$ 12,551**	$ 12,438	$ 3,893	$ 4,049	$ 4,204
Redeemable noncontrolling interests	**$ 190**	$ 1,078	$ —	$ —	$ —
Total (deficit) equity	**$ (1,185)**	$ 1,694	$ 1,600	$ 1,534	$ 558

(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 current and long-term notes payable, finance leases, and commercial bank financing, including finance leases of affiliates.

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 the *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 2020 and so far in 2021, 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 2020, 2019, and 2018, including comparisons between years and certain expectations for 2021; 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, RSNs, 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: broadcast and local sports. Our broadcast segment is comprised of our television stations. Our local sports segment is comprised of our RSNs. We also earn revenues from our owned networks, original content, digital and internet services, technical services, and non-media investments. These businesses are included within other. Corporate and unallocated expenses primarily include our costs to operate as a public company and to operate our corporate headquarters location. Other and corporate are not reportable segments.

STG, for which certain assets and results of operations are included in the broadcast segment and which is one of our wholly owned subsidiaries, is the primary obligor under the STG Bank Credit Agreement, the STG 5.125% unsecured notes due 2027, the STG 5.875% unsecured notes due 2026, the STG 5.500% unsecured notes due 2030, and the STG 4.125% secured notes due 2030 (the STG notes are collectively referred to as the STG Notes). We and substantially all of STG’s subsidiaries (and not DSG nor any of its subsidiaries) are guarantors under the STG debt instruments. DSG, for which certain assets and results of operations are included in the local sports segment and which is one of our subsidiaries, is the primary obligor under the DSG Bank Credit Agreement, the DSG 5.375% secured notes due 2026, the DSG 6.625% unsecured notes due 2027, and the DSG 12.750% secured notes due 2026 (the DSG notes are collectively referred to as the DSG Notes). DSG’s wholly-owned subsidiaries (and not us, STG, or any of STG's subsidiaries) are guarantors under 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.

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

Summary of Significant Events and Financial Highlights

Transactions

- In January 2020, a minority partner in one of our RSNs exercised its right to sell us the entirety of its non-controlling interest for $376 million.
- In November 2020, we entered into an agreement with Bally's for a long-term strategic partnership that combines Bally's vertically integrated, proprietary sports betting technology and expansive market access footprint with our premier enterprise-wide portfolio of local broadcast stations, RSNs, Tennis Channel, Stadium, and STIRR.
- In February 2021, we sold our stations WDKA and KBSI, in Paducah, KY for $28 million.
- In February 2021, we acquired the remaining 73% interest we did not already own in Zyp Media, a leading demand-side platform specializing in executing local media campaigns for media companies and agencies in the United States.

Television and Digital Content

- In January 2020, STIRR, our fast-growing, free ad-supported streaming service, 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.
- In March 2020, STIRR launched a new channel dedicated to COVID-19 coverage, including live feeds of press conferences as well as other local and national news.
- In April 2020, we made significant changes to the content across three company-owned networks; Comet, Charge!, and TBD, including adding some of the most popular classic television series, as well as TBD's first-ever original series, The Link.
- In April 2020, our Nashville affiliate, WZTV FOX17, was named AP Outstanding News Operation in the state of Tennessee. The station was awarded the honor for its remarkable agility in chasing breaking news and demonstrating a sustained commitment to public service.
- In April 2020, we won four National Headliner Awards and for the second consecutive year, our Project Baltimore investigative reporting team received Investigative Reporters and Editors Inc. (IRE) recognition for exposing local education issues that reflected governmental neglect and lack of oversight.
- In September 2020, we invested in Playfly Sports, a leading company in the management of exclusive college and high school sports and esport multi-media rights across the U.S.
- In 2020, our newsrooms won a total of 356 journalism awards, including a National RTDNA Edward R. Murrow award, 28 Regional RTDNA Edward R. Murrow awards, and 87 regional Emmy awards.
- In January 2021, we launched our headline news service The National Desk across our CW and MNT affiliates and several FOX affiliates, as well as on all station websites and STIRR. The service highlights the latest and most pressing news of the day in real time for viewers across the country.

Distribution, Network and Teams

- In January 2020, we 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 OTT platform AT&T TV and traditional MVPDs Charter, AT&T U-Verse, DirecTV, and Mediacom, Marquee has signed distribution agreements with 43 Distributors and other OTT distributors.
- In March 2020, we reached an agreement with YouTube TV for continued carriage of 19 regional sports networks across the country.
- In June 2020, we signed a multi-year agreement with ViacomCBS to renew eight CBS network affiliations for our stations. ViacomCBS also reached agreements to renew the affiliations of two stations to which we provide services, WTVH in Syracuse, NY and WGFL in Gainesville, FL.
- In July 2020, we entered into multi-year content carriage agreements with Comcast for all of our television stations and RSNs in Comcast's cable television footprint, including Marquee and the YES Network, as well as continued distribution of the Tennis Channel.
- In August 2020, we entered into a multi-year media rights agreement with the Kansas City Royals beginning with the 2020 baseball season for Fox Sports Kansas City (to be rebranded as Bally Sports Kansas City) to continue as the television home of the Royals. In conjunction with this agreement, the Royals received a minority interest ownership percentage in Fox Sports Kansas City.
- As of September 1, 2020, Frontier Communications no longer carries the Acquired RSNs and the YES Network.

- In September 2020, we reported that YouTube TV would no longer carry our RSNs.
- In October 2020, we reported that Hulu would no longer carry our RSNs and the YES Network.
- In December 2020, we entered into a multi-year agreement with FOX Broadcasting Company that renewed FOX network affiliations for stations in 25 markets that reach approximately 11% of U.S. television households.
- In January 2021, we entered into a multi-year agreement with ViacomCBS across 13 CBS network affiliations reaching about 5% of the U.S. television households.
- In January 2021, we entered into a multi-year agreement with Verizon Communications, Inc., for the continued carriage on Verizon's FiOS platform of our broadcast television stations and Tennis Channel.
- In February 2021, we entered into a multi-year media rights agreement with the Milwaukee Brewers, beginning with the 2021 baseball season, for FOX Sports Wisconsin (to be rebranded as Bally Sports Wisconsin) to continue as the television home of the Brewers.

NEXTGEN TV

- In January 2020, we announced, with SK Telecom, the Cast.era joint venture focused on cloud infrastructure for broadcasting, ultra-low latency OTT broadcasting, and targeted advertising.
- In January 2020, with significant support from our ONE Media 3.0 team, the International Telecommunications Union announced the approval of NEXTGEN TV for use internationally.
- In February 2020, we 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.
- In September 2020, we received the honor of being the winner of Achievement in Local Broadcasting awarded by TV of Tomorrow, which was specifically focused and awarded because of Sinclair and ONE Media's continued efforts with NEXTGEN TV.
- In December 2020, ONE Media 3.0 launched NEXTGEN radio services, branded as "STIRR XT," for delivery in Seattle using the NEXTGEN TV standard.
- As of the end of January 2021, we, in coordination with other broadcasters, and led by our joint venture, BitPath, have deployed NEXTGEN TV, powered by ATSC 3.0, in 12 of our markets:

Month	Market	Number of Stations	SBG Stations
May 2020	Las Vegas, NV	4	KSNV (NBC), KVCW (CW)
June 2020	Pittsburgh, PA	3	WPGH (FOX), WPNT (MNT)
June 2020	Nashville, TN	5	WZTV (FOX), WUXP (MNT)
June 2020	Salt Lake City, UT	4	KUTV (CBS), KJZZ (IND)
July 2020	Portland, OR	7	KATU (ABC)
October 2020	Austin, TX	4	KEYE (CBS)
October 2020	Oklahoma City, OK	5	KOKH (FOX), KOCB (CW)
October 2020	Mobile, AL / Pensacola, FL	6	WEAR (ABC), WFGX (MNT)
November 2020	Norfolk, VA	4	WTVZ (MNT)
November 2020	Raleigh / Durham, NC	5	WLFL (CW), WRDC (MNT)
December 2020	Seattle / Tacoma, WA	7	KOMO (ABC), KUNS (Univision)
January 2021	Columbus, OH	4	WSYX (ABC/FOX)

Financing, Capital Allocation, and Shareholder Returns

- In January 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.
- In May 2020, we purchased $2.5 million aggregate principal amount of the STG 5.875% unsecured notes in open market transactions for consideration of $2.3 million. The STG 5.875% unsecured notes acquired in May 2020 were canceled immediately following their acquisition.
- In June 2020, we exchanged $66.5 million aggregate principal amount of the DSG 6.625% unsecured notes due 2027 for $31 million aggregate principal amount of the DSG 12.750% secured notes due 2026 and cash payments totaling $10 million, including accrued but unpaid interest.

- In March 2020 and June 2020, we purchased a total of $15 million aggregate principal amount of DSG's 6.625% unsecured notes in open market transactions for consideration of $10 million. The DSG 6.625% unsecured notes acquired in March 2020 and June 2020 were canceled immediately following their acquisition.
- In August 2020, the Board of Directors authorized an additional $500 million share repurchase authorization.
- In August 2020, we redeemed 350,000 units of the Redeemable Subsidiary Preferred Equity for an aggregate redemption price equal to $350 million, plus accrued and unpaid dividends.
- In September 2020, the Company's and DSG's indirect, wholly-owned subsidiary, Diamond Sports Finance SPV, LLC (DSPV), entered into the $250 million A/R Facility which matures on September 23, 2023.
- In December 2020, we issued $750 million aggregate principal amount of senior secured notes, which bear interest at a rate of 4.125% per annum and mature on December 1, 2030 (the STG 4.125% Secured Notes). The net proceeds of the STG 4.125% Secured Notes were used, plus cash on hand, to redeem $550 million aggregate principal amount of STG's 5.625% senior unsecured notes due 2024 (the STG 5.625% Notes) and to prepay $200 million outstanding under STG's term loan B under the STG Bank Credit Agreement.
- For the year ended December 31, 2020, we repurchased approximately 19 million shares of Class A Common Stock for $343 million.
- For the year ended December 31, 2020, we paid dividends of $0.80 per share. In February 2021, we declared a quarterly cash dividend of $0.20 per share.

Other Legal and Regulatory

- In January 2020, we and Nexstar agreed to settle the outstanding lawsuit between us 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.
- In November 2020, we and the plaintiffs settled the outstanding Derivative actions lawsuit. See *Litigation* under *Note 13. Commitments and Contingencies* within the *Consolidated Financial Statements* for further discussion.

Other Events

- In February 2020, we 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.
- In March 2020, in direct response to the COVID-19 pandemic, we made available incremental payments to offer financial support to nearly 1,300 eligible freelancers who work across the RSNs, as the onset of the COVID-19 pandemic halted the production of live sports, depriving these freelancers of work.
- In April 2020, we entered into a new public service initiative, in partnership with the University of Maryland School of Medicine, to provide consumers with important and timely news and information about COVID-19.
- In June 2020, at our Annual Shareholders' Meeting, our shareholders re-elected all nine Directors, ratified the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2020, and approved the proposed non-binding advisory vote on executive compensation.
- In June 2020, we selected ten winning applicants for our Broadcast Diversity Scholarship, awarding tuition assistance to students demonstrating a promising future in the broadcast industry.
- In June 2020, Jeff Krolik, President, RSNs, announced his retirement effective August 30, 2020. We announced in July 2020 that Steve Rosenberg, a broadcasting industry executive with over 30 years of experience, joined the Company and would take on the role of President of Local Sports, effective September 1, 2020.
- In July 2020, we announced that Scott Shapiro assumed the newly-created role of Chief Strategy Officer/Sports in addition to his current role as Chief Development Officer.
- In August 2020, we announced that we were named one of the Baltimore Business Journal's 2020 Best Places to Work award finalists.
- In September 2020, we announced the hiring of J.R. McCabe in the newly-created role of Chief Business Officer of D2C/ Gamification.
- In October 2020, Lucy Rutishauser, our Executive Vice President and Chief Financial Officer, was named one of The Baltimore Sun's 2020 Women to Watch.
- In November 2020, we announced the hiring of John Zeigler in the newly-created role of Chief Marketing Officer.
- In December 2020, we produced the 'Rock the Red Kettle' special in partnership with Sony Music Nashville and The Salvation Army.

- In January 2021, we announced the hiring of Jeffrey Lewis as our Chief Compliance Officer, a newly-created position to supervise corporate compliance functions, including regulatory, code of conduct, competition, and privacy.
- In January 2021, we jointly revealed, with Bally's, the new Bally Sports logo and Bally Sports regional monikers for our owned and operated RSNs.
- In February 2021, we began taking applications for our 2021 Diversity Scholarship, which has awarded $160,000 in scholarships over the last five years.

Industry Trends

- The traditional MVPD industry continues to experience a decline in subscribers, which has been even higher with the onset of COVID-19, which is partially offset by growth in subscribers of virtual MVPDs.
- The Distributor 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.
- 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. 2020 proved to be a record year in political advertising.
- 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.
- Seasonal advertising increases within our broadcast segment occur in the second and fourth quarters due to the anticipation of certain seasonal and holiday spending by consumers.
- Seasonal advertising increases within our local sports segment occur in the second and third quarters due to a higher volume of sports games being played during this time, particularly the MLB season.
- 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, with the exception of this year which was postponed due to COVID-19, and the Super Bowl is aired on a different network each year. Both of these popularly viewed events can have an impact on our advertising revenues.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates including those related to revenue recognition, goodwill and intangible assets, program contract costs, sports programming rights, income taxes and variable interest entities. 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*.

The COVID-19 pandemic continues to create significant uncertainty and disruption in the global economy and financial markets. It is reasonably possible that these uncertainties continue to impact our estimates related to, but not limited to, revenue recognition, goodwill and intangible assets, sports programming rights, and income taxes. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. See *Distribution Revenue* in *Revenue Recognition*, *Sports Programming Rights*, and *Impairment of Goodwill, Intangibles, and Other Assets* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements* for further discussion on how COVID-19 has impacted distribution revenue, sports rights expense, and the value of goodwill and definite-lived intangible assets, respectively. Our estimates may further change in the future as the COVID-19 pandemic continues, new events occur, and additional information emerges, and such changes are recognized or disclosed in 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 realized 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.

We generate distribution revenue through fees received from Distributors and other 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.

Certain of our distribution arrangements contain provisions that require the Company to deliver a minimum number of live professional sports games or tournaments during a defined period which usually corresponds with a calendar year. If the minimum threshold is not met, we may be obligated to refund a portion of the distribution fees received if shortfalls are not cured within a specified period of time. If we are unable to meet these minimum requirements, we reduce revenue based upon estimated rebates due to our distribution customers over the measurement period of the rebate. See *Revenue Recognition* within *Note 1. Nature of Operations and Summary of Significant Accounting Policies.*

Impairment of Goodwill, Indefinite-Lived Intangible Assets, 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, 2020, our consolidated balance sheet includes $2,092 million and $171 million of goodwill and indefinite-lived intangible assets, respectively. We evaluate long-lived assets, including definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value of our asset groups may not be recoverable.

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 Assets* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* and *Note 5. Goodwill, Indefinite-Lived Intangible Assets, and Other Intangible Assets* 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.

Our RSNs included in the local sports segment have been negatively impacted by the recent loss of three Distributors. In addition, our existing Distributors are experiencing elevated levels of subscriber erosion which we believe is influenced, in part, by shifting consumer behaviors resulting from media fragmentation, the current economic environment, the COVID 19 pandemic and related uncertainties. Most of these factors are also expected to have a negative impact on future projected revenue and margins of our RSNs. As a result of these factors, we performed an impairment test of the RSN reporting units' goodwill and long-lived asset groups during the third quarter of 2020 which resulted in a non-cash impairment charge on goodwill of $2,615 million, customer relationships of $1,218 million, and other definite-lived intangible assets of $431 million, included within impairment of goodwill and definite-lived intangible assets in our consolidated statements of operations. See *Note 5. Goodwill, Indefinite-Lived Intangible Assets, and Other Intangible Assets* for more information. For our annual goodwill and indefinite-lived intangibles impairment tests related to our broadcast and other reporting units in 2020, 2019, and 2018, 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 in the performance of our impairment assessments. If future results are not consistent with our assumptions and estimates, including future events such as a deterioration of market conditions, loss of significant customers, significant increases in discount rates, among other factors, 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 *Broadcast 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 our consolidated balance sheets at the lower of unamortized cost or fair value, management estimates future advertising revenue 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 fair value 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 us 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 as an expense 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, current and cumulative losses, 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, 2020, a valuation allowance has been provided for deferred tax assets related to certain temporary basis differences, interest expense carryforwards under the Internal Revenue Code (IRC) Section 163(j) and a substantial amount of our available state net operating loss carryforwards based on past operating results, expected timing of the reversals of existing temporary basis differences, alternative tax strategies and projected future taxable income. As of December 31, 2019, a valuation allowance was provided for deferred tax assets related to a substantial amount of our available state net operating loss carryforwards based on past operating results, including the RSN impairment, expected timing of the reversals of existing temporary 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 the consolidated financial statements.

Management periodically performs a comprehensive review of our tax positions, and we record a liability for unrecognized tax benefits if such tax positions are more likely than not to be sustained upon examination based on their technical merits, including the resolution of any appeals or litigation processes. Significant judgment is required in determining whether positions taken are more likely than not to be sustained, 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

Any references to the first, second, third or fourth quarters are to the three months ended March 31, June 30, September 30, or December 31, respectively, for the year being discussed. We have two reportable segments, broadcast and local sports, that are disclosed separately from our other and corporate activities.

Seasonality / Cyclicality

The operating results of our broadcast 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 (as was the case in 2020). Also, the second and fourth quarter operating results are usually higher than the first and third quarter operating results because advertising expenditures are increased in anticipation of certain seasonal and holiday spending by consumers.

The operating results of our local sports segment are usually subject to cyclical fluctuations based on the timing and overlap of the MLB, NBA, and NHL seasons. Usually, the second and third quarter operating results are higher than the first and fourth quarter operating results.

However, with the exception of political advertising, our usual seasonality and cyclicality, as described above, did not occur in 2020, and may not occur in 2021, for either segment due to the COVID-19 pandemic.

Consolidated Operating Data

The following table sets forth certain of our consolidated operating data for the years ended December 31, 2020, 2019, and 2018 (in millions). For definitions of terms, see the footnotes to the table in *Selected Financial Data*.

	Years Ended December 31,		
	2020	**2019**	**2018**
Media revenues	**$ 5,843**	$ 4,046	$ 2,919
Non-media revenues	**100**	194	136
Total revenues	**5,943**	4,240	3,055
Media programming and production expenses	**2,735**	2,073	1,191
Media selling, general and administrative expenses	**832**	732	630
Depreciation and amortization expenses	**674**	424	280
Amortization of program contract costs	**86**	90	101
Non-media expenses	**91**	156	122
Corporate general and administrative expenses	**148**	387	111
Impairment of goodwill and definite-lived intangible assets	**4,264**	—	—
Gain on asset dispositions and other, net of impairment	**(115)**	(92)	(40)
Operating (loss) income	**$ (2,772)**	$ 470	$ 660
Net (loss) income attributable to Sinclair Broadcast Group	**$ (2,414)**	$ 47	$ 341

The Impact of COVID-19 on our Results of Operations

Overview

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and by the end of the following day, each of the MLB, NBA, and NHL had suspended their seasons. On March 13, 2020, the United States declared a national state of emergency. Since that time, efforts to contain the spread of COVID-19 have intensified. Several countries, including the United States, have taken steps to restrict travel, temporarily close businesses and issue quarantine orders, and it remains unclear how long such measures will remain in place regionally.

Broadcast segment

Advertising revenue was negatively impacted due to COVID-19 starting in the late first quarter and throughout the year due to lower local and national net times sales. During the year ended December 31, 2020, as compared to the prior year, we saw decreases in several advertising categories, primarily as a result of the impact of the COVID-19 pandemic. These decreases were partially offset by an increase in political advertising revenue, primarily due to strong demand in the third and fourth quarters. Distribution revenue was negatively impacted by subscriber erosion experienced by certain Distributors resulting from the effects of COVID-19, among other factors. See *Revenues* under the *Broadcast Segment* section below for further discussion.

Local sports segment

In March 2020, the NBA and NHL each postponed their ongoing 2019-2020 seasons and the MLB postponed the start of its 2020 season. During various points in the third quarter, the NBA, NHL, and MLB all returned to operation under reduced game counts and were able to complete these modified seasons during the early part of the fourth quarter of 2020. During the fourth quarter of 2020, the NBA and NHL announced their plans for their 2020-2021 seasons, which included season start dates in December 2020 and January 2021, respectively, however both with reduced game counts. Due to these interruptions and modified seasons, advertising revenue was down in the second quarter of 2020 as compared to the first quarter of 2020. However, with the resumption of some events during the third quarter of 2020, advertising revenue increased to $124 million during the period as compared to $3 million in the second quarter of 2020. Distribution revenue was negatively impacted by subscriber erosion experienced by certain Distributors resulting from the effect of COVID-19, three Distributors dropping carriage of the RSNs and lower professional sports game counts due to COVID-19, which resulted in rebates to the Distributors, among other factors. The MLB has announced that they expect their 2021 season to begin on time in April 2021 and contain a full game schedule. The NBA and NHL have not announced their 2021-2022 season schedules yet. There can be no assurance that the MLB, NBA, or NHL will complete full or abbreviated seasons in the future. Any reduction in the actual number of games played by the leagues may have an adverse impact on our operations and the cash flows of our local sports segment. See *Distribution Revenue* in *Revenue Recognition* and *Sports Programming Rights* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements* for further discussion on how COVID-19 has impacted distribution revenue and sports rights expense, respectively, including the need for us to provide rebates to our Distributors as well as seek rebate from or reduce future payments to certain of the sports teams.

Business continuity

Within the United States, our business has been designated an essential business, which allows us to continue to serve our customers, however, the COVID-19 pandemic has disrupted our operations. Certain of our facilities have experienced temporary disruptions as a result of the COVID-19 pandemic, and we cannot predict whether our facilities will experience more significant disruptions in the future and how long these disruptions will last. The COVID-19 pandemic has heightened the risk that a significant portion of our workforce will suffer illness or otherwise be unable to work. Furthermore, reductions in our workforce may become necessary as a result of declines in our business caused by the COVID-19 pandemic. If we take such actions, we cannot assure that we will be able to rehire our workforce once our business has recovered.

BROADCAST SEGMENT

The following table sets forth our revenue and expenses for our broadcast segment, previously referred to as our local news and marketing services segment, for the years ended December 31, 2020, 2019, and 2018 (in millions):

	2020	2019	2018	Percent Change Increase / (Decrease) '20 vs.'19	'19 vs.'18
Revenue:					
Distribution revenue	**$ 1,414**	$ 1,341	$ 1,186	5%	13%
Advertising revenue	**1,364**	1,268	1,484	8%	(15)%
Other media revenue (a)	**144**	81	45	78%	80%
Media revenues	**$ 2,922**	$ 2,690	$ 2,715	9%	(1)%
Operating Expenses:					
Media programming and production expenses	**$ 1,257**	$ 1,173	$ 1,081	7%	9%
Media selling, general and administrative expenses	**553**	553	530	—%	4%
Amortization of program contract costs	**83**	90	101	(8)%	(11)%
Corporate general and administrative expenses	**119**	144	100	(17)%	44%
Depreciation and amortization expenses	**239**	246	252	(3)%	(2)%
Gain on asset dispositions and other, net of impairment	**(118)**	(62)	(100)	90%	(38)%
Operating income	**$ 789**	$ 546	$ 751	45%	(27)%

(a) Includes $100 million and $35 million for the years ended December 31, 2020 and 2019, respectively, of intercompany revenue related to certain services provided to the local sports segment and other under management services agreements, which is eliminated in consolidation.

Revenues

Distribution revenue. Distribution revenue, which includes payments from Distributors for our broadcast signals, increased $73 million in 2020 and $155 million in 2019 when compared to the same periods in 2019 and 2018, respectively. The increase is primarily due to an increase in rates, partially offset by a decrease in subscribers.

Advertising revenue. Advertising revenue increased $96 million in 2020 compared to 2019, primarily due to an increase in political advertising revenue of $334 million, as 2020 was a political and presidential election year. The increase is partially offset by decreases in certain categories, most notably a $92 million decrease in automotive, a $24 million decrease in entertainment, a $21 million decrease in furniture, a $16 million decrease in retail, a $14 million decrease in medical, an $11 million decrease in media, and a $10 million decrease in services, primarily as a result of the impact of the COVID-19 pandemic.

Advertising revenue decreased $216 million in 2019 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.

For the year ended December 31, 2021 we expect a significant decrease in advertising revenue, when compared to 2020, primarily related to a decrease in political revenue, as 2020 was a political and presidential election year.

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,		
	2020	**2019**	**2018**
Local news	**34%**	33%	34%
Syndicated/Other programming	**27%**	29%	28%
Network programming	**24%**	24%	25%
Sports programming	**12%**	11%	10%
Paid programming	**3%**	3%	3%

The following table sets forth our affiliate percentages of advertising revenue for the years ended December 31, 2020, 2019, and 2018:

	# of	Percent of Advertising Revenue for the Twelve Months Ended December 31,		
	Channels (a)	**2020**	**2019**	**2018**
ABC	**40**	**28%**	30%	29%
FOX	**57**	**25%**	25%	24%
CBS	**31**	**22%**	20%	20%
NBC	**25**	**15%**	13%	16%
CW	**48**	**5%**	6%	6%
MNT	**39**	**4%**	4%	4%
Other	**388**	**1%**	2%	1%
Total	**628**			

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

Other Media Revenue. For the years ended December 31, 2020 and 2019, other media revenue increased $63 million and $36 million, respectively, when compared to the same periods in 2019 and 2018. The increase is primarily due to $100 million and $35 million, respectively, in intercompany revenue from the local sports and other segments related to providing certain services under a management services agreement, which are eliminated in our consolidated results.

Expenses

Media programming and production expenses. Media programming and production expenses increased $84 million during 2020 compared to 2019, primarily related to an increase in fees pursuant to network affiliation agreements of $105 million. This increase was partially offset by a $16 million decrease in advertising costs, $3 million decrease in employee compensation costs and travel expenses, and a $2 million decrease in network and programming expenses due to COVID-19 broadcasting cancellations.

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

Media selling, general and administrative expenses. Media selling, general and administrative expenses remained flat during 2020 compared to 2019, primarily due to a $12 million increase in national sales commissions, partially offset by a $6 million decrease in regulatory costs, a $4 million decrease in travel and entertainment expenses due to the COVID-19 pandemic, and a $2 million decrease in employee compensation costs and travel expenses.

Media selling, general and administrative expenses increased $23 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 a regulatory cost, and a $10 million increase related to employee compensation costs. These increases were partially offset by an $11 million decrease in national sales commissions.

Amortization of program contract costs. The amortization of program contract costs decreased $7 million during 2020 compared to 2019, and is primarily related to the timing of amortization on long-term contracts and reduced renewal costs, partially offset by amortization related to new programming.

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.

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 $7 million during 2020 compared to 2019, primarily related to depreciation and amortization related to assets retired during 2020.

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.

Gain on asset dispositions and other, net of impairments. During 2020 and 2019, we recorded a gain of $90 million and $62 million, respectively, related to reimbursements from the FCC's National Broadband Plan spectrum repack process. For the year ended 2020, we recorded a gain of $29 million related to the sale of KGBT-TV and WDKY-TV. For the year ended 2018, we recorded a gain of $83 million associated with the sale of broadcast spectrum in the FCC broadcast incentive auction. See *Dispositions* within *Note 2. Acquisitions and Dispositions of Assets* within the *Consolidated Financial Statements* for further discussion.

LOCAL SPORTS SEGMENT

Our local sports segment, previously referred to as our sports segment, reflects the results of our RSNs and a minority equity interest in the YES Network. The RSNs and YES Network own the exclusive rights to air, among other sporting events, the games of professional sports teams.

The following table sets forth our revenue and expenses for our local sports segment for the years ended December 31, 2020 and 2019 (in millions):

		2020		2019 (b)
Revenue:				
Distribution revenue	**$**	**2,472**	$	1,029
Advertising revenue		**196**		103
Other media revenue		**18**		7
Media revenue	**$**	**2,686**	$	1,139
Operating Expenses:				
Media programming and production expenses	**$**	**1,361**	$	769
Media selling, general and administrative expenses (a)		**243**		90
Depreciation and amortization expenses		**410**		157
Corporate general and administrative		**10**		93
Impairment of goodwill and definite-lived intangible assets		**4,264**		—
Operating (loss) income (a)	**$**	**(3,602)**	$	30
Income from equity method investments	**$**	**6**	$	18
Other income, net	**$**	**160**	$	10

(a) Includes $98 million and $35 million for the years ended December 31, 2020 and 2019, respectively, of intercompany expense related to certain services provided by the broadcast segment under a management services agreement, which is eliminated in consolidation.

(b) Represents the activity from the closing date of the acquisition of the Acquired RSNs of August 23, 2019 through December 31, 2019.

Media revenue. Media revenue was $2,686 million and $1,139 million for the years ended December 31, 2020 and 2019, respectively, and is primarily derived from distribution and advertising revenue. The increase was primarily due to the results of the Acquired RSNs being included for the whole period of the current year, versus a partial period in the prior year, as the acquisition of the Acquired RSNs closed on August 23, 2019. Distribution revenue is generated through fees received from Distributors for the right to distribute our RSNs. As discussed under *Distribution Revenue* in *Revenue Recognition* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*, decisions made by the leagues during 2020 regarding the timing and format of their seasons have resulted, in some cases, in our inability to meet minimum requirements for delivery of live games and the need to reduce revenue based upon estimated rebates due to our Distributors. As a result, for the year ended December 31, 2020, we reduced revenue and accrued corresponding rebates to Distributors of $420 million. See *Subsequent Events* under *Note 1. Nature of Operations and Summary of Significant Accounting Policies* within the *Consolidated Financial Statements*. We expect distribution revenue to increase during 2021 as compared to 2020, primarily due to $420 million in rebate accruals in 2020 and increases in contractual rates, offset in part by dropped carriage by three Distributors and continued elevated subscriber churn.

Advertising revenue is primarily generated from sales of advertising spots/impressions within the RSNs' programming. Due to the interruptions and modified seasons, advertising revenue decreased in the second quarter of 2020 as compared to the first quarter of 2020. However, with the resumption of some events during the third quarter of 2020, advertising revenue increased to $124 million for the third quarter of 2020, as compared to $3 million in the second quarter of 2020. Advertising revenue decreased in the fourth quarter of 2020 as compared to the third quarter of 2020 due to the postponement of the start of the NBA and NHL seasons. We expect advertising revenue to increase during 2021 compared to 2020, primarily due to a higher number of games scheduled to be played in each of the seasons of the MLB, NBA, and NHL. The extent of this increase will depend on the actual number of games played and other macro-economic factors associated with the COVID-19 pandemic. See discussion under *The Impact of COVID-19 on our Results of Operations* for further discussion.

Media programming and production expenses. Media programming and production expenses were $1,361 million and $769 million for the years ended December 31, 2020 and 2019, respectively, and are primarily related to $1,078 million and $637 million, respectively, 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. The increase was primarily due to the results of the Acquired RSNs being included for the whole period of the current year, versus a partial period in the prior year, as the acquisition of the Acquired RSNs closed on August 23, 2019. We expect media programming and production expenses to increase during 2021 compared to 2020, primarily due to the expectation of a higher number of games scheduled to be played in each of the seasons of the MLB, NBA, and NHL. The extent of this increase will depend on the number of actual games played and other macro-economic factors associated with the COVID-19 pandemic. See discussion under *The Impact of COVID-19 on our Results of Operations* for further discussion.

Media selling, general, and administrative expenses. Media selling, general, and administrative expenses were $243 million and $90 million for the years ended December 31, 2020 and 2019, respectively, and are primarily related to $98 million and $35 million, respectively, of management services agreement fees paid to the broadcast segment and eliminated in consolidation, employee compensation cost, advertising expenses, and consulting fees.

Depreciation and amortization. Depreciation and amortization expense was $410 million and $157 million for the years ended December 31, 2020 and 2019, respectively, and is primarily related to the amortization of definite-lived intangible assets and other assets.

Impairment of goodwill and definite-lived intangible assets. For the year ended December 31, 2020, we recorded a total impairment loss of $4,264 million relating to goodwill and definite-lived intangible assets of $2,615 million and $1,649 million, respectively. See further discussion in *Note 5. Goodwill, Indefinite-Lived Intangible Assets, and Other Intangible Assets* within the *Consolidated Financial Statements.*

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

Other income, net. See explanation under *Corporate and Unallocated Expenses.*

Income from equity method investments. For the years ended December 31, 2020 and 2019, respectively, we recognized income from equity method investments of $6 million and $18 million, respectively. The income is primarily related to our minority ownership interest in the YES Network.

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, 2020, 2019, and 2018 (in millions):

	2020	2019	2018	Percent Change Increase / (Decrease) '20 vs.'19	'19 vs.'18
Revenue:					
Distribution revenue	**$ 199**	$ 130	$ 113	53%	15%
Advertising revenue	**131**	110	75	19%	47%
Other media revenues	**7**	13	16	(46)%	(19)%
Media revenues	**$ 337**	$ 253	$ 204	33%	24%
Non-media revenues (a)	**$ 114**	$ 217	$ 146	(47)%	49%
Operating Expenses:					
Media expenses (c)	**$ 254**	$ 257	$ 210	(1)%	22%
Non-media expenses (b)	**$ 98**	$ 168	$ 128	(42)%	31%
Amortization of program contract costs	**$ 3**	$ —	$ —	n/m	n/m
Corporate general and administrative expenses	**$ 1**	$ 1	$ 1	—%	—%
Loss (gain) on asset dispositions and other, net of impairments	**$ 3**	$ (4)	$ 60	n/m	n/m
Operating income (loss)	**$ 65**	$ 26	$ (78)	(150)%	(133)%
Loss from equity method investments	**$ (42)**	$ (53)	$ (61)	(21)%	(13.1)

n/m — not meaningful

(a) Non-media revenues for the years ended December 31, 2020, 2019, and 2018 include $14 million, $23 million, and $10 million, respectively, of intercompany revenues related to certain services and sale provided to the broadcast segment, which are eliminated in consolidation.

(b) Non-media expenses for the years ended December 31, 2020, 2019, and 2018 include $7 million, $12 million, and $6 million, respectively, of intercompany expenses related to certain services and sales provided by the broadcast segment, which are eliminated in consolidation.

(c) Media expenses for the year ended December 31, 2020 includes $2 million of intercompany expense primarily related to certain services provided by the broadcast segment under a management services agreement, which is eliminated in consolidation.

Revenue. Media revenue increased $84 million and $49 million for the years ended December 31, 2020 and 2019, respectively, when compared to the same period in the prior year. The increase for both periods is primarily related to an increase in distribution and advertising revenue related to our owned networks. Non-media revenue decreased $103 million during 2020 compared to 2019, and is primarily related to a decrease in broadcast equipment sales due to the winding down of the FCC's National Broadband Plan spectrum repack process. Non-media revenue increased $71 million during 2019 compared to 2018 and is primarily related to an increase in broadcast equipment sales and services related to the FCC's National Broadband Plan repack process, partially offset by decreased sales from our real estate development projects.

Expenses. Media expenses decreased $3 million during 2020 compared to 2019. The decrease is primarily related to our owned networks. Non-media expenses decreased $70 million during 2020 compared to 2019, and is primarily related to a decrease in the cost of goods related to broadcast equipment sales. Media expenses increased $47 million during 2019 compared to 2018 primarily due to our owned networks and our non-broadcast digital initiatives. Non-media expenses increased $40 million during 2019 compared to 2018. The increase is primarily related to broadcast equipment business and services, primarily due to higher sales related to the FCC's National Broadband Plan repack process.

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

Loss (gain) on asset dispositions and other, net of impairments. During the year ended 2018, we recorded a non-cash impairment of $60 million related to a real estate development project.

CORPORATE AND UNALLOCATED EXPENSES

The following table presents our corporate and unallocated expenses for the years ended December 31, 2020, 2019, and 2018 (in millions):

	2020	2019	2018	Percent Change Increase/ (Decrease) ‘20 vs.‘19	Percent Change Increase/ (Decrease) ‘19 vs.‘18
Corporate general and administrative expenses	**$ 148**	$ 387	$ 111	(62)%	249%
Interest expense including amortization of debt discount and deferred financing costs	**$ 656**	$ 422	$ 292	55%	45%
Loss on extinguishment of debt	**$ (10)**	$ (10)	$ —	—%	n/m
Other income, net	**$ 325**	$ 6	$ 3	n/m	100%
Income tax benefit	**$ 720**	$ 96	$ 36	650%	167%
Net income attributable to redeemable noncontrolling interests	**$ (56)**	$ (48)	$ —	17%	n/m
Net loss (income) attributable to noncontrolling interests	**$ 71**	$ (10)	$ (5)	(810)%	100%

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 decreased in total by $239 million during 2020 compared to 2019. The decrease is primarily due to a $258 million decrease in legal, consulting, and regulatory costs, primarily related to the litigation discussed under *Note 13. Commitments and Contingencies* within the *Consolidated Financial Statements* and the acquisition of the Acquired RSNs, partially offset by a $20 million increase in employee compensation cost.

Corporate general and administrative expenses increased in total by $276 million during 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 Acquired RSNs, $73 million in consulting fees and transaction costs, primarily related to the financing of the acquisition of the Acquired RSNs, and a $14 million increase in employee compensation cost.

We expect corporate general and administrative expenses to remain flat in 2021 compared to 2020.

Interest expense. The table above and explanations that follows cover total consolidated interest expense. Interest expense increased by $234 million during 2020 compared to 2019. The increase is primarily due to an increase of $257 million of interest expense associated with acquisition related financing related to the Acquired RSNs which was outstanding for a partial period in 2019 versus the full year in 2020. The increase is partially offset by net decreases in STG interest expense due to refinancing of existing debt and decreases in LIBOR.

Interest expense increased by $130 million during 2019 compared to 2018. The increase is primarily related to $211 million of acquisition related financing related to the acquisition of the Acquired RSNs, of which $189 million related to the DSG 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 the *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 proposed Tribune acquisition, which was subsequently abandoned in August 2018.

Prior to any refinancing activities that may occur in 2021, we expect interest expense in 2021 to decrease when compared to 2020 primarily as a result of refinancing activities discussed in *Note 7. Notes Payable and Commercial Bank Financing* within the *Consolidated Financial Statements.*

Other income, net. Other income, net increased by $319 million during 2020 when compared to 2019. The increase is primarily due to a $158 million increase in the value of investments recorded at fair value and a measurement adjustment gain of $159 million related to certain variable payment obligations assumed in connection with the RSN acquisition. See *Note 6. Other Assets* and *Note 13. Commitments and Contingencies* within the *Consolidated Financial Statements* for further information

Income tax benefit. The 2020 income tax benefit for our pre-tax loss of $3,149 million resulted in an effective tax rate of 22.9%. The 2019 income tax benefit for our pre-tax income of $9 million resulted in an effective tax rate of (1,103.4)%. The decrease in the effective tax rate from 2019 to 2020 is primarily due to substantially magnified impact of 2019 discrete items as a result of negligible 2019 pre-tax income.

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 substantially magnified impact of 2019 discrete items as a result of negligible 2019 pre-tax income.

As of December 31, 2020, we had a net deferred tax asset of $197 million as compared to a net deferred tax liability of $407 million as of December 31, 2019. The change from a net deferred tax liability to a net deferred tax asset primarily relates to the 2020 impairment charge related to goodwill and certain definite-lived intangible assets of our RSNs. See *Note 5. Goodwill, Indefinite-Lived Intangible Assets, and Other Intangible Assets* within the *Consolidated Financial Statements* for further information.

As of December 31, 2020, we had $11 million of gross unrecognized tax benefits. Of this total, $11 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, 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. We recognized $0.3 million and $1 million of income tax expense for interest related to uncertain tax positions for the years ended December 31, 2020 and 2019, respectively. See *Note 12. Income Taxes* within the C*onsolidated Financial Statements* for further information. See *Note 12. Income Taxes* within the *Consolidated Financial Statements* for further information.

Net income attributable to redeemable noncontrolling interests. For the years ended December 31, 2020 and 2019, net income attributable to redeemable noncontrolling interests was $56 million and $48 million, respectively, and is primarily related to dividends accrued and distributed related to the Redeemable Subsidiary Preferred Equity

Net loss (income) attributable to noncontrolling interests. For the years ended December 31, 2020 and 2019, net loss and net income attributable to the noncontrolling interests was $71 million and $10 million, respectively. The net loss is primarily related to the portion of the non-cash impairment charge on customer relationships, other definite-lived intangible assets and goodwill that is attributable to the noncontrolling interests, partially offset by income attributable to the noncontrolling interest.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2020, we had net working capital of approximately $2,183 million, including $1,259 million in cash and cash equivalent balances. Cash on hand, cash generated by our operations, and borrowing capacity under the Bank Credit Agreements are used as our primary sources of liquidity.

On September 23, 2020, DSPV entered into the A/R Facility, which matures on September 23, 2023, in order to enable DSG to raise incremental funding for the ongoing business needs of the local sports segment. The maximum funding availability under the A/R Facility is the lesser of $250 million and the sum of the lowest aggregate loan balance since November 1, 2020 plus $50 million. The amount of actual availability under the A/R Facility is subject to change based on the level of eligible receivables sold by certain indirect wholly owned subsidiaries of DSG identified therein (Originators) to DSPV and certain reserves. Eligibility of the receivables is determined by a variety of factors, including, but not limited to, credit ratings of the Originators' customers, customer concentration levels, and certain characteristics of the accounts receivable being transferred. As of December 31, 2020, the total commitment was $227 million and the balance of the loans under the A/R Facility was $177 million.

On March 17, 2020, we drew $648 million and $225 million under the revolving credit facility portion of the STG Bank Credit Agreement (the STG Revolving Credit Facility) and the revolving credit facility portion of the DSG Bank Credit Agreement (the DSG Revolving Credit Facility, and together with the STG Revolving Credit Facility, the Revolving Credit Facilities), respectively, as a precautionary measure given the COVID-19 pandemic. During the quarter ended June 30, 2020, we fully repaid the amounts outstanding under each of the Revolving Credit Facilities.

The Bank Credit Agreements each include a financial maintenance covenant, the first lien leverage ratio (as defined in the respective Bank Credit Agreements), which requires such applicable ratio not to exceed 4.5x and 6.25x, measured as of the end of each fiscal quarter, for STG and DSG, respectively. The respective financial maintenance covenant is only applicable if 35% or more of the capacity (as a percentage of total commitments) under the respective Revolving Credit Facility, measured as of the last day of each quarter, is utilized under such Revolving Credit Facility as of such date. Since there was no utilization under either of the Revolving Credit Facilities as of December 31, 2020, neither STG nor DSG was subject to the respective financial maintenance covenant under their applicable Bank Credit Agreement. As of December 31, 2020, the STG first lien leverage ratio was below 4.5x and the DSG first lien leverage ratio exceeded 6.25x. We expect that DSG's first lien leverage ratio will remain above 6.25x for at least the next 12 months, which will restrict our ability to fully utilize the DSG Revolving Credit Facility. We do not currently expect to have more than the 35% of the capacity of the DSG Revolving Credit Facility outstanding as of any quarterly measurement date during the next 12 months, therefore we do not expect DSG will be subject to the financial maintenance covenant. The Bank Credit Agreements contain other restrictions and covenants which the respective entities were in compliance with as of December 31, 2020 and expect to be over the next 12 months.

In December 2020, STG issued $750 million aggregate principal amount of 4.125% secured notes which mature on December 1, 2030. The net proceeds of the STG 4.125% secured notes were used, plus cash on hand, to redeem all of STG's $550 million aggregate principal amount of 5.625% unsecured notes due 2024 for a redemption price including accrued and unpaid interest, and a call premium, of $571 million and to prepay $200 million outstanding under STG's term loan B with a January 2024 stated maturity date.

In June 2020, DSG exchanged $66.5 million aggregate principal amount of its 6.625% unsecured notes due 2027 for $31 million aggregate principal amount of its 12.750% secured notes due 2026 and cash payments totaling $10 million, including accrued but unpaid interest.

In May 2020, we purchased $2.5 million aggregate principal amount of the STG 5.875% unsecured notes in open market transactions for consideration of $2.3 million. In March 2020 and June 2020, we purchased a total of $15 million aggregate principal amount of the DSG 6.625% unsecured notes in open market transactions for consideration of $10 million.

During the year ended December 31, 2020, we redeemed 550,000 units of the Redeemable Subsidiary Preferred Equity for an aggregate redemption price equal to $550 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. The balance of the Redeemable Subsidiary Preferred Equity as of December 31, 2020 was $170 million, net of issuance costs.

In January 2020, a minority partner in one of our RSNs exercised its right to sell us the entirety of its non-controlling interest, which we purchased for $376 million.

We anticipate that existing cash and cash equivalents, cash flow from our operations, and borrowing capacity under the Bank Credit Agreements and A/R Facility will be sufficient to satisfy our debt service obligations, capital expenditure requirements, and working capital needs for the next 12 months. However, certain factors, including but not limited to, the severity and duration of the COVID-19 pandemic and resulting effect on the economy, our advertisers, Distributors, and their subscribers, could affect our liquidity and our first lien leverage ratio which could affect our ability to access the full borrowing capacity under the Bank Credit Agreements. For our long-term liquidity needs, in addition to the sources described above, we may rely upon various sources, such as but not limited to, the issuance of long-term debt, the issuance of equity or other instruments convertible into or exchangeable for equity, or the sale of interests in the RSNs or 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.

Sources and Uses of Cash

The following table sets forth our cash flows for the years ended December 31, 2020, 2019, and 2018 (in millions):

	2020	2019	2018
Net cash flows from operating activities	**$ 1,548**	$ 916	$ 647
Cash flows used in investing activities:			
Acquisition of property and equipment	**$ (157)**	$ (156)	$ (105)
Acquisition of businesses, net of cash acquired	**(16)**	(8,999)	—
Spectrum repack reimbursements	**90**	62	6
Proceeds from the sale of assets	**36**	8	2
Purchases of investments	**(139)**	(452)	(48)
Other, net	**27**	7	27
Net cash flows used in investing activities	**$ (159)**	$ (9,530)	$ (118)
Cash flows (used in) from financing activities:			
Proceeds from notes payable and commercial bank financing	**$ 1,819**	$ 9,956	$ 4
Repayments of notes payable, commercial bank financing, and finance leases	**(1,739)**	(1,236)	(167)
Proceeds from the issuance of redeemable subsidiary preferred equity, net	**—**	985	—
Repurchase of outstanding Class A Common Stock	**(343)**	(145)	(221)
Dividends paid on Class A and Class B Common Stock	**(63)**	(73)	(74)
Dividends paid on redeemable subsidiary preferred equity	**(36)**	(33)	—
Redemption of redeemable subsidiary preferred equity	**(547)**	(297)	—
Debt issuance costs	**(19)**	(199)	(1)
Distributions to redeemable noncontrolling interests	**(383)**	(5)	—
Other, net	**(149)**	(66)	(6)
Net cash flows (used in) from financing activities	**$ (1,460)**	$ 8,887	$ (465)

Operating Activities

Net cash flows from operating activities increased during the year ended December 31, 2020 compared to the same period in 2019. The increase is primarily related to the results of the Acquired RSNs being included for the entire period in 2020 versus a partial period in the prior year, as the acquisition closed on August 23, 2019, partially offset by a corresponding increase in interest expense on debt incurred in connection with the acquisition of the Acquired RSNs.

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 Acquired RSNs in August 2019 and higher distribution revenues.

Investing Activities

Net cash flows used in investing activities decreased during the year ended December 31, 2020 compared to the same period in 2019. The decrease is primarily related to the acquisition of the Acquired RSNs and equity interest in the YES Network during the third quarter of 2019, partially offset by the sale of WDKY-TV during the third quarter of 2020 and KGBT-TV during the first quarter of 2020 as well as higher spectrum repack reimbursements.

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 Acquired RSNs in August 2019, and an increase in net cash invested in debt and equity investments, primarily related to our investment in the YES Network.

Financing Activities

Net cash flows from financing activities decreased during the year ended December 31, 2020 compared to the same period in 2019. The decrease is primarily related to financing inflows during the prior year associated with the issuance of debt and Redeemable Subsidiary Preferred Equity for the acquisition of the Acquired RSNs. During the year ended December 31, 2020, net cash flows used in financing activities primarily related to the redemption of Redeemable Subsidiary Preferred Equity, payments on our term loans, the redemption of the STG 5.625% unsecured notes, and repurchases of Class A Common Stock, partially offset by the proceeds from loans under the A/R Facility and the issuance of the STG 4.125% senior secured notes. See *Note 7. Notes Payable and Commercial Bank Financing* and *Note 10. Redeemable Noncontrolling Interests* within the *Consolidated Financial Statements* for further discussion.

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 the Redeemable Subsidiary Preferred Equity for the acquisition of the Acquired RSNs, offset by the redemption of the STG 5.375% unsecured notes in August 2019, the STG 6.625% unsecured 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 the *Consolidated Financial Statements* for further discussion.

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, 2020 and the future periods in which such obligations are expected to be settled in cash (in millions):

CONTRACTUAL OBLIGATIONS

	Total	2021	2022-2023	2024-2025	2026 and thereafter
Notes payable, finance leases and commercial bank financing (a)	$ 16,157	$ 622	$ 1,410	$ 2,275	$ 11,850
Operating leases	306	46	68	50	142
Programming rights and content (b)	17,168	2,832	4,391	3,033	6,912
Programming services (c)	103	50	49	3	1
Other (d)	459	183	133	61	82
Total contractual cash obligations	$ 34,193	$ 3,733	$ 6,051	$ 5,422	$ 18,987

(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 3.11% as of December 31, 2020. Variable rate debt represents $6 billion of our $13 billion total face value of debt as of December 31, 2020. 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 2020 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 the local sports segment's sports programming rights of $14.7 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 based on current subscriber amounts.

(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 $3 million and $0.4 million for the periods 2021 and 2022-2023, respectively. Certain station related operating expenses are paid by the licensee and reimbursed by us under the LMA agreements. Certain of these expenses that are in connection with contracts are included in the table above.

Off Balance Sheet Arrangements

Off balance sheet arrangements as defined by the SEC means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the registrant is a party, under which the registrant has: obligations under certain guarantees or contracts; retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangements; obligations under certain derivative arrangements; and obligations arising out of a material variable interest in an unconsolidated entity. As of December 31, 2020, 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, 2020, 2019, and 2018.

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 the Bank Credit Agreements. As of December 31, 2020, our total variable rate debt under the Bank Credit Agreements was $6 billion. We estimate that adding 1% to respective interest rates would result in an increase in our interest expense of $57 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 25, 2021, there are approximately 40 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.

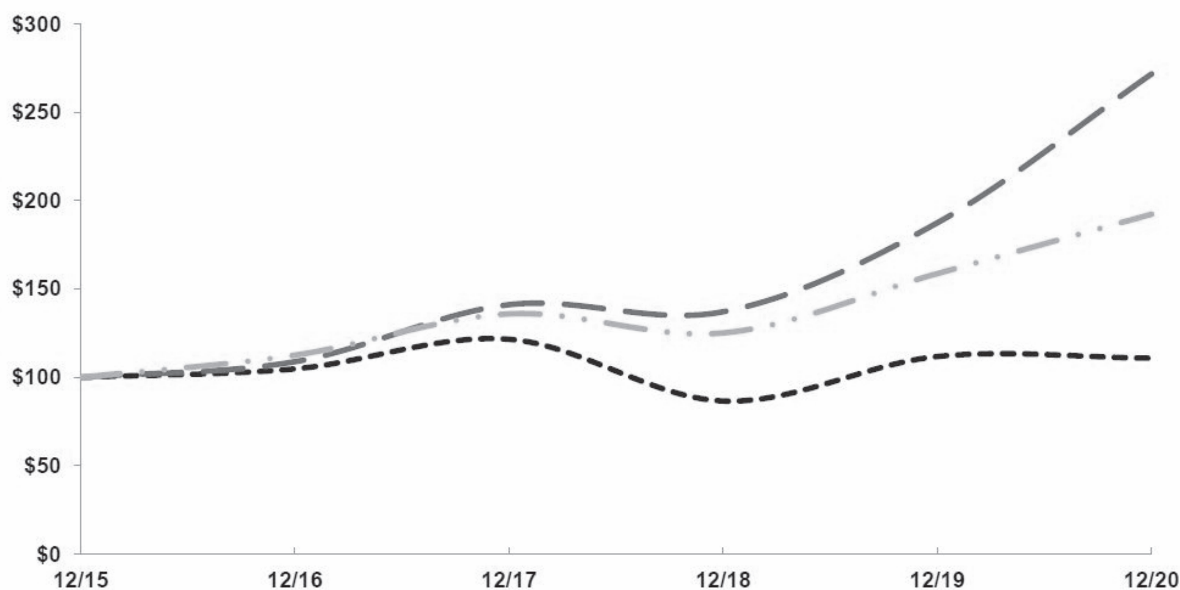
We intend to pay regular quarterly dividends to our stockholders, although all future dividends on our Common Stock, if any, will be at the discretion of our Board of Directors and will depend on several factors including our results of operations, cash requirements and surplus, financial condition,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

In February 2021, 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, 2015 through December 31, 2020. The performance graph assumes that an investment of $100 was made in the Class A Common Stock and in each Index on December 31, 2015 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	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Sinclair Broadcast Group, Inc.	100.00	104.84	121.50	86.67	111.83	**110.82**
NASDAQ Composite Index	100.00	108.87	141.13	137.12	187.44	**271.64**
NASDAQ Telecommunications Index	100.00	112.56	135.96	125.10	158.73	**192.30**

Stock Repurchases

For the quarter ended December 31, 2020: None

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, 2020.

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, 2020, 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, 2020 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, 2020, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2020 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, 2020, 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,	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 1,259**	$ 1,333
Accounts receivable, net of allowance for doubtful accounts of $5 and $8, respectively	**1,060**	1,132
Income taxes receivable	**230**	103
Prepaid sports rights	**498**	113
Prepaid expenses and other current assets	**170**	232
Total current assets	**3,217**	2,913
Property and equipment, net	**823**	765
Operating lease assets	**197**	223
Deferred tax assets	**197**	—
Restricted cash	**3**	—
Goodwill	**2,092**	4,716
Indefinite-lived intangible assets	**171**	158
Customer relationships, net	**4,286**	5,979
Other definite-lived intangible assets, net	**1,338**	1,998
Other assets	**1,058**	618
Total assets (a)	**$ 13,382**	$ 17,370
LIABILITIES , REDEEMABLE NON-CONTROLLING INTERESTS, AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 533**	$ 782
Current portion of notes payable, finance leases, and commercial bank financing	**58**	71
Current portion of operating lease liabilities	**34**	38
Current portion of program contracts payable	**92**	88
Other current liabilities	**317**	155
Total current liabilities	**1,034**	1,134
Notes payable, finance leases, and commercial bank financing, less current portion	**12,493**	12,367
Operating lease liabilities, less current portion	**198**	217
Program contracts payable, less current portion	**30**	39
Deferred tax liabilities	—	407
Other long-term liabilities	**622**	434
Total liabilities (a)	**14,377**	14,598
Commitments and contingencies (See *Note 13*)		
Redeemable noncontrolling interests	**190**	1,078
Shareholders' Equity:		
Class A Common Stock, $0.01 par value, 500,000,000 shares authorized, 49,252,671 and 66,830,110 shares issued and outstanding, respectively	**1**	1
Class B Common Stock, $0.01 par value, 140,000,000 shares authorized, 24,727,682 and 24,727,682 shares issued and outstanding, respectively, convertible into Class A Common Stock	—	—
Additional paid-in capital	**721**	1,011
(Accumulated deficit) retained earnings	**(1,986)**	492
Accumulated other comprehensive loss	**(10)**	(2)
Total Sinclair Broadcast Group shareholders' (deficit) equity	**(1,274)**	1,502
Noncontrolling interests	**89**	192
Total (deficit) equity	**(1,185)**	1,694
Total liabilities, redeemable noncontrolling interests, and equity	**$ 13,382**	$ 17,370

The accompanying notes are an integral part of these consolidated financial

(a) Our consolidated total assets as of December 31, 2020 and 2019 include total assets of variable interest entities (VIEs) of $233 million and $228 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of December 31, 2020 and 2019 include total liabilities of the VIEs of $60 million and $27 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, 2020, 2019 AND 2018
(In millions, except share and per share data)

	2020	2019	2018
REVENUES:			
Media revenues	**$ 5,843**	$ 4,046	$ 2,919
Non-media revenues	**100**	194	136
Total revenues	**5,943**	4,240	3,055
OPERATING EXPENSES:			
Media programming and production expenses	**2,735**	2,073	1,191
Media selling, general and administrative expenses	**832**	732	630
Amortization of program contract costs	**86**	90	101
Non-media expenses	**91**	156	122
Depreciation of property and equipment	**102**	97	105
Corporate general and administrative expenses	**148**	387	111
Amortization of definite-lived intangible and other assets	**572**	327	175
Impairment of goodwill and definite-lived intangible assets	**4,264**	—	—
Gain on asset dispositions and other, net of impairment	**(115)**	(92)	(40)
Total operating expenses	**8,715**	3,770	2,395
Operating (loss) income	**(2,772)**	470	660
OTHER INCOME (EXPENSE):			
Interest expense including amortization of debt discount and deferred financing costs	**(656)**	(422)	(292)
Loss on extinguishment of debt	**(10)**	(10)	—
Loss from equity method investments	**(36)**	(35)	(61)
Other income, net	**325**	6	3
Total other expense, net	**(377)**	(461)	(350)
(Loss) income before income taxes	**(3,149)**	9	310
INCOME TAX BENEFIT	**720**	96	36
NET (LOSS) INCOME	**(2,429)**	105	346
Net income attributable to the redeemable noncontrolling interests	**(56)**	(48)	—
Net loss (income) attributable to the noncontrolling interests	**71**	(10)	(5)
NET (LOSS) INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	**$ (2,414)**	$ 47	$ 341
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:			
Basic earnings per share	**$ (30.20)**	$ 0.52	$ 3.38
Diluted earnings per share	**$ (30.20)**	$ 0.51	$ 3.35
Basic weighted average common shares outstanding (in thousands)	**79,924**	92,015	100,913
Diluted weighted average common and common equivalent shares outstanding (in thousands)	**79,924**	93,185	101,718

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (In millions)

	2020	2019	2018
Net (loss) income	**$ (2,429)**	$ 105	$ 346
Adjustments to post-retirement obligations, net of taxes	**(1)**	(1)	1
Share of other comprehensive loss of equity method investments	**(7)**	—	—
Comprehensive (loss) income	**(2,437)**	104	347
Comprehensive income attributable to redeemable noncontrolling interests	**(56)**	(48)	—
Comprehensive loss (income) attributable to noncontrolling interests	**71**	(10)	(5)
Comprehensive (loss) income attributable to Sinclair Broadcast Group	**$ (2,422)**	$ 46	$ 342

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 Interest	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 loss	—	—	—	—	—	—	—	(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 EQUITY AND REDEEMABLE NONCONTROLLING INTERESTS FOR THE YEARS ENDED DECEMBER 31, 2020
(In millions, except share data)

		Sinclair Broadcast Group Shareholders								
	Redeemable Noncontrolling Interests	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
		Shares	Values	Shares	Values					
BALANCE, December 31, 2019	$ 1,078	66,830,110	$ 1	24,727,682	$ —	$ 1,011	$ 492	$ (2)	$ 192	$ 1,694
Dividends declared and paid on Class A and Class B Common Stock ($0.80 per share)	—	—	—	—	—	—	(64)	—	—	(64)
Repurchases of Class A Common Stock	—	(19,418,934	—	—	—	(343)	—	—	—	(343)
Class A Common Stock issued pursuant to employee benefit plans	—	1,841,495	—	—	—	53	—	—	—	53
Noncontrolling interests issued	22	—	—	—	—	—	—	—	—	—
Distributions to noncontrolling interests, net	—	—	—	—	—	—	—	—	(32)	(32)
Distributions to redeemable noncontrolling interests	(419)	—	—	—	—	—	—	—	—	—
Redemption of redeemable subsidiary preferred equity, net of fees	(547)	—	—	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	—	(8)	—	(8)
Net income (loss)	56	—	—	—	—	—	(2,414)	—	(71)	(2,485)
BALANCE, December 31, 2020	$ 190	49,252,671	$ 1	24,727,682	$ —	$ 721	$ (1,986)	$ (10)	$ 89	$ (1,185)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(In millions)

	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	**$ (2,429)**	$ 105	$ 346
Adjustments to reconcile net income to net cash flows from operating activities:			
Impairment of goodwill and definite-lived intangible assets	**4,264**	—	—
Amortization of sports programming rights	**1,078**	637	—
Amortization of definite-lived intangible and other assets	**572**	327	175
Depreciation of property and equipment	**102**	97	105
Amortization of program contract costs	**86**	90	101
Stock-based compensation	**52**	33	26
Deferred tax benefit	**(604)**	(5)	(103)
Gain on asset disposition and other, net of impairment	**(119)**	(62)	(19)
Loss from equity method investments	**36**	35	61
Net (gain) loss from investments	**(152)**	6	1
Distributions from investments	**27**	6	4
Sports programming rights payments	**(1,345)**	(578)	—
Loss on extinguishment of debt	**10**	10	—
Measurement adjustment gain on variable payment obligations	**(159)**	—	—
Changes in assets and liabilities, net of acquisitions:			
Decrease (increase) in accounts receivable	**70**	70	(37)
Decrease (increase) in prepaid expenses and other current assets	**48**	(27)	(10)
(Decrease) increase in accounts payable and accrued and other current liabilities	**(3)**	334	24
Net change in net income taxes payable/receivable	**(127)**	(127)	49
Decrease in program contracts payable	**(96)**	(94)	(108)
Increase (decrease) in other long-term liabilities	**198**	(1)	—
Other, net	**39**	60	32
Net cash flows from operating activities	**1,548**	916	647
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Acquisition of property and equipment	**(157)**	(156)	(105)
Acquisition of businesses, net of cash acquired	**(16)**	(8,999)	—
Spectrum repack reimbursements	**90**	62	6
Proceeds from the sale of assets	**36**	8	2
Purchases of investments	**(139)**	(452)	(48)
Other, net	**27**	7	27
Net cash flows used in investing activities	**(159)**	(9,530)	(118)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES:			
Proceeds from notes payable and commercial bank financing	**1,819**	9,956	4
Repayments of notes payable, commercial bank financing, and finance leases	**(1,739)**	(1,236)	(167)
Proceeds from the issuance of redeemable subsidiary preferred equity, net	—	985	—
Repurchase of outstanding Class A Common Stock	**(343)**	(145)	(221)
Dividends paid on Class A and Class B Common Stock	**(63)**	(73)	(74)
Dividends paid on redeemable subsidiary preferred equity	**(36)**	(33)	—
Redemption of redeemable subsidiary preferred equity	**(547)**	(297)	—
Debt issuance costs	**(19)**	(199)	(1)
Distributions to noncontrolling interests, net	**(32)**	(27)	(9)
Distributions to redeemable noncontrolling interests	**(383)**	(5)	—
Other, net	**(117)**	(39)	3
Net cash flows (used in) from financing activities	**(1,460)**	8,887	(465)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	**(71)**	273	64
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	**1,333**	1,060	996
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	**$ 1,262**	$ 1,333	$ 1,060

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, 2020, we had two reportable segments for accounting purposes, broadcast and local sports. The broadcast segment consists primarily of our 188 broadcast television stations in 88 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 628 channels as of December 31, 2020. For the purpose of this report, these 188 stations and 628 channels are referred to as "our" stations and channels. The local sports segment consists primarily of our regional sports network brands, Marquee, and a minority equity interest in the YES Network. The RSNs and YES Network own the exclusive rights to air, among other sporting events, the games of 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 Acquired RSNs acquired on August 23, 2019, as discussed in *Note 2. Acquisitions and Dispositions of Assets*, and 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 or loss 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 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.

The impact of the outbreak of the novel coronavirus (COVID-19) continues to create significant uncertainty and disruption in the global economy and financial markets. It is reasonably possible that these uncertainties could further materially impact our estimates related to, but not limited to, revenue recognition, goodwill and intangible assets, program contract costs, sports programming rights, and income taxes. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements.

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. We adopted this guidance during the first quarter of 2020. The impact of the adoption did not 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. We adopted this guidance during the first quarter of 2020. The impact of the adoption did not 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 generally accepted accounting principles (GAAP). We adopted this guidance during the first quarter of 2020. The impact of the adoption did not 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. We adopted this guidance during the first quarter of 2020. The impact of the adoption did not have a material impact on our consolidated financial statements.

In December 2019, the FASB issued guidance which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 will be effective for interim and annual periods beginning after December 15, 2020. Early adoption is permitted. We early adopted this guidance during the third quarter of 2020. The impact of the adoption did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued guidance providing optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate (LIBOR) or by another reference rate expected to be discontinued. The guidance was effective for all entities immediately upon issuance of the update and may be applied prospectively to applicable transactions existing as of or entered into from the date of adoption through December 31, 2022. We are currently evaluating the impact of this guidance, if elected, but do not expect 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, 2020, 2019, and 2018 is as follows (in millions):

	2020	2019	2018
Balance at beginning of period	**$ 8**	$ 2	$ 3
Charged to expense	**2**	9	5
Net write-offs	**(5)**	(3)	(6)
Balance at end of period	**$ 5**	$ 8	$ 2

As of December 31, 2020, three customers accounted for 19%, 17%, and 15%, respectively, of our accounts receivable, net. 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.

Broadcast Television Programming

We have agreements with programming syndicators 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 fair value. Program contract costs are amortized on a straight-line basis except for contracts greater than three years which are amortized utilizing an accelerated method. 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 amortization or fair value adjustments.

Fair value is determined utilizing a discounted cash flow model based on management's expectation of future advertising revenues, net of sales commissions, to be generated by the program material. We assess our program contract costs on a quarterly basis to ensure the costs are recorded at the lower of unamortized cost or fair value.

Sports Programming Rights

We have multi-year program rights agreements that provide the Company with the right to produce and telecast professional live sports games within a specified territory in exchange for a 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 as an expense 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.

On March 12, 2020, the NBA, NHL, and MLB suspended or delayed the start of their seasons as a result of the COVID-19 pandemic. On that date, the Company suspended the recognition of amortization expense associated with prepaid program rights agreements with teams within these leagues. Amortization expense resumed for the NBA, NHL, and MLB over the modified seasons when the games commenced during the third quarter of 2020. The NBA and NHL also delayed the start of their 2020-2021 seasons until December 22, 2020 and January 13, 2021, respectively; sports rights expense associated with these seasons will be recognized over the modified term of these seasons.

Certain rights agreements with professional teams contain provisions which require the rebate of rights fees paid by the Company if a contractually minimum number of live games are not delivered. As a result of the COVID-19 pandemic, the number of games played in the 2019-2020 NBA and NHL seasons and the 2020 MLB season were less than the contractual minimum number of games to be delivered. The resulting reduction in sports rights expense was recognized over the term of the modified seasons. Rights fees paid in advance of expense recognition, inclusive of any contractual rebates due to the Company, are included within prepaid sports rights in our consolidated balance sheets.

Impairment of Goodwill, Indefinite-lived Intangible Assets, and Other Long-lived 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 the 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 evaluate our long-lived assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We evaluate the recoverability of long-lived assets by comparing the carrying amount of the assets within an asset group to the estimated undiscounted future cash flows associated with the asset group. An asset group represents the lowest level of cash flows generated by a group of assets that are largely independent of the cash flows of other assets. At the time that such evaluations indicate that the future undiscounted cash flows are not sufficient to recover the carrying value of the asset group, an impairment loss is determined by comparing the estimated fair value of the asset group to the carrying value. We estimate fair value using an income approach involving the performance of a discounted cash flow analysis.

Our RSNs included in the local sports segment have been negatively impacted by the recent loss of three Distributors. In addition, our existing Distributors are experiencing elevated levels of subscriber erosion which we believe is influenced, in part, by shifting consumer behaviors resulting from media fragmentation, the current economic environment, the COVID 19 pandemic and related uncertainties. Most of these factors are also expected to have a negative impact on future projected revenues and margins of our RSNs. As a result of these factors, we performed an impairment test of the RSN reporting units' goodwill and long-lived asset groups during the third quarter of 2020 which resulted in a non-cash impairment charge on goodwill of $2,615 million, customer relationships of $1,218 million and other definite-lived intangible assets of $431 million, included within impairment of goodwill and definite-lived intangible assets in our consolidated statements of operations. 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 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. 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, 2020 and 2019 (in millions):

	2020	**2019**
Compensation and employee benefits	**$ 131**	$ 136
Interest	**127**	154
Programming related obligations	**183**	191
Legal, litigation, and regulatory	**2**	186
Accounts payable and other operating expenses	**90**	115
Total accounts payable and accrued liabilities	**$ 533**	$ 782

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, current and cumulative losses, 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, 2020, a valuation allowance has been provided for deferred tax assets related to certain temporary basis differences, interest expense carryforwards under the Internal Revenue Code (IRC) Section 163(j) and a substantial amount of our available state net operating loss carryforwards based on past operating results, expected timing of the reversals of existing temporary basis differences, alternative tax strategies and projected future taxable income. As of December 31, 2019, a valuation allowance was provided for deferred tax assets related to a substantial amount of our available state net operating loss carryforwards based on past operating results, including the RSN impairment, expected timing of the reversals of existing temporary 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 if such tax positions are more likely than not to be sustained upon examination based on their technical merits, including the resolution of any appeals or litigation processes. Significant judgment is required in determining whether positions taken are more likely than not to be sustained, 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, 2020, 2019, and 2018, we had the following cash transactions (in millions):

	2020	2019	2018
Income taxes paid	**$ 11**	$ 32	$ 17
Income tax refunds	**$ 2**	$ 2	$ —
Interest paid	**$ 634**	$ 283	$ 285

Non-cash investing activities included property and equipment purchases of $6 million, $10 million, and $11 million for the years ended December 31, 2020, 2019, and 2018, respectively, and the transfer of an asset for property of $7 million for the year ended December 31, 2020. During the year ended December 31, 2020 the Company entered into a commercial agreement with Bally's and received equity interests in the business with a value of $199 million. See *Note 6. Other Assets* and *Note 18. Fair Value Measurements* for further discussion. Non-cash transactions related to sports rights were $22 million for the year ended December 31, 2020.

Revenue Recognition

The following table presents our revenue disaggregated by type and segment for the years ended December 31, 2020, 2019, and 2018 (in millions):

For the year ended December 31, 2020	Broadcast	Local sports	Other	Eliminations	Total
Distribution revenue	**$ 1,414**	**$ 2,472**	**$ 199**	**$ —**	**$ 4,085**
Advertising revenue	**1,364**	**196**	**131**	**(2)**	**1,689**
Other media, non-media, and intercompany revenue	**144**	**18**	**121**	**(114)**	**169**
Total revenues	**$ 2,922**	**$ 2,686**	**$ 451**	**$ (116)**	**$ 5,943**

For the year ended December 31, 2019	Broadcast	Local sports	Other	Eliminations	Total
Distribution revenue	$ 1,341	$ 1,029	$ 130	$ —	$ 2,500
Advertising revenue	1,268	103	110	(1)	1,480
Other media, non-media, and intercompany revenue	81	7	230	(58)	260
Total revenues	$ 2,690	$ 1,139	$ 470	$ (59)	$ 4,240

For the year ended December 31, 2018	Broadcast	Local sports	Other	Eliminations	Total
Distribution revenue	$ 1,186	$ —	$ 113	$ —	$ 1,299
Advertising revenue	1,484	—	75	—	1,559
Other media, non-media, and intercompany revenue	45	—	162	(10)	197
Total revenues	$ 2,715	$ —	$ 350	$ (10)	$ 3,055

Distribution Revenue. We generate distribution revenue through fees received from Distributors 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.

Certain of our distribution arrangements contain provisions that require the Company to deliver a minimum number of live professional sports games or tournaments during a defined period which usually corresponds with a calendar year. If the minimum threshold is not met, we may be obligated to refund a portion of the distribution fees received if shortfalls are not cured within a specified period of time. Our ability to meet these requirements is primarily driven by the delivery of games by the professional sports leagues. The Company has not historically paid any material rebates under these contractual provisions as it is unusual for there to be an event which is significant enough to preclude the Company from meeting or exceeding these thresholds. The COVID-19 pandemic has resulted in significant disruptions to the normal operations of the professional sports leagues resulting in delays and uncertainty with respect to regularly scheduled games. Decisions made by the leagues during the second quarter of 2020 regarding the timing and format of the revised 2020 seasons and decisions made by the NHL and NBA during the fourth quarter of 2020 regarding the timing and format of their revised 2020-2021 seasons have resulted, in some cases, in our inability to meet these minimum requirements and the need to reduce revenue based upon estimated rebates due to our distribution customers. These estimated rebates were recognized over the measurement period of the rebate which is the year ended December 31, 2020. For the year ended December 31, 2020, we reduced revenue by, and accrued corresponding rebates to Distributors of $420 million, which is expected to be paid over 2021 and 2022. See *Subsequent Events* within *Note 1. Nature of Operations and Summary of Significant Accounting Policies.*

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. We classify deferred revenue as either current in other current liabilities or long-term in other long-term liabilities within our consolidated balance sheets based on the timing of when we expect to satisfy our performance obligations. Deferred revenue was $233 million, $54 million, and $83 million as of December 31, 2020, 2019, and 2018, respectively, of which $184 million as of December 31, 2020 was reflected in other long-term liabilities in our consolidated balance sheets. Deferred revenue recognized during the year ended December 31, 2020 and 2019 that was included in the deferred revenue balance as of December 31, 2019 and 2018 was $49 million and $76 million, respectively.

On November 18th, 2020, we entered into a commercial agreement with Bally's Corporation where we will provide certain branding integrations in our RSNs, broadcast networks and other properties. These branding integrations include naming rights associated with the majority of our RSNs. The initial term of this arrangement is 10 years and we expect to begin performing under this arrangement in 2021. The Company received non-cash consideration initially valued at $199 million which is reflected as a contract liability and will be recognized as revenue as the performance obligations under the arrangement are satisfied. No revenue was recognized under this arrangement during the year ended December 31, 2020. See *Note 6. Other Assets* for more information.

For the year ended December 31, 2020, three customers accounted for 18%, 17%, and 12%, respectively, of our total revenues. 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 $23 million, $25 million, and $19 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Financial Instruments

Financial instruments, as of December 31, 2020 and 2019, 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, 2020, the estimated projected benefit obligation was $21 million, of which $2 million is included in accrued expenses and $19 million is included in other long-term liabilities in our consolidated balance sheets. At December 31, 2020, the projected benefit obligation was measured using a 2.10% discount rate compared to a discount rate of 3.04% for the year ended December 31, 2019. For each of the years ended December 31, 2020 and 2019, we made $2 million in benefit payments and recognized $2 million of actuarial losses through other comprehensive income. For each of the years ended December 31, 2020 and 2019, we recognized $1 million of periodic pension expense, reported in other income, net in 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, 2020, the assets and liabilities included in our consolidated balance sheets related to deferred compensation plans were $42 million and $36 million, respectively.

Reclassifications

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

Subsequent Events

The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, including how it has already impacted, and will impact, its advertisers, Distributors, and agreements with professional sports leagues. While the NBA, NHL, and MLB were able to complete modified season schedules during 2020, there can be no assurance that the MLB, NBA, or NHL will complete full or abbreviated seasons in the future. The NBA and NHL delayed the start of their 2020-2021 seasons until December 22, 2020 and January 13, 2021, respectively, however both under reduced game counts. The MLB has announced that they expect their 2021 season to begin on time in April 2021 and contain a full game schedule. The NBA and NHL have not announced their 2021-2022 season schedules yet. Any reduction in the number of games played by the leagues may have an adverse impact on our operations and cash flows. The Company is currently unable to predict the full extent that the COVID-19 pandemic will have on its financial condition, results of operations, and cash flows in future periods due to numerous uncertainties.

2. ACQUISITIONS AND DISPOSITIONS OF ASSETS:

During the years ended December 31, 2020 and 2019, we acquired certain businesses for an aggregate purchase price, net of cash acquired, of $9 billion, including working capital adjustments and other adjustments.

The following summarizes the material acquisition activity during the years ended December 31, 2020 and 2019:

2020 Acquisitions

During the year ended December 31, 2020, we completed the acquisition of the license asset and certain non-license assets of a radio station for $7 million and the license assets and certain non-license assets of two television stations for $9 million. The acquisitions were completed using cash on hand.

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 (the RSN Acquisition) for an aggregate 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 RSN Acquisition provides an expansion to our premium sports programming including the exclusive regional distribution rights to 42 professional teams consisting of 14 MLB teams, 16 NBA teams, and 12 NHL teams. The Acquired RSNs are reported within our local sports segment. See *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, as described in *Note 10. Redeemable Noncontrolling Interests.*

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

Cash and cash equivalents	$	824
Accounts receivable, net		606
Prepaid expenses and other current assets		175
Property and equipment, net		25
Customer relationships, net		5,439
Other definite-lived intangible assets, net		1,286
Other assets		52
Accounts payable and accrued liabilities		(181)
Other long-term liabilities		(396)
Goodwill		2,615
Fair value of identifiable net assets acquired	$	10,445
Redeemable noncontrolling interests		(380)
Noncontrolling interests		(248)
Gross purchase price	$	9,817
Purchase price, net of cash acquired	$	8,993

The final purchase price allocation presented above is based upon management's estimates of the fair value of the acquired assets, assumed liabilities, and noncontrolling interest at the time of acquisition 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 made to the initial allocation were based on more detailed information obtained about the specific assets acquired and liabilities assumed and did not result in material changes to the amortization expense recorded in previous quarters.

The definite-lived intangible assets of $6,725 million are primarily comprised of customer relationships, which represent existing advertiser relationships and contractual relationships with Distributors of $5,439 million, the fair value of contracts with sports teams of $1,271 million, and tradenames/trademarks of $15 million. The intangible assets will be amortized over a weighted average useful life of 2 years for tradenames/trademarks, 13 years for customer relationships, and 12 for contracts with sports teams on a straight-line basis. The fair value of the sports team contracts will be amortized over the respective contract

term. 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 $2.4 billion of goodwill, which represents our interest in the Acquired RSNs, will be deductible for tax purposes. See *Note 5. Goodwill, Indefinite-Lived Intangible Assets, and Other Intangible Assets* for discussion of the impairment of the acquired goodwill and definite-lived intangible assets during the year ended December 31, 2020.

Financial Results of Acquisitions

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

	2020		2019
Revenues:			
RSN	**$**	**2,562**	$ 1,139
Other acquisitions in 2020		**3**	—
Total net revenues	**$**	**2,565**	$ 1,139

	2020		2019
Operating (Loss) Income:			
RSN (a)	**$**	**(3,585)**	$ 70
Other acquisitions in 2020		**(2)**	—
Total operating (loss) income	**$**	**(3,587)**	$ 70

(a) Operating (loss) income for the years ended December 31, 2020 and 2019 includes transaction costs discussed below and excludes $98 million and $35 million selling, general, and administrative expenses, respectively, for services provided by broadcast to local sports, which are eliminated in consolidation.

In connection with the 2020 and 2019 acquisitions, for the years ended December 31, 2020, and 2019, we recognized $5 million and $96 million, respectively, of transaction costs which we expensed as incurred and classified as corporate general and administrative expenses in 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 the 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 in 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 in our consolidated statements of operations.

Dispositions

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 recorded a gain of $8 million which is included within gain on asset dispositions and other, net of impairment in our consolidated statements of operations. The WDKY-TV transaction closed during the third quarter of 2020 and we recorded a gain of $21 million which is included within gain on asset dispositions and other, net of impairment in our consolidated statements of operations.

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 their 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 year ended December 31, 2018, we recognized a gain of $83 million, which was included within gain on asset dispositions and other, net of impairment in our consolidated statements of operations and was related to the auction proceeds associated with one market where the underlying spectrum was vacated during the first quarter of 2018. The results of the auction are not expected to produce any material change in operations of the Company as there is no change in on air operations.

In the repacking process associated with the auction, the FCC has reassigned some stations to new post-auction channels. We do not expect reassignment to new channels to have a material impact on our coverage. We have received notification from the FCC that 100 of our stations have been assigned to new channels. Legislation has provided the FCC with a $3 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 $90 million, $62 million, and $6 million for the years ended December 31, 2020, 2019, and 2018, respectively, which are recorded within gain on asset dispositions and other, net of impairment in our consolidated statements of operations. For the years ended December 31, 2020, 2019, and 2018, capital expenditures related to the spectrum repack were $61 million, $66 million, and $31 million, respectively.

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, 2020, 2,309,855 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, 2020, 2019, and 2018, we recorded stock-based compensation of $51 million, $33 million, and $26 million, respectively. Below is a summary of the key terms and methods of valuation of our stock-based compensation awards:

RSAs. RSAs issued in 2020, 2019, and 2018 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 Price
Unvested shares at December 31, 2019	136,543	$	32.80
2020 Activity:			
Granted	**831,228**		**28.21**
Vested	**(520,655)**		**28.81**
Forfeited	**(5,407)**		**28.89**
Unvested shares at December 31, 2020	**441,709**	**$**	**28.86**

For the years ended December 31, 2020, 2019, and 2018, we recorded compensation expense of $23 million, $9 million, and $5 million, respectively. The majority of the unrecognized compensation expense of $18 million as of December 31, 2020 will be recognized in 2021.

Stock Grants to Non-Employee Directors. In addition to fees paid in cash to our non-employee directors, 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 63,600 shares in 2020, 24,000 shares in 2019, and 20,000 shares in 2018. We recorded expense of $1 million for each of the years ended December 31, 2020, 2019, and 2018, 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, 2020, 2019, and 2018, we recorded compensation expense of $6 million, $4 million, and $3 million, respectively.

The following is a summary of the 2020 activity:

	SARs		Weighted-Average Price
Outstanding SARs at December 31, 2019	2,080,032	$	20.14
2020 Activity:			
Granted	**1,763,828**		**28.83**
Forfeited	**(638,298)** (a)		**28.20**
Outstanding SARs at December 31, 2020	**3,205,562**	**$**	**23.32**

(a) In connection with the settlement of certain litigation as discussed in *Note 13. Commitments and Contingencies*, David Smith agreed to forego, cancel, and return his February 2020 grant of a SAR award of 638,298 shares of Class A Common Stock..

The aggregate intrinsic value of the 3,205,562 SARs outstanding as of December 31, 2020 was $28 million and the outstanding SARs have a weighted average remaining contractual life of 5 years as of December 31, 2020.

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

	2020	2019	2018
Risk-free interest rate	**1.2% - 1.6%**	2.5 %	2.6 %
Expected years to exercise	**5 years**	5 years	5 years
Expected volatility	**35.0 %**	33.8 %	36.2 %
Annual dividend yield	**2.4% - 2.9%**	2.5 %	2.1% - 2.2%

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, 2020, 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 5 years, and an aggregate intrinsic value of $1 million. There was no grant, exercise, or forfeiture activity during the year ended December 31, 2020. There was no expense recognized during the years ended December 31, 2020, 2019, and 2018.

During 2019 and 2018, 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, 2020, 2019, and 2018, we recorded $19 million, $17 million, and $16 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, 2020, 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 was $3 million of the year ended December 31, 2020, and $1 million for each of the years ended December 31, 2019 and 2018. A total of 3,200,000 shares of Class A Common Stock are reserved for awards under the plan. As of December 31, 2020, 175,890 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, 2020 and 2019 (in millions):

	2020	2019
Land and improvements	**$ 74**	$ 75
Real estate held for development and sale	**25**	26
Buildings and improvements	**307**	293
Operating equipment	**939**	781
Office furniture and equipment	**123**	114
Leasehold improvements	**59**	36
Automotive equipment	**66**	64
Finance lease assets	**59**	53
Construction in progress	**36**	116
	1,688	1,558
Less: accumulated depreciation	**(865)**	(793)
	$ 823	$ 765

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 $2,092 million and $4,716 million at December 31, 2020 and 2019, respectively. The change in the carrying amount of goodwill was as follows (in millions):

	Broadcast	Local sports	Other	Consolidated
Balance at December 31, 2018	$ 2,055	—	$ 69	$ 2,124
Acquisition (a)	—	2,615	6	2,621
Assets held for sale (b)	(29)	—	—	(29)
Balance at December 31, 2019	$ 2,026	$ 2,615	$ 75	$ 4,716
Assets held for sale	**(9)**	**—**	**—**	**(9)**
Impairment	**—**	**(2,615)**	**—**	**(2,615)**
Balance at December 31, 2020	**$ 2,017**	**$ —**	**$ 75**	**$ 2,092**

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

(b) Assets held for sale as of December 31, 2019 were sold during the year ended December 31, 2020. See *Note 2. Acquisitions and Dispositions of Assets* for discussion of dispositions during 2020.

During the year ended December 31, 2020, we recorded a $2,615 million goodwill impairment charge related to our regional sports networks included within the local sports segment based upon an interim impairment test performed during the three-month period ended September 30, 2020. See *Impairment of Goodwill and Definite-Lived Intangible Assets* below for additional discussion surrounding this impairment charge. Our accumulated goodwill impairment as of December 31, 2020 and 2019 was $3,029 million and $414 million, respectively.

For our annual goodwill impairment tests related to our broadcast and other reporting units in 2020, 2019, and 2018, 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 or 2018, and therefore did not perform interim impairment tests for goodwill during those periods.

As of December 31, 2020 and 2019, the carrying amount of our indefinite-lived intangible assets was as follows (in millions):

	Broadcast	Other	Consolidated
Balance at December 31, 2018 (a)	$ 131	$ 27	$ 158
Balance at December 31, 2019 (a) (b)	$ 131	$ 27	$ 158
Acquisition / Disposition (c)	**13**	**—**	**13**
Balance at December 31, 2020 (a) (b)	**$ 144**	**$ 27**	**$ 171**

(a) Our indefinite-lived intangible assets in our broadcast segment relate to broadcast licenses and our indefinite-lived intangible assets in other relate to trade names.

(b) Approximately $14 million of indefinite-lived intangible assets relate to consolidated VIEs as of December 31, 2020 and 2019.

(c) See *Note 2. Acquisitions and Dispositions of Assets* for discussion of acquisitions made during 2020.

We did not have any indicators of impairment for our indefinite-lived intangible assets in any interim period in 2020 or 2019, and therefore did not perform interim impairment tests during those periods. We performed our annual impairment tests for indefinite-lived intangibles in 2020 and 2019 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, 2020		
	Gross Carrying Value	**Accumulated Amortization**	**Net**
Amortized intangible assets:			
Customer relationships (a)	**$ 5,329**	**$ (1,043)**	**$ 4,286**
Network affiliation	**1,438**	**(775)**	**663**
Favorable sports contracts (a)	**840**	**(174)**	**666**
Other (a)	**35**	**(26)**	**9**
Total other definite-lived intangible assets, net (b)	**$ 2,313**	**$ (975)**	**$ 1,338**

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

(a) As of December 31, 2020, we recorded a total impairment loss relating to customer relationships and favorable sports contracts of $1,218 million and $431 million, respectively, which is reflected as a reduction within the Gross Carrying Value column.

(b) Approximately $54 million and $93 million of definite-lived intangible assets relate to consolidated VIEs as of December 31, 2020 and 2019, respectively.

(c) As a result of our 2019 acquisitions, we acquired $6,725 million of definite-lived assets as discussed in *Note 2. Acquisitions and Dispositions of Assets.*

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 are 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, as 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, 2020, 2019, and 2018 was $703 million, $370 million, and $175 million, respectively, of which $131 million and $43 million for the years ended December 31, 2020 and 2019 is associated with the amortization of favorable sports contracts and is presented within media programming and production expenses in our statements of operations.

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

2021	$ 559
2022	542
2023	530
2024	517
2025	505
2026 and thereafter	2,971
	$ 5,624

Impairment of Goodwill and Definite-Lived Intangible Assets

In conjunction with the interim third quarter impairment testing related to our RSNs discussed below, during the year ended December 31, 2020, we recorded a non-cash impairment charge associated with customer relationships and other definite-lived intangible assets of $1,218 million and $431 million, respectively, included in impairment of goodwill and definite-lived intangible assets in our consolidated statements of operations. After the recognition of these impairments there were no asset groups which have a heightened risk of impairment because the projected undiscounted cash flows of the individual asset groups were substantially greater than their carrying values. However, significant deterioration in the factors described below could result in future material impairments. There were no impairment charges recorded for the years ended December 31, 2019 and 2018.

The Company performed an interim goodwill and long-lived asset impairment test during the three-month period ending September 30, 2020. Our RSNs, included in the local sports segment, have been negatively impacted by the recent loss of certain distributors. In addition, our existing distributors are experiencing elevated levels of subscriber erosion which we believe is influenced, in part, by shifting consumer behaviors resulting from media fragmentation, the current economic environment, the COVID 19 pandemic, and related uncertainties. Most of these factors are also expected to have a negative impact on future projected revenue and margins of our RSNs.

The long-lived asset impairment test requires a comparison of undiscounted cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. We evaluated each of our RSNs individually as asset groups. We estimated the projected undiscounted cash flows over the remaining useful life of each asset group. The more sensitive inputs used in the undiscounted cash flow analysis include projected revenues and margins. We identified 10 RSNs which had carrying values in excess of the future undiscounted cash flows. For these RSNs, an impairment loss was measured as the amount by which the carrying value of the asset group exceeded the fair value. The calculated impairment was then allocated to the long-lived assets within the asset group, which primarily consists of definite lived intangible assets, based upon relative fair value.

The fair value of the asset groups, reporting units and definite lived intangible assets were determined based upon a discounted cash flow analysis which uses the present value of projected cash flows. The projected cash flows were based upon our estimates of future revenues and margins, among other inputs. The discount rates used in the valuation were based on a weighted-average cost of capital determined from relevant market comparisons and taking into consideration the risk specifically associated with our asset groups and underlying assets. Terminal values were determined based upon the final year of projected cash flows which reflected our estimate of stable perpetual growth. The more sensitive inputs used in the discounted cash flow analysis include projected revenues and margins, as well as the discount rates used to calculate the present value of future cash flows. Projected revenue was based on the consideration of historical experience of the business, market data surrounding subscriber projections and advertising growth, our ability to retain existing customers and our ability to obtain new customers. Our revenue projections could be negatively impacted by the further loss of key distributors, inability to obtain new or retain existing distributors on terms similar to those expiring, greater than expected consumer migration away from traditional linear distributors, or our inability to successfully develop alternative revenue streams, among other factors. Our future margins may also be affected by our inability to renew sports rights agreements on terms favorable to us.

We tested the RSN reporting units' goodwill for impairment on an interim basis by comparing the fair value of each of the RSN reporting units to their revised carrying value after adjustments were made related to the impairments of the asset groups, as described above. To the extent that the carrying value of the respective reporting units exceeded the fair value, a goodwill impairment charge was recorded. The fair value of the reporting units was determined based upon a discounted cash flow analysis, as described above. We recorded a non-cash goodwill impairment charge of $2,615 million, included in impairment of goodwill and definite-lived intangible assets in our consolidated statements of operations. As of December 31, 2020, there was no remaining goodwill within our local sports segment and the remaining balance of the customer relationship intangible asset was $3,679 million and the aggregate remaining balance of the other definite-lived intangible assets was $671 million within our local sports segment.

6. OTHER ASSETS:

Other assets as of December 31, 2020 and 2019 consisted of the following (in millions):

	2020	2019
Equity method investments	**$ 451**	$ 459
Other investments	**450**	52
Post-retirement plan assets	**44**	38
Other	**113**	69
Total other assets	**$ 1,058**	$ 618

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, 2020, 2019, and 2018, 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 in 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,		
	2020	2019	2018
Revenues, net	**$ 611**	$ 386	$ 145
Operating income (loss)	**$ 147**	$ 47	$ (58)
Net income (loss)	**$ 23**	$ 13	$ (82)

	As of December 31,	
	2020	2019
Current assets	**$ 493**	$ 369
Noncurrent assets	**$ 4,219**	$ 4,056
Current liabilities	**$ 410**	$ 118
Noncurrent liabilities	**$ 2,327**	$ 2,313

YES Network Investment. On August 29, 2019, an indirect subsidiary of DSG, an indirect wholly-owned subsidiary of the Company, acquired a minority 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 in 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 in our consolidated statements of operations. We recorded income of $6 million and $16 million related to our investment for the years ended December 31, 2020 and December 31, 2019, respectively. We did not identify any other than temporary impairments associated with our investment in the YES Network during the years ended December 31, 2020 and 2019,

Other 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.

At December 31, 2020 and 2019, we held $68 million and $2 million of investments in equity securities which are classified as level 1 securities in the fair value hierarchy. During the years ended December 31, 2020 and 2019 we recognized fair value adjustments associated with these securities of $24 million and $0.1 million which is reflected in other income, net in our consolidated statements of operations. See *Note 18. Fair Value Measurements* for further information. Investments accounted for utilizing the measurement alternative were $26 million, net of $7 million of cumulative impairments, as of December 31, 2020, and $28 million, net of $7 million of cumulative impairments, as of December 31, 2019. We recorded a $7 million impairment related to two investments for the year ended December 31, 2019, which is reflected in other income, net in our consolidated statements of operations.

On November 18, 2020, we entered into a commercial agreement with Bally's Corporation. As part of this arrangement, we received warrants to acquire up to 8.2 million shares of Bally's Common stock for a penny per share, of which 3.3 million are exercisable upon meeting certain performance metrics. We also received options to purchase up to 1.6 million shares of Bally's common stock with exercise prices between $30 and $45 per share, exercisable after four years. The initial value associated with the warrants was $199 million. These financial instruments are reflected at fair value within our financial statements. For the year ended December 31, 2020 we recorded an increase in value of $133 million which is reflected in other income, net in our consolidated statements of operations. The value of these investments was $332 million as of December 31, 2020. See *Note 18. Fair Value Measurements* for further discussion.

As of December 31, 2020 and 2019, our unfunded commitments related to certain equity investments totaled $98 million and $32 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, 2020 and 2019 (in millions):

	2020	2019
STG Bank Credit Agreement:		
Term Loan B-1, due January 3, 2024 (a)	**$ 1,119**	$ 1,329
Term Loan B-2, due September 30, 2026	**1,284**	1,297
DSG Bank Credit Agreement:		
Term Loan, due August 24, 2026	**3,259**	3,291
STG Notes:		
5.625% Unsecured Notes, due August 1, 2024 (a)	**—**	550
5.875% Unsecured Notes, due March 15, 2026	**348**	350
5.125% Unsecured Notes, due February 15, 2027	**400**	400
5.500% Unsecured Notes, due March 1, 2030	**500**	500
4.125% Senior Secured Notes, due December 1, 2030 (a)	**750**	—
DSG Notes:		
12.750% Senior Secured Notes, due December 1, 2026 (b)	**31**	—
5.375% Senior Secured Notes, due August 15, 2026	**3,050**	3,050
6.625% Unsecured Notes, due August 15, 2027 (b)	**1,744**	1,825
DSG Accounts Receivable Securitization Facility (c)	**177**	—
Debt of variable interest entities	**17**	21
Debt of non-media subsidiaries	**17**	18
Finance leases	**30**	27
Finance leases - affiliate	**8**	11
Total outstanding principal	**12,734**	12,669
Less: Deferred financing costs and discounts	**(183)**	(231)
Less: Current portion	**(56)**	(69)
Less: Finance leases - affiliate, current portion	**(2)**	(2)
Net carrying value of long-term debt	**$ 12,493**	$ 12,367

(a) On December 4, 2020, we issued $750 million aggregate principal amount of the STG 4.125% Secured Notes, the net proceeds of which were used, plus cash on hand, to redeem $550 million aggregate principal amount of the STG 5.625% Notes, as well as repay $200 million of STG's Term Loan B-1, as more fully described below under *STG Notes*.

(b) On June 10, 2020, we exchanged a portion of principal of the DSG 6.625% Notes for cash payment and the newly issued 12.750% Secured Notes, as more fully described below under *DSG Notes*.

(c) We entered into the A/R Facility on September 23, 2020, as more fully described below under *Accounts Receivable Securitization Facility*.

Debt under the STG Bank Credit Agreement, DSG Bank Credit Agreement, notes payable, A/R Facility, and finance leases as of December 31, 2020 matures as follows (in millions):

	Notes and Bank Credit Agreements	Finance Leases	Total
2021	$ 53	$ 8	$ 61
2022	57	8	65
2023	224	7	231
2024	1,165	6	1,171
2025	62	5	67
2026 and thereafter	11,135	19	11,154
Total minimum payments	12,696	53	12,749
Less: Deferred financing costs, discounts, and premiums	(183)	—	(183)
Less: Amount representing future interest	—	(15)	(15)
Net carrying value of debt	$ 12,513	$ 38	$ 12,551

Interest expense in our consolidated statements of operations was $656 million, $422 million, and $292 million for the years ended December 31, 2020, 2019, and 2018, respectively. Interest expense included amortization of deferred financing costs, debt discounts, and premiums of $31 million, $17 million, and $8 million for the years ended December 31, 2020, 2019, and 2018, respectively, 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 years ended December 31, 2020 and 2019:

		Weighted Average Effective Rate	
	Stated Rate	**2020**	**2019**
STG Bank Credit Agreement:			
Term Loan B	LIBOR plus 2.25%	**2.94%**	4.62%
Term Loan B-2	LIBOR plus 2.50%	**3.29%**	4.36%
Revolving Credit Facility (a)	LIBOR plus 2.00%	**—%**	—%
DSG Bank Credit Agreement:			
Term Loan	LIBOR plus 3.25%	**4.21%**	5.31%
Revolving Credit Facility (b)	LIBOR plus 3.00%	**—%**	—%
DSG Accounts Receivable Securitization Facility (c)	LIBOR plus 4.97%	**4.77%**	—%
STG Notes:			
5.625% Unsecured Notes	5.63%	**5.83%**	5.83%
5.875% Unsecured Notes	5.88%	**6.09%**	6.09%
5.125% Unsecured Notes	5.13%	**5.33%**	5.33%
5.500% Unsecured Notes	5.50%	**5.66%**	5.66%
4.125% Secured Notes	4.13%	**4.31%**	—%
DSG Notes:			
12.750% Secured Notes	12.75%	**11.95%**	—%
5.375% Secured Notes	5.38%	**5.73%**	5.73%
6.625% Unsecured Notes	6.63%	**7.00%**	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. The STG Revolving Credit Facility is priced at LIBOR plus 2.00%, subject to decrease if the specified first lien leverage ratio (as defined in the STG Bank Credit Agreement) is less than or equal to certain levels. As of December 31, 2020 and 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. See *STG Bank Credit Agreement* below for further information.

(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. The DSG Revolving Credit Facility is priced at LIBOR plus 3.00%, subject to decrease if the specified first lien leverage ratio (as defined in the DSG Bank Credit Agreement) is less than or equal to certain levels. As of December 31, 2020 and December 31, 2019, there were no outstanding borrowings, no letters of credit outstanding, and $650 million available under the DSG Revolving Credit Facility. See *DSG Bank Credit Agreement* below for further information.

(c) Borrowings under the A/R Facility generally bear interest at a rate per annum equal to LIBOR, which is subject to an interest rate floor of 0.00% per annum, plus 4.97% or, if the aggregate outstanding principal amount of loans is less than $125 million on or after November 1, 2020, 5.47%.

We recorded $19 million of debt issuance costs and a $25 million original issuance premium during the year ended December 31, 2020, $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 the year ended December 31, 2018. Debt issuance costs and original issuance discounts and premiums are presented as a direct deduction from, or addition to, the carrying amount of an associated debt liability, except for debt issuance costs related to our STG Revolving Credit Facility, DSG Revolving Credit Facility, and A/R Facility which are presented within other assets in our consolidated balance sheets.

STG Bank Credit Agreement

We have a syndicated credit facility which includes both revolving credit and issued term loans (the 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%.

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%, subject to decrease if the specified first lien leverage ratio (as defined in the STG Bank Credit Agreement) is less than or equal to certain levels, which includes capacity for up to $50 million of letters of credit and for borrowings of up to $50 million under swingline loans. On December 4, 2020, we entered into an amendment to the STG Bank Credit Agreement to extend the maturity date of the STG Revolving Credit Facility to December 4, 2025. On March 17, 2020, we drew $648 million under the STG Revolving Credit Facility as a precautionary measure given the COVID-19 pandemic. During the second quarter of 2020, we fully repaid the amount outstanding under the STG Revolving Credit Facility.

The STG Bank Credit Agreement includes a financial maintenance covenant, the first lien leverage ratio (as defined in the STG Bank Credit Agreements), which requires such applicable ratio not to exceed 4.5x, measured as of the end of each fiscal quarter. The financial maintenance covenant is only applicable if 35% or more of the capacity (as a percentage of total commitments) under the STG Revolving Credit Facility, measured as of the last day of each quarter, is utilized under the STG Revolving Credit Facility as of such date. Since there was no utilization under the STG Revolving Credit Facility as of December 31, 2020, STG was not subject to the financial maintenance covenant under the STG Bank Credit Agreement. As of December 31, 2020, the STG first lien leverage ratio was below 4.5x. The STG Bank Credit Agreement contains other restrictions and covenants which we were in compliance with as of December 31, 2020.

STG Notes

On November 27, 2019, we issued $500 million 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 STG 5.500% 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 debt.

On May 21, 2020, we purchased $2.5 million aggregate principal amount of STG's 5.875% senior unsecured notes due 2026 (the STG 5.875% Notes) in open market transactions for consideration of $2.3 million. The STG 5.875% Notes acquired in May 2020 were canceled immediately following their acquisition. We recognized a gain on extinguishment of the STG 5.875% Notes of $0.2 million for the year ended December 31, 2020.

On December 4, 2020, we issued $750 million aggregate principal amount of senior secured notes, which bear interest at a rate of 4.125% per annum and mature on December 1, 2030 (the STG 4.125% Secured Notes). The net proceeds of the STG 4.125% Secured Notes were used, plus cash on hand, to redeem $550 million aggregate principal amount of STG's 5.625% senior unsecured notes due 2024 (the STG 5.625% Notes) for a redemption price, including the outstanding principal amount of the STG 5.625% Notes, accrued and unpaid interest, and a call premium, of $571 million and to prepay $200 million outstanding under the STG Term Loan B-1. We recognized a loss on extinguishment of the STG 5.625% Notes and prepayment of the STG Term Loan B-1 of $15 million for the year ended December 31, 2020.

Prior to December 1, 2025, we may redeem the STG 4.125% Secured 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 4.125% Secured 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, 2023, we may redeem up to 40% of the STG 4.125% Secured Notes using the proceeds of certain equity offerings. Beginning on December 1, 2025, we may redeem some or all of the STG 4.125% Secured 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, 2025, 2026, 2027, and 2028 and thereafter, then the redemption prices for the STG 4.125% Secured Notes are 102.063%, 101.375%, 100.688%, and 100%, respectively. Upon the sale of certain of STG's assets or certain changes of control, we may be required to repurchase some or all of the STG 4.125% Secured Notes.

STG's obligations under the STG 4.125% Secured Notes are secured on a first-lien basis by substantially all tangible and intangible personal property of STG and each wholly-owned subsidiary of STG or the Company that guarantees the STG Bank Credit Agreement (the Guarantors) and on a pari passu basis with all of STG's and the Guarantor's existing and future debt that is secured by a first-priority lien on the collateral securing the STG 4.125% Secured Notes, including the debt under the STG Bank Credit Agreement, subject to permitted liens and certain other exceptions.

Upon issuance, the 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%.

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. On March 17, 2020, we drew $225 million under the DSG Revolving Credit Facility as a precautionary measure given the COVID-19 pandemic. During the second quarter of 2020, we fully repaid the amount outstanding under the DSG Revolving Credit Facility.

The DSG Bank Credit Agreement includes a financial maintenance covenant, the first lien leverage ratio (as defined in the DSG Bank Credit Agreements), which requires such applicable ratio not to exceed 6.25x, measured as of the end of each fiscal quarter. The financial maintenance covenant is only applicable if 35% or more of the capacity (as a percentage of total commitments) under the DSG Revolving Credit Facility, measured as of the last day of each quarter, is utilized under the DSG Revolving Credit Facility as of such date. Since there was no utilization under the DSG Revolving Credit Facility as of December 31, 2020, DSG was not subject to the financial maintenance covenant under the DSG Bank Credit Agreement. As of December 31, 2020, the DSG first lien leverage ratio was above 6.25x. We expect that the DSG first lien leverage ratio will remain above 6.25x for at least the next 12 months, which will restrict our ability to utilize the full DSG Revolving Credit Facility. We do not currently expect to have more than 35% of the capacity of the DSG Revolving Credit Facility outstanding as of any quarterly measurement date during the next twelve months, therefore we do not expect DSG will be subject to the financial maintenance covenant. The DSG Bank Credit Agreement contains other restrictions and covenants which we were in compliance with as of December 31, 2020.

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 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). The proceeds of the DSG 5.375% Secured Notes and DSG 6.625% Notes were used, in part, to fund the RSN Acquisition.

In March 2020 and June 2020, we purchased a total of $15 million aggregate principal amount of the DSG's 6.625% Notes in open market transactions for consideration of $10 million. The DSG 6.625% Notes acquired in March 2020 and June 2020 were canceled immediately following their acquisition. We recognized a gain on extinguishment of the DSG 6.625% Notes of $5 million for year ended December 31, 2020.

On June 10, 2020, we exchanged $66.5 million aggregate principal amount of the DSG 6.625% Notes for cash payments of $10 million, including accrued but unpaid interest, and $31 million aggregate principal amount of newly issued senior secured notes, which bear interest at a rate of 12.750% per annum and mature on December 1, 2026 (the DSG 12.750% Secured Notes)

Prior to August 15, 2022, we may redeem the DSG 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 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 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 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, the redemption prices for the DSG 6.625% Notes are 103.313%, 101.656%, and 100%, respectively, and the redemption prices for the DSG 12.750% Secured Notes are 102.688%, 101.344%, and 100%, respectively.

DSG's obligations under the DSG 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 Notes. The DSG Notes are not guaranteed by the Company, STG, or any of STG's subsidiaries.

Accounts Receivable Securitization Facility

On September 23, 2020 (the Closing Date), the Company's and DSG's indirect wholly-owned subsidiary, DSPV, entered into a $250 million accounts receivable securitization facility (the A/R Facility) which matures on September 23, 2023, in order to enable DSG to raise incremental funding for the ongoing business needs of DSG and its subsidiaries.

The A/R Facility was entered into pursuant to a Loan and Security Agreement (the Loan Agreement), dated September 23, 2020, among DSPV, as borrower, the persons from time to time party thereto, as lenders (the Lenders), and Fox Sports Net, LLC (FSN), a wholly-owned direct subsidiary of DSG, as initial servicer, Credit Suisse AG, New York Branch, as administrative agent and Wilmington Trust, National Association, as collateral agent, paying agent and account bank. The Lenders will provide certain loans, which loans will be secured by certain accounts receivable (Pool Receivables) purchased by DSPV pursuant to a Purchase and Sale Agreement (the Purchase Agreement, and together with the Loan Agreement, the A/R Agreements), dated September 23, 2020, among FSN, certain indirect wholly owned subsidiaries of DSG identified therein as originators (the Originators) and DSPV as purchaser, pursuant to which the Originators will sell certain accounts receivable to DSPV and FSN will continue to service such accounts receivable.

The maximum funding availability under the A/R Facility is the lesser of $250 million and the sum of the lowest aggregate loan balance since November 1, 2020 plus $50 million. The amount of actual availability under the A/R Facility is subject to change based on the level of eligible receivables sold by the Originators to DSPV and certain reserves. Eligibility of the receivables is determined by a variety of factors, including, but not limited to, credit ratings of the Originators' customers, customer concentration levels, and certain characteristics of the accounts receivable being transferred. As of December 31, 2020, the total commitment was $227 million.

Borrowings under the A/R Facility generally bear interest at a rate per annum equal to LIBOR, which is subject to an interest rate floor of 0.00% per annum, plus 4.97% or, if the aggregate outstanding principal amount of loans is less than $125 million on or after November 1, 2020, 5.47%. We are required to pay a commitment fee on unutilized commitments under the A/R Facility.

We may voluntarily prepay outstanding loans or terminate commitments under the A/R Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR rate loans, except (1) any voluntary prepayment (x) from the proceeds of a voluntary repurchase in accordance with the Purchase Agreement by any Originator of any Pool Receivables on or prior to the date that is 18 months after the Closing Date or (y) from the proceeds of a new accounts receivable financing entered into by DSPV or an affiliate thereof and requiring the purchase of Pool Receivables from DSPV after the date that is 18 months after the Closing Date but on or prior to the date that is 36 months after the Closing Date or (2) certain terminations of commitments on or prior to the date that is 18 months after the Closing Date, shall in each case be subject to a prepayment premium of 1.00% of the principal amount of the loans prepaid or commitments terminated, as the case may be.

DSPV, FSN, and the Originators provide customary representations and covenants under the A/R Agreements. Receivables in the A/R Facility are subject to certain eligibility criteria, concentration limits and reserves. The Loan Agreement provides for certain events of default upon the occurrence of which the administrative agent may declare the facility's termination date to have occurred and declare the outstanding loan and all other obligations of DSPV to be due and payable. The Purchase Agreement provides for certain early amortization events upon the occurrence of which DSPV may terminate the sale and contribution of accounts receivable and related assets thereunder, including an early amortization event which would occur upon Consolidated EBITDA (as defined in the DSG Bank Credit Agreement as in effect at such time) of DSIH and its restricted subsidiaries under the DSG Bank Credit Agreement, less Consolidated Interest Expense (as defined in the DSG Bank Credit Agreement as in effect at such time) of DSIH and its restricted subsidiaries under the DSG Bank Credit Agreement, being less than zero as of the last day of any fiscal quarter (measured on a trailing four fiscal quarter basis).

As of December 31, 2020, the balance of the loans under the A/R Facility was $177 million and the balance of the receivables held by DSPV as part of the A/R Facility was $228 million, included in accounts receivable, net in our consolidated balance sheets.

The performance by the Originators of their respective obligations under the A/R Facility is guaranteed by FSN pursuant to a performance guaranty by FSN in favor of Credit Suisse AG, New York Branch, as administrative agent under the Loan Agreement.

DSG's ability to make scheduled payments on its debt obligations depends on its financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, competitive, legislative, regulatory and other factors beyond its control. The impact of the outbreak of COVID-19 continues to create significant uncertainty and disruption in the global economy and financial markets. Further, DSG's success is dependent upon the existence and terms of its agreements with distributors, OTT and other streaming providers. We anticipate DSG's existing cash and cash equivalents, cash flow from our operations, and borrowing capacity will be sufficient to satisfy its debt service obligations, capital expenditure requirements, and working capital needs for the next twelve months. However, certain factors, including but not limited to, the severity and duration of the COVID-19 pandemic and resulting effect on the economy, our advertisers, distributors, and their subscribers, could affect DSG's liquidity and ability to maintain a level of cash flows from operating activities sufficient to permit DSG to pay the principal, premium, if any, and interest on its debt.

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

We jointly, severally, unconditionally, and irrevocably guarantee $49 million and $57 million of debt of certain third parties as of December 31, 2020 and 2019, respectively, of which $16 million and $20 million, net of deferred financing costs, related to consolidated VIEs is included in our consolidated balance sheets as of December 31, 2020 and 2019, 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, 2020, 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 in 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 in our consolidated statements of operations for the years ended December 31, 2020 and December 31, 2019 (in millions):

	2020	2019
Finance lease expense:		
Amortization of finance lease asset	**$ 3**	$ 3
Interest on lease liabilities	**4**	4
Total finance lease expense	**7**	7
Operating lease expense (a)	**64**	47
Total lease expense	**$ 71**	$ 54

(a) Includes variable lease expense of $7 million and $5 million for the years ended December 31, 2020 and 2019, respectively, and short-term lease expense of $1 million for both the years ended December 31, 2020 and 2019.

The following table summarizes our outstanding operating and finance lease obligations as of December 31, 2020 (in millions):

	Operating Leases	Finance Leases	Total
2021	$ 46	$ 8	$ 54
2022	36	8	44
2023	32	7	39
2024	26	6	32
2025	24	5	29
2026 and thereafter	142	19	161
Total undiscounted obligations	306	53	359
Less imputed interest	(74)	(15)	(89)
Present value of lease obligations	$ 232	$ 38	$ 270

The following table summarizes supplemental balance sheet information related to leases as of December 31, 2020 and December 31, 2019 (in millions, except lease term and discount rate):

	2020		2019	
	Operating Leases	**Finance Leases**	**Operating Leases**	**Finance Leases**
Lease assets, non-current	**$ 197**	**$ 17** (a)	$ 223	$ 14 (a)
Lease liabilities, current	**34**	**5**	38	5
Lease liabilities, non-current	**198**	**33**	217	33
Total lease liabilities	**$ 232**	**$ 38**	$ 255	$ 38
Weighted average remaining lease term (in years)	**9.39**	**8.39**	9.55	7.18
Weighted average discount rate	**5.7 %**	**8.4 %**	5.7 %	8.8 %

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

The following table presents other information related to leases for the years ended December 31, 2020 and December 31, 2019 (in millions):

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 55**	$ 38
Operating cash flows from finance leases	**$ 3**	$ 4
Financing cash flows from finance leases	**$ 5**	$ 5
Leased assets obtained in exchange for new operating lease liabilities	**$ 20**	$ 35
Leased assets obtained in exchange for new finance lease liabilities	**$ 6**	$ —

9. PROGRAM CONTRACTS:

Future payments required under television program contracts as of December 31, 2020 were as follows (in millions):

2021	$ 92
2022	16
2023	9
2024	4
2025	1
Total	122
Less: Current portion	92
Long-term portion of program contracts payable	$ 30

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 $24 million. In addition, we have entered into non-cancelable commitments for future television program rights aggregating to $91 million as of December 31, 2020.

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 in 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 (with a 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.

During the years ended December 31, 2020 and 2019, we redeemed 550,000 and 300,000 units, respectively, of the Redeemable Subsidiary Preferred Equity for an aggregate redemption price equal to $550 million and $300 million, respectively, 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.

Dividends accrued during the years ended December 31, 2020 and 2019 were $36 million and $33 million, respectively, and are reflected in net income attributable to the redeemable noncontrolling interests in our consolidated statements of operations. The balance of the Redeemable Subsidiary Preferred Equity, net of issuance costs, was $170 million and $700 million as of December 31, 2020 and 2019, respectively.

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 had the right to sell its interest to the Company at a fair market sale value of $376 million, plus any undistributed income, which was exercised and settled in January 2020.

A noncontrolling equity holder of one of our subsidiaries has the right to sell its interest to the Company at any time during the 30-day period following September 30, 2025. The initial value of this redeemable noncontrolling interest was recorded at $22 million.

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 2020, no Class B Common Stock shares were converted into Class A Common Stock shares. During 2019, 943,002 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 debt; and
- after taking into account the dividends payment, we are within certain restricted payment requirements contained in each indenture.

During 2020 and 2019, 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. Total dividend payments for both the year ended December 31, 2020 and 2019 were $0.80 per share. In February 2021, 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 4, 2020, the Board of Directors authorized an additional $500 million share repurchase authorization in addition to the previous repurchase authorization of $1 billion. There is no expiration date and currently, management has no plans to terminate this program. For the year ended December 31, 2020, we repurchased approximately 19 million shares of Class A Common Stock for $343 million. As of December 31, 2020, the total remaining repurchase authorization was $880 million.

12. INCOME TAXES:

The (benefit) provision for income taxes consisted of the following for the years ended December 31, 2020, 2019, and 2018 (in millions):

	2020	2019	2018
Current (benefit) provision for income taxes:			
Federal	**$ (126)**	$ (89)	$ 59
State	**9**	(2)	8
	(117)	(91)	67
Deferred benefit for income taxes:			
Federal	**(584)**	(4)	(69)
State	**(19)**	(1)	(34)
	(603)	(5)	(103)
Benefit for income taxes	**$ (720)**	$ (96)	$ (36)

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

	2020	2019	2018
Federal statutory rate	**21.0 %**	21.0 %	21.0 %
Adjustments:			
Valuation allowance (a)	**(6.1)%**	(237.1)%	0.7 %
State income taxes, net of federal tax benefit (b)	**4.0 %**	56.6 %	(8.8)%
Net operating loss carryback (c)	**1.9 %**	— %	— %
Federal tax credits (d)	**1.7 %**	(684.6)%	(19.9)%
Noncontrolling interest (e)	**0.7 %**	(138.9)%	(0.3)%
Change in unrecognized tax benefits (f)	**(0.2)%**	72.2 %	— %
Effect of consolidated VIEs (g)	**(0.1)%**	46.3 %	1.6 %
Stock-based compensation	**(0.1)%**	(15.9)%	0.5 %
Spectrum sales (h)	**— %**	(386.7)%	(5.8)%
Nondeductible items (i)	**— %**	192.7 %	0.4 %
Capital loss carryback (j)	**— %**	(26.0)%	— %
Federal tax reform (k)	**— %**	— %	(1.4)%
Other	**0.1 %**	(3.0)%	0.3 %
Effective income tax rate	**22.9 %**	(1,103.4)%	(11.7)%

(a) Our 2020 income tax provision includes a $192 million addition related to an increase in valuation allowance primarily due to the change in judgement in the realizability of certain deferred tax assets resulting from the reduction in forecast of future operating income and the RSN impairment. Our 2019 income tax provision included a $16 million benefit related to a release of valuation allowance on certain state net operating losses where utilization was expected as a result of a business combination.

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

(c) Our 2020 provision includes a $61 million benefit as result of the CARES Act allowing for the 2020 federal net operating loss to be carried back to the pre-2018 years when the federal tax rate was 35%.

(d) Our 2020, 2019, and 2018 income tax provisions include a benefit of $42 million, $57 million, and $58 million, respectively, related to investments in sustainability initiatives whose activities qualify for federal income tax credits through 2021.

(e) Our 2020 and 2019 income tax provisions include a $23 million and a $12 million benefit, respectively, related to noncontrolling interest of various partnerships.

(f) Our 2020 and 2019 income tax provisions include a $5 million and $4 million additions, respectively, related to tax positions of prior tax years.

(g) 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 not tax-deductible by us, and since these VIEs are treated as pass-through entities for income tax purposes, deferred income tax benefits are not recognized.

(h) Our 2019 income tax provision includes a benefit of $34 million related to the treatment of the gain from the sale of certain broadcast spectrum in connection with the Broadcast Incentive Auction.

(i) Our 2019 income tax provision includes a $17 million addition primarily related to regulatory costs, executive compensation and other not tax-deductible expenses.

(j) Our 2019 income tax provision includes a $2 million benefit related to capital losses that will be carried back to the pre-2018 tax years when the federal tax rate was 35%.

(k) Our 2018 income tax provision includes a non-recurring benefit of $4 million 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, 2020 and 2019 were as follows (in millions):

	2020	2019
Deferred Tax Assets:		
Net operating losses:		
Federal	**$ 22**	$ 22
State	**130**	92
Goodwill and intangible assets	**9**	10
Basis in DSH	**834**	—
Tax Credits	**67**	—
Settlement and other accruals	**7**	39
Other	**46**	28
	1,115	191
Valuation allowance for deferred tax assets	**(252)**	(65)
Total deferred tax assets	**$ 863**	$ 126
Deferred Tax Liabilities:		
Goodwill and intangible assets	**$ (402)**	$ (415)
Property & equipment, net	**(221)**	(90)
Other	**(43)**	(28)
Total deferred tax liabilities	**(666)**	(533)
Net deferred tax assets (liabilities)	**$ 197**	$ (407)

At December 31, 2020, the Company had approximately $106 million and $2.9 billion of gross federal and state net operating losses, respectively. Those losses will expire during various years from 2021 to 2040, and some of them are subject to annual limitations under the IRC 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, 2020, a valuation allowance has been provided for deferred tax assets related to certain temporary basis differences, interest expense carryforwards under the IRC Section 163(j) and a substantial portion of our available state net operating loss carryforwards based on past operating results, expected timing of the reversals of existing temporary basis differences, alternative tax strategies, current and cumulative losses, 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, 2020, we increased our valuation allowance by $187 million to $252 million. The increase in valuation allowance was primarily due to the change in judgement in the realizability of certain deferred tax assets resulting from changes in our forecast of future operating income and the RSN impairment. 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.

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

	2020	2019	2018
Balance at January 1,	**$ 11**	$ 7	$ 7
Additions related to prior year tax positions	**5**	4	—
Additions related to current year tax positions	**3**	—	2
Reductions related to prior year tax positions	**(1)**	—	(1)
Reductions related to settlements with taxing authorities	**(4)**	—	—
Reductions related to expiration of the applicable statute of limitations	**(3)**	—	(1)
Balance at December 31,	**$ 11**	$ 11	$ 7

We are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. Our 2017 and 2018 federal tax returns are currently under audit, and several of our subsidiaries are currently under state examinations for various years. Certain of our 2016 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 do not believe that our liability for unrecognized tax benefits would be materially impacted, 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.

In August 2020, we received an approval from the Joint Committee on Taxation of a settlement agreement with the Internal Revenue Service with respect to the audit of our 2013 - 2015 federal income tax returns. There was no material impact on our financial statements as a result of this settlement.

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 local sports segment's sports programming rights agreements as of December 31, 2020. These commitments assume that sports teams fully deliver the contractually committed games, and do not reflect the impact of rebates expected to be paid by the teams.

(in millions)		
2021	$	1,820
2022		1,575
2023		1,525
2024		1,457
2025		1,370
2026 and thereafter		6,912
Total	$	14,659

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, 2020 and December 31, 2019, $31 million and $56 million, respectively, were recorded within other current liabilities and $97 million and $145 million, respectively, were recorded within other long-term liabilities in our consolidated balance sheets. Interest expense of $8 million and $4 million was recorded for the years ended December 31, 2020 and 2019, respectively.

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, 2020 and December 31, 2019, $12 million and $34 million, respectively, were recorded within other current liabilities and $41 million and $205 million, respectively, were recorded within other long-term liabilities in our consolidated balance sheets. These obligations are measured at the present value of the estimated amount of cash to be paid over the term of the contracts. We recorded a measurement adjustment gain of $159 million for the year ended December 31, 2020, recorded within other income, net in our consolidated statements of operations. The measurement adjustment gain was a result of a decrease in the projected excess cash flows of the related RSNs, as further discussed in *Note 5. Goodwill, Indefinite-Lived Intangible Assets, and Other Intangible Assets.*

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.

FCC Litigation Matters

On December 21, 2017, the FCC issued a Notice of Apparent Liability for Forfeiture (NAL) proposing a $13 million fine for alleged violations of the FCC's sponsorship identification rules by the Company and certain of its subsidiaries. We filed a response disputing the Commission's findings and the proposed fine.

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 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.

On May 22, 2020, the FCC released an Order and Consent Decree pursuant to which the Company agreed to pay $48 million to resolve the matters covered by the NAL, the FCC's investigation of the allegations raised in the HDO, and a retransmission related matter. The Company submitted the $48 million payment on August 19, 2020. As part of the consent decree, the Company also agreed to implement a 4-year compliance plan. Two petitions were filed on June 8, 2020 seeking reconsideration of the Order and Consent Decree. The Company filed an opposition to the petitions on June 18, 2020, and the petitions remain pending. For the year ended December 31, 2020, we recorded an expense of $2.5 million for the above legal matters, which is reflected within selling, general, and administrative expenses in our consolidated statements of operations.

On September 1, 2020, one of the individuals who filed a petition for reconsideration of the Order and Consent Decree filed a petition to deny the license renewal application of WBFF(TV), Baltimore, MD, and the license renewal applications of two other Baltimore, MD stations with which the Company has a JSA or LMA, Deerfield Media station WUTB(TV) and Cunningham station WNUV(TV). The Company filed an opposition to the petition on October 1, 2020, and the petition remains pending.

On September 2, 2020, the FCC adopted a Memorandum Opinion and Order and Notice of Apparent Liability for Forfeiture (NAL) against the licensees of several stations with whom the Company has LMAs, JSAs, and/or SSAs in response to a complaint regarding those stations' retransmission consent negotiations. The NAL proposed a $0.5 million penalty for each station, totaling $9 million. The licensees filed a response to the NAL on October 15, 2020, asking the Commission to dismiss the proceeding or, alternatively, to reduce the proposed forfeiture to $25,000 per station. The Company is not a party to that proceeding and cannot predict whether or how the proceeding will affect the Company's financial statements. However, we accrued an expense for the above legal matters during the year ending December 31, 2020, as we consolidate these stations as VIEs.

Other Litigation Matters

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. The Court denied the Defendants' motion to dismiss on November 6, 2020. Since then, the Plaintiffs have served the Defendants with written discovery requests, and the Court has set a pretrial schedule requiring discovery to be completed by July 1, 2022, and briefing on class certification to be completed by November 14, 2022. The Company believes the lawsuits are without merit and intends to vigorously defend itself against all such claims.

On August 9, 2018, Edward Komito, a putative Company shareholder, filed a class action 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 was 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. Defendants filed an opposition to this motion. On July 20, 2020, the Court issued a decision denying plaintiffs' motion and dismissing the remaining claims (which the Court previously had not dismissed in its February 4, 2020 decision) based on lack of standing. The plaintiffs did not appeal this decision, and the Securities Action therefore has concluded.

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 was 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 July 20, 2020, the parties to the Derivative Actions executed a Stipulation and Agreement of Settlement, Compromise and Release (the Settlement Stipulation) reflecting the terms of the settlement of the Derivative Actions (the Settlement), subject to final approval by the Court (which approval subsequently was obtained). In connection with the Settlement, (a) the Company's Board of Directors agreed to implement a series of corporate governance measures (as described in Exhibit A to the Settlement Stipulation); (b) defendants' insurers agreed to pay $20.5 million into a settlement fund, which, after a deduction for an award of fees and expenses to plaintiffs' counsel in an amount determined by the Court, was paid to the Company; (c) the Board of Directors agreed to designate an aggregate amount of $5 million of the settlement fund to be used, over a period of five years, for the implementation and operation of the corporate governance measures and certain compliance programs in connection with an FCC consent decree that was previously announced on May 6, 2020; and (d) the Company's Executive Chairman David D. Smith agreed to forgo, cancel, or return a grant of SARs of 638,298 shares of Sinclair Class A Common Stock that was awarded to him in February 2020. In exchange for the consideration described above, the Settlement provided that the Derivative Actions would be dismissed and defendants would be released of any claims relating to the Tribune Merger or the HDO (provided that the release will not include the Securities Action). Defendants did not admit any liability or wrongdoing in connection with the Settlement and entered into the Settlement to avoid the costs, risks, distraction, and uncertainties of continued litigation. On July 23, 2020, and pursuant to the Settlement, the Teamsters Action was voluntarily dismissed. Also on July 23, 2020, the plaintiffs in the Norfolk Action and the San Antonio Action filed the settlement papers with the District of Maryland and moved for preliminary approval of the Settlement as fair, reasonable, and adequate, and providing for notice to shareholders of the Settlement. On August 6, 2020, the court entered an order preliminarily approving the settlement and providing for notice of a final settlement hearing to be held on October 27, 2020. On October 27, 2020, the court held the final settlement hearing. On November 20, 2020, the court issued an opinion and entered a Final Order and Judgment approving the Settlement and the Settlement Stipulation (with a modification of the fees to be awarded to plaintiffs' counsel). Accordingly, the Derivative Actions have concluded.

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 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 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 April 17, 2020, the FCC and industry intervenors filed petitions for writ of certiorari with the Supreme Court, which petitions were granted on October 2, 2020. The briefing schedule concluded on January 12, 2021, and oral argument was heard on January 19, 2021. We cannot predict the outcome of the proceeding. 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 certain of its ownership rules 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 in our consolidated balance sheets as of December 31, 2020 and 2019 were as follows (in millions):

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 64**	$ 39
Accounts receivable, net	**70**	39
Prepaid sports rights	**2**	10
Other current assets	**5**	6
Total current asset	**141**	94
Property and equipment, net	**16**	15
Operating lease assets	**6**	8
Goodwill and indefinite-lived intangible assets	**15**	15
Definite-lived intangible assets, net	**54**	93
Other assets	**1**	3
Total assets	**$ 233**	$ 228
LIABILITIES		
Current liabilities:		
Other current liabilities	**$ 40**	$ 19
Notes payable, finance leases, and commercial bank financing, less current portion	**10**	15
Operating lease liabilities, less current portion	**5**	6
Program contracts payable, less current portion	**4**	7
Other long term liabilities	**17**	1
Total liabilities	**$ 76**	$ 48

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 $131 million and $127 million as of December 31, 2020 and December 31, 2019, 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, 2020, 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 $75 million and $71 million as of December 31, 2020 and 2019, respectively, and are included in other assets in 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 from equity method investments and other income, net, respectively, in our consolidated statements of operations. We recorded losses of $38 million, $50 million, and $45 million for the years ended December 31, 2020, 2019, and 2018, 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, 2020, 2019, and 2018.

Finance leases payable related to the aforementioned relationships were $8 million, net of $2 million interest, and $11 million, net of $3 million interest, as of December 31, 2020 and 2019, 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 $1 million for the year ended December 31, 2020 and $2 million for each of the years ended December 31, 2019 and 2018.

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, 2020, we have jointly, severally, unconditionally, and irrevocably guaranteed $41 million of Cunningham debt, of which $8 million, net of $0.4 million deferred financing costs, relates to the Cunningham VIEs that we consolidate.

The voting stock of Cunningham is owned by an unrelated party. 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.

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 $54 million and $51 million as of December 31, 2020 and 2019, respectively. The remaining aggregate purchase price of these stations, net of prepayments, was $54 million for both the years ended December 31, 2020 and 2019. 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 for each of the years ended December 31, 2020 and 2019 and $10 million for the year ended December 31, 2018.

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 November 2021 and December 2028, and certain stations have renewal provisions for successive eight-year periods.

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 in our consolidated statements of operations. Our consolidated revenues include $157 million, $155 million, and $171 million for the years ended December 31, 2020, 2019, and 2018, respectively, related to the Cunningham Stations.

We have 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 addition, we have an agreement with Cunningham to provide a news share service with the Johnstown, PA station for an annual fee of $1 million that expires in December 2021.

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 each of the years ended December 31, 2020, 2019, and 2018.

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, 2020, 2019, and 2018.

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, the YES Network paid us a management services fee of $5 million and $2 million for the years ended December 31, 2020 and 2019, respectively.

In conjunction with the RSN Acquisition 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. We made payments to these businesses for production services totaling $19 million and $12 million for the years ended December 31, 2020 and 2019, respectively.

Programming rights

As of December 31, 2020, affiliates of six professional teams have non-controlling equity interests in certain of our RSNs. These agreements expire on various dates during the fiscal years ended 2025 through 2032. The Company paid $168 million, net of rebates, for the year ended December 31, 2020 and $73 million for the year ended December 31, 2019 under sports programming rights agreements covering the broadcast of regular season games to professional teams who have non-controlling equity interests in certain of our RSNs.

Employees

Jason Smith, an employee of the Company, is the son of Frederick Smith, a Vice President of the Company and a member of the Company's Board of Directors. Jason Smith received total compensation of $0.2 million, consisting of salary and bonus, for each of the years ended December 31, 2020, 2019, and 2018, and was granted a RSA with respect to 355 shares, vesting over two years, for the year ended December 31, 2020. Amberly Thompson, an employee of the Company, is the daughter of Donald Thompson, Executive Vice President and Chief Human Resources Officer of the Company. Amberly Thompson received total compensation of $0.2 million, consisting of salary and bonus, for each of the years ended December 31, 2020 and 2019, and $0.1 million, consisting of salary and bonus, for the year ended December 31, 2018. Edward Kim, an employee of the company, is the brother-in-law of Christopher Ripley, President and Chief Executive Officer of the Company. Edward Kim was hired during the year ended December 31, 2020, with a base salary of $0.2 million, and received total compensation for the year of $0.1 million, consisting of salary.

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, 2020, 2019, and 2018 (in millions, except share amounts which are reflected in thousands):

	2020	2019	2018
Income (Numerator)			
Net (loss) income	**$ (2,429)**	$ 105	$ 346
Net income attributable to the redeemable noncontrolling interests	**(56)**	(48)	—
Net loss (income) attributable to the noncontrolling interests	**71**	(10)	(5)
Numerator for basic and diluted earnings per common share available to common shareholders	**$ (2,414)**	$ 47	$ 341
Shares (Denominator)			
Basic weighted-average common shares outstanding	**79,924**	92,015	100,913
Dilutive effect of stock settled appreciation rights and outstanding stock options	—	1,170	805
Diluted weighted-average common and common equivalent shares outstanding	**79,924**	93,185	101,718

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.

	2020	2019	2018
Weighted-average stock-settled appreciation rights and outstanding stock options excluded	**3,288**	238	1,325

17. SEGMENT DATA:

We measure segment performance based on operating income (loss). We have two reportable segments: broadcast and local sports. Our broadcast segment, previously referred to as our local news and marketing service segment, provides free over-the-air programming to television viewing audiences and includes stations in 88 markets located throughout the continental United States. Our local sports segment, previously referred to as our sports segment, provides viewers with live professional sports content and includes our regional sports network brands, Marquee, and a minority equity interest in the YES Network. 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.

Segment financial information is included in the following tables for the years ended December 31, 2020, 2019, and 2018 (in millions):

As of December 31, 2020	Broadcast	Local sports	Other & Corporate	Eliminations	Consolidated
Goodwill	**$ 2,017**	**$ —**	**$ 75**	**$ —**	**$ 2,092**
Assets	**4,908**	**6,620**	**1,867**	**(13)**	**13,382**
Capital expenditures	**101**	**24**	**32**	**—**	**157**

As of December 31, 2019	Broadcast	Local sports	Other & Corporate	Eliminations	Consolidated
Goodwill	$ 2,026	$ 2,615	$ 75	$ —	$ 4,716
Assets	4,866	11,258	1,271	(25)	17,370
Capital expenditures	150	9	9	(12)	156

For the year ended December 31, 2020	Broadcast	Local sports	Other & Corporate	Eliminations	Consolidated
Revenue	**$ 2,922**	**$ 2,686**	**$ 451**	**$ (116)** (e)	**$ 5,943**
Depreciation of property and equipment and amortization of definite-lived intangible assets and other assets	**239**	**410**	**27**	**(2)**	**674**
Amortization of sports programming rights (a)	**—**	**1,078**	**—**	**—**	**1,078**
Amortization of program contract costs	**83**	**—**	**3**	**—**	**86**
Corporate general and administrative expenses	**119**	**10**	**19**	**—**	**148**
(Gain) loss on asset dispositions and other, net of impairment	**(118)** (b)	**—**	**3**	**—**	**(115)**
Impairment of goodwill and definite-lived intangible assets	**—**	**4,264**	**—**	**—**	**4,264**
Operating income (loss)	**789** (b)	**(3,602)**	**47**	**(6)**	**(2,772)**
Interest expense including amortization of debt discount and deferred financing costs	**5**	**460**	**203**	**(12)**	**656**
Income (loss) from equity method investments	**—**	**6**	**(42)**	**—**	**(36)**

For the year ended December 31, 2019	Broadcast	Local sports	Other & Corporate	Eliminations	Consolidated
Revenue	$ 2,690	$ 1,139	$ 470	$ (59) (e)	$ 4,240
Depreciation of property and equipment and amortization of definite-lived intangible assets and other assets	246	157	22	(1)	424
Amortization of sports programming rights (a)	—	637	—	—	637
Amortization of program contract costs	90	—	—	—	90
Corporate general and administrative expenses	144	93	151	(1)	387
Gain on asset dispositions and other, net of impairment	(62) (b)	—	(30)	—	(92)
Operating income (loss)	546 (b)	30	(98)	(8)	470
Interest expense including amortization of debt discount and deferred financing costs	5	200	230	(13)	422
Income (loss) from equity method investments	—	18	(53)	—	(35)

For the year ended December 31, 2018	Broadcast		Local sports	Other & Corporate		Eliminations	Consolidated
Revenue	$ 2,715		$ —	$ 350		$ (10)	$ 3,055
Depreciation of property and equipment and amortization of definite-lived intangible assets and other assets	252		—	29		(1)	280
Amortization of program contract costs	101		—	—		—	101
Corporate general and administrative overhead expenses	100		—	11		—	111
(Gain) loss on asset dispositions and other, net of impairment	(100)	(c)	—	60	(d)	—	(40)
Operating income (loss)	751	(c)	—	(88)	(d)	(3)	660
Interest expense including amortization of debt discount and deferred financing costs	6		—	301		(15)	292
Loss from equity method investments	—		—	(61)		—	(61)

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

(b) Includes gains of $90 million and $62 million for the years ended December 31, 2020 and 2019, respectively, 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 $100 million and $35 million of revenue for the years ended December 31, 2020 and 2019, respectively, for services provided by broadcast to local sports and other, which are eliminated in consolidation.

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, 2020 and 2019 (in millions):

	2020		2019	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Level 1:				
Investments in equity securities	**$ 68**	**$ 68**	$ 2	$ 2
STG:				
Money market funds	**448**	**448**	354	354
Deferred compensation assets	**42**	**42**	36	36
Deferred compensation liabilities	**36**	**36**	33	33
DSG:				
Money market funds	**292**	**292**	559	559
Level 2 (a):				
STG:				
5.875% Senior Unsecured Notes due 2026	**348**	**358**	350	368
5.625% Senior Unsecured Notes due 2024 (b)	—	—	550	566
5.500% Senior Unsecured Notes due 2030	**500**	**520**	500	511
5.125% Senior Unsecured Notes due 2027	**400**	**408**	400	411
4.125% Senior Secured Notes due 2030 (b)	**750**	**770**	—	—
Term Loan B (b)	**1,119**	**1,107**	1,329	1,326
Term Loan B-2	**1,284**	**1,264**	1,297	1,300
DSG:				
12.750% Senior Secured Notes due 2026 (c)	**31**	**28**	—	—
6.625% Senior Unsecured Notes due 2027 (c)	**1,744**	**1,056**	1,825	1,775
5.375% Senior Secured Notes due 2026	**3,050**	**2,483**	3,050	3,085
Term Loan	**3,259**	**2,884**	3,292	3,284
Accounts Receivable Securitization Facility (d)	**177**	**177**	—	—
Debt of variable interest entities	**17**	**17**	21	21
Debt of non-media subsidiaries	**17**	**17**	18	18
Level 3:				
Options and warrants (e)	**332**	**332**	—	—

(a) Amounts are carried in our consolidated balance sheets net of debt discount, premium, and deferred financing costs, which are excluded in the above table, of $183 million and $231 million as of December 31, 2020 and 2019, respectively.

(b) On December 4, 2020, we issued $750 million aggregate principal amount of the STG 4.125% Secured Notes, the net proceeds of which were used, plus cash on hand, to redeem $550 million aggregate principal amount of the STG 5.625% Notes, as well as repay $200 million of STG's Term Loan B-1. See *Note 7. Notes Payable and Commercial Bank Financing* for additional information.

(c) On June 10, 2020, we exchanged $66.5 million aggregate principal amount of the DSG 6.625% Notes for cash payments of $10 million, including accrued but unpaid interest, and $31 million aggregate principal amount of the newly issued DSG 12.750% Secured Notes. See *Note 7. Notes Payable and Commercial Bank Financing* for additional information.

(d) We entered into the A/R Facility on September 23, 2020. As of December 31, 2020, the balance of the loans under the A/R Facility was $177 million. See *Note 7. Notes Payable and Commercial Bank Financing* for additional information.

(e) On November 18, 2020, we entered into a commercial agreement with Bally's and received warrants and options to acquire common equity in the business. These financial instruments were determined to have an initial value of $199 million. During the year ended December 31, 2020 we recorded $133 million of fair value adjustments related to these interests. The fair value of the warrants are primarily derived from the quoted trading prices of the underlying common equity adjusted for a 25% discount for lack of marketability (DLOM). The fair value of the options is derived utilizing the Black Scholes valuation model. The most significant inputs include the trading price of the underlying common stock, the exercise price of the options, which range from $30 to $45 per share, and a DLOM of 25%. There are certain restrictions surrounding the sale and ownership of common stock and the Company has agreed not to sell any shares beneficially owned prior to the first anniversary of the agreement. The Company is also precluded from owning more than 4.9% of the outstanding common shares of Bally's, inclusive of shares obtained through the exercise of the warrants and options described above. See *Note 6. Other Assets* for further discussion.

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

	Options and Warrants	
Fair value at December 31, 2019	$	—
Acquisition		**199**
Measurement adjustments		**133**
Fair value at December 31, 2020	**$**	**332**

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, 5.875% unsecured notes, 5.125% unsecured notes, 5.500% unsecured notes and 4.125% secured notes. Our Class A Common Stock and Class B Common Stock as of December 31, 2020, were obligations or securities of SBG and not obligations or securities of STG. SBG is a guarantor under STG's Bank Credit Agreement, 5.875% unsecured notes, 5.125% unsecured notes, 5.500% unsecured notes, and 4.125% secured notes. As of December 31, 2020, our consolidated total debt of $12,551 million included $4,405 million of debt related to STG and its subsidiaries of which SBG guaranteed $4,366 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.

CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020
(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	$ —	$ 458	$ —	$ 801	$ —	$ 1,259
Accounts receivable, net	—	—	558	502	—	1,060
Other current assets	7	46	372	560	(87)	898
Total current assets	7	504	930	1,863	(87)	3,217
Property and equipment, net	1	33	706	109	(26)	823
Investment in equity of consolidated subsidiaries	430	3,549	—	—	(3,979)	—
Restricted cash	—	—	—	3	—	3
Goodwill	—	—	2,082	10	—	2,092
Indefinite-lived intangible assets	—	—	156	15	—	171
Definite-lived intangible assets, net	—	—	1,256	4,409	(41)	5,624
Other long-term assets	139	1,718	280	1,569	(2,254)	1,452
Total assets	$ 577	$ 5,804	$ 5,410	$ 7,978	$ (6,387)	$ 13,382
Accounts payable and accrued liabilities	$ 19	$ 70	$ 247	$ 284	$ (87)	$ 533
Current portion of long-term debt	—	13	5	41	(1)	58
Other current liabilities	1	2	134	306	—	443
Total current liabilities	20	85	386	631	(88)	1,034
Long-term debt	700	4,337	33	8,460	(1,037)	12,493
Investment in deficit of consolidated subsidiaries	1,118	—	—	—	(1,118)	—
Other long-term liabilities	12	121	1,445	710	(1,438)	850
Total liabilities	1,850	4,543	1,864	9,801	(3,681)	14,377
Redeemable noncontrolling interests	—	—	—	190	—	190
Total Sinclair Broadcast Group (deficit) equity	(1,273)	1,261	3,546	(2,098)	(2,710)	(1,274)
Noncontrolling interests in consolidated subsidiaries	—	—	—	85	4	89
Total liabilities, redeemable noncontrolling interests, and equity	$ 577	$ 5,804	$ 5,410	$ 7,978	$ (6,387)	$ 13,382

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 STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020
(In millions)

	Sinclair Broadcast Group, Inc.	Sinclair Television Group, Inc.	Guarantor Subsidiaries and KDSM, LLC	Non-Guarantor Subsidiaries	Eliminations	Sinclair Consolidated
Net revenue	$ —	$ 100	$ 3,081	$ 2,946	$ (184)	$ 5,943
Media programming and production expenses	—	3	1,284	1,519	(71)	2,735
Selling, general and administrative	18	122	658	279	(97)	980
Impairment of goodwill and definite-lived intangible assets	—	—	—	4,264	—	4,264
Depreciation, amortization and other operating expenses	2	8	211	525	(10)	736
Total operating expenses	20	133	2,153	6,587	(178)	8,715
Operating (loss) income	(20)	(33)	928	(3,641)	(6)	(2,772)
Equity in (loss) earnings of consolidated subsidiaries	(2,409)	877	—	—	1,532	—
Interest expense	(13)	(191)	(3)	(474)	25	(656)
Other income (expense)	27	4	(41)	303	(14)	279
Total other (expense) income	(2,395)	690	(44)	(171)	1,543	(377)
Income tax benefit	1	51	3	665	—	720
Net (loss) income	(2,414)	708	887	(3,147)	1,537	(2,429)
Net income attributable to the redeemable noncontrolling interests	—	—	—	(56)	—	(56)
Net loss attributable to the noncontrolling interests	—	—	—	71	—	71
Net (loss) income attributable to Sinclair Broadcast Group	$ (2,414)	$ 708	$ 887	$ (3,132)	$ 1,537	$ (2,414)
Comprehensive (loss) income	$ (2,414)	$ 707	$ 887	$ (3,154)	$ 1,537	$ (2,437)

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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	$ (119)	$ (75)	$ 864	$ 875	$ 3	$ 1,548
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment	—	(8)	(130)	(26)	7	(157)
Acquisition of businesses, net of cash acquired	—	—	(16)	—	—	(16)
Proceeds from the sale of assets	—	—	36	—	—	36
Purchases of investments	(43)	(8)	(43)	(45)	—	(139)
Spectrum repack reimbursements	—	—	90	—	—	90
Other, net	1	—	(2)	28	—	27
Net cash flows (used in) from investing activities	(42)	(16)	(65)	(43)	7	(159)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:						
Proceeds from notes payable and commercial bank financing	—	1,398	—	421	—	1,819
Repayments of notes payable, commercial bank financing and finance leases	—	(1,434)	(4)	(301)	—	(1,739)
Dividends paid on Class A and Class B Common Stock	(63)	—	—	—	—	(63)
Repurchase of outstanding Class A Common Stock	(343)	—	—	—	—	(343)
Dividends paid on redeemable subsidiary preferred equity	—	—	—	(36)	—	(36)
Redemption of subsidiary preferred equity	—	—	—	(547)	—	(547)
Debt issuance costs	—	(11)	—	(8)	—	(19)
Distributions to noncontrolling interests	—	—	—	(32)	—	(32)
Distributions to redeemable noncontrolling interests	—	—	—	(383)	—	(383)
Increase (decrease) in intercompany payables	565	239	(798)	4	(10)	—
Other, net	2	—	—	(119)	—	(117)
Net cash flows from (used in) financing activities	161	192	(802)	(1,001)	(10)	(1,460)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	—	101	(3)	(169)	—	(71)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period	—	357	3	973	—	1,333
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period	$ —	$ 458	$ —	$ 804	$ —	$ 1,262

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)
Spectrum repack reimbursements	—	—	62	—	—	62
Other, net	—	3	(1)	5	—	7
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	—	—	—	(27)	—	(27)
Distributions to redeemable noncontrolling interests	—	—	—	(5)	—	(5)
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)
Other, net	6	—	3	18	—	27
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

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

	For the Quarter Ended			
	3/31/2020	**6/30/2020**	**9/30/2020**	**12/31/20**
Total revenues	**$ 1,609**	**$ 1,283**	**$ 1,539**	**$ 1,512**
Operating income (loss)	**$ 327**	**$ 492**	**$ (4,216)**	**$ 625**
Net income (loss)	**$ 151**	**$ 273**	**$ (3,367)**	**$ 514**
Net income (loss) attributable to Sinclair Broadcast Group	**$ 123**	**$ 252**	**$ (3,256)**	**$ 467**
Basic earnings (loss) per common share	**$ 1.36**	**$ 3.13**	**$ (43.53)**	**$ 6.32**
Diluted earnings (loss) per common share	**$ 1.35**	**$ 3.12**	**$ (43.53)**	**$ 6.27**

	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	$ (0.65)	$ 0.47

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, 2020 and 2019, and the related consolidated statements of operations, of comprehensive income, of equity and redeemable noncontrolling interests and of cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 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, 2020, 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.

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 matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill Impairment Assessment – Regional Sports Network Reporting Units

As described in Notes 1 and 5 to the consolidated financial statements, the Company's consolidated goodwill balance was $2,092 million as of December 31, 2020, and the impairment charge related to the Regional Sports Network reporting units was $2,615 million. Management evaluates goodwill for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that an impairment may exist. If management concludes it is more likely than not that a reporting unit is impaired, the fair value of the reporting unit is determined by management and compared to the net book value of the reporting unit. If the fair value is less than the net book value, an impairment to goodwill for the amount of the difference is recorded by management. The interim goodwill impairment test was performed during the third quarter of 2020 due to the negative impacts by the recent loss of certain distributors in the local sports segment , and resulted in an impairment charge of $2,615 million to the goodwill associated with the Regional Sports Network Reporting Units included within the local sports segment. Fair value of the Company's reporting units is estimated utilizing an income approach involving the performance of a discounted cash flow analysis. The more sensitive inputs used by management in the discounted cash flow analysis include projected revenues and margins, as well as the discount rates used to calculate the present value of future cash flows.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Regional Sports Network Reporting Units is a critical audit matter are (i) the significant judgment by management when developing the fair value of the reporting units; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to projected revenues and margins, and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

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 management's goodwill impairment assessment, including controls over the valuation of the Company's Regional Sports Network Reporting units. These procedures also included, among others, (i) testing management's process for developing the fair value estimate of the reporting units; (ii) evaluating the appropriateness of management's valuation model; (iii) testing the completeness and accuracy of underlying data used in the valuation model; and (iv) evaluating the significant assumptions used by management related to the projected revenues and margins and the discount rate. Evaluating management's assumptions related to projected revenues and margins involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting units, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's valuation approach and the discount rate.

Impairment Assessment of certain Definite-Lived Intangible Assets within the Regional Sports Network Asset Groups

As described in Notes 1 and 5 to the consolidated financial statements, the Company's consolidated customer relationship and other definite-lived intangibles balance was $4,286 million and $1,338 million, respectively, as of December 31, 2020, and the impairment charge related to the Regional Sports Network Asset Groups was $1,218 million and $431 million to customer relationships and other definite-lived intangibles, respectively. Management periodically evaluates long-lived assets, which includes definite-lived intangible assets, for impairment and continues to evaluate them as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Recoverability of long-lived intangible assets are evaluated by management by measuring the carrying amount of the assets within an asset group against the estimated undiscounted future cash flows associated with that asset group. At the time that such evaluations indicate that the future undiscounted cash flows of certain long-lived intangible 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. As a result of the loss of certain distributors, management performed an impairment test of the Regional Sports Network asset groups during the third quarter of 2020, which indicated certain Regional Sports Network asset groups had carrying values in excess of the future undiscounted cash flows. At that time the impairment loss was measured as the amount by which the carrying value of the asset group exceeded the fair value. The calculated impairment was then allocated to the definite-lived intangible assets based upon relative fair value. Fair value of the Company's asset groups is determined based upon a discounted cash flow analysis which uses the present value of projected cash flows. The more significant inputs used in the cash flow analyses relate to projected revenues and margins in

both the undiscounted and discounted cash flow analyses, and the discount rate used to present value future cash flows in the discounted cash flow analysis.

The principal considerations for our determination that performing procedures relating to the impairment assessment of certain definite-lived intangible assets within the Regional Sports Network asset groups is a critical audit matter are (i) the significant judgment by management when developing the estimated future undiscounted and discounted cash flows expected to be generated by certain assets within the Regional Sports Network asset groups; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to projected revenues and projected margins in both the undiscounted and discounted cash flow analyses, and the discount rate in the discounted cash flow analysis, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

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 management's impairment assessment of definite-lived intangible assets, including controls over the Company's valuation of certain assets in the Regional Sports Network asset groups. These procedures also included, among others, (i) testing management's process for developing the undiscounted and discounted cash flows expected to be generated by the assets groupings; (ii) testing the completeness and accuracy of underlying data used in the valuation; and (iii) evaluating the significant assumptions used by management related to projected revenues and projected margins in both the undiscounted and discounted cash flow analyses, and the discount rate in the discounted cash flow analysis. Evaluating management's assumptions related to projected revenues and projected margins involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the asset group, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discount rate assumption.

PricewaterhouseCoopers LLP

Baltimore, Maryland
March 1, 2021

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

Corporate

Frederick G. Smith
Vice President

J. Duncan Smith
Vice President

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

David B. Gibber
Senior Vice President,
General Counsel

Scott H. Shapiro
Senior Vice President,
Chief Development Officer, &
Chief Strategy Officer, Sports

Justin L. Bray
Vice President,
Treasurer

Jeffrey E. Lewis
Vice President,
Chief Compliance Officer

Divisions

Mark A. Aitken
President, ONE Media, 3.0 LLC

Stephen R. Altshuler
President, Triangle Sign & Service LLC

W. Gary Dorsch
President, Keyser Capital LLC

Steve Rosenberg
President, Local Sports

Kenneth A. Solomon
President, Tennis Channel Inc.

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

Board of Directors

David D. Smith
Chairman of the Board,
Executive Chairman

Frederick G. Smith
Vice President

J. Duncan Smith
Vice President, Secretary

Robert E. Smith
Director

Laurie R. Beyer
Director

Howard E. Friedman
Director

Daniel C. Keith
Director

Martin R. Leader
Director

Benson E. Legg
Director

Lawrence E. McCanna
Director

Corporate Officers

David D. Smith
Executive Chairman

Christopher S. Ripley
President & Chief Executive Officer

Robert D. Weisbord
President, Broadcast &
Chief Advertising Revenue Officer

Barry M. Faber
President, Distribution
& Network Relations

Lucy A. Rutishauser
Executive Vice President,
Chief Financial Officer

Common Stock

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

Independent Registered Public Accounting Firm

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

Annual Meeting

The Annual Meeting of stockholders will be held at Sinclair Broadcast Group's corporate offices,
10706 Beaver Dam Rd
Hunt Valley, MD 21030
Monday, June 28, 2021 at 10:00am.

Transfer Agent & 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
astfinancial.com

Form 10-K Annual Report

The Company's 2020 Form 10-K, as filed with the SEC, is available, at no charge, on the Company's website sbgi.net or upon written request to:
Billie Jo McIntire
Director, Investor Relations
Sinclair Broadcast Group, Inc.
10706 Beaver Dam Rd
Hunt Valley, MD 21030
410-568-1500