

SINCLAIR BROADCAST GROUP INC
Form 8-K
February 14, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest
event reported) **February 8, 2006**

Commission File Number **000-26076**

SINCLAIR BROADCAST GROUP, INC.

(Exact name of registrant)

Maryland
(State of organization)

52-1494660
(I.R.S. Employer Identification Number)

10706 Beaver Dam Road

Cockeysville, MD 21030

(Address of principal executive offices and zip code)

(410) 568-1500

(Registrant's telephone Number)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.01 Completion of Acquisition or Disposition of Assets.

On February 8, 2006, Sinclair Broadcast Group, Inc. (the Company) announced the completion of the sale of the FCC license assets (the License Assets) of WEMT-TV (the Station) in Tri-Cities, Tennessee. The sale of the License Assets was subject to the Federal Communications Commission's approval and was completed in accordance with the Asset Purchase Agreement (the License Purchase Agreement) among Aurora Broadcasting, Inc. and our wholly owned subsidiary, Sinclair Properties, LLC pursuant to which Aurora Broadcasting, Inc. acquired the License Assets. The closing relating to the non-license assets occurred on May 16, 2005 upon entry into the Asset Purchase Agreement (the Station Purchase Agreement) among our wholly owned subsidiary, Sinclair Properties, LLC and BlueStone Television, Inc. Since May 16, 2005, the Company has been operating the station under a certain interim operating agreement with BlueStone Television, Inc. The License Purchase Agreement and the Station Purchase Agreement, each dated as of May 16, 2005, were filed as exhibits to the Company's Current Report on Form 8-K filed on May 20, 2005. The Station was sold for approximately \$5.6 million and the License Assets were sold for approximately \$1.4 million. The net cash proceeds will be used in the normal course of operations and for capital expenditures.

Item 9.01 Financial Statements and Exhibits.

(b) Pro forma financial information

The unaudited pro forma condensed consolidated balance sheet presented below is based on the historical financial statements of the Company and give effect to the disposition of WEMT as of September 30, 2005. The unaudited pro forma condensed consolidated statements of operations presented below are based on the historical financial statements of the Company and give effect to the disposition of WEMT for the years ended December 31, 2004, 2003 and 2002. WEMT has been accounted for as discontinued operations in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 in accordance with the Statement of Financial Accounting Standards No. 144

Accounting for the Impairment or Disposal of Long-Lived Assets. Accordingly, an unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 2005 is not required to be included below. In the opinion of the Company's management, all adjustments and/or disclosures necessary for a fair presentation of the pro forma data have been made.

This unaudited pro forma condensed consolidated balance sheet and condensed consolidated statements of operations is presented for illustrative purposes only and is not necessarily indicative of the financial position that would have been achieved had the pro forma events described in the notes to the pro forma condensed consolidated balance sheet and condensed consolidated statements of operations described above not been completed as of the date indicated. The following unaudited pro forma condensed consolidated balance sheet and condensed consolidated statements of operations should be read in conjunction with the Company's financial statements and the accompanying notes to the financial statements included in the Company's Annual Report on Form 10-K, as amended, for the years ended December 31, 2004 and 2002, the Company's Annual Report on Form 10-K for the year ended December 31, 2003, as well as the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

SINCLAIR BROADCAST GROUP, INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2005

(Unaudited) (in thousands)

| | Historical | Pro Forma Adjustments | Pro Forma |
|---|--------------|---|--------------|
| ASSETS: | | | |
| CURRENT ASSETS | \$ 217,833 | \$ (3,278)(1) | \$ 214,555 |
| PROPERTY & EQUIPMENT, net | 312,002 | | 312,002 |
| GOODWILL, net | 1,047,958 | | 1,047,958 |
| BROADCAST LICENSES, net | 409,620 | | 409,620 |
| DEFINITE-LIVED INTANGIBLE ASSETS, net | 229,550 | | 229,550 |
| OTHER ASSETS | 95,578 | | 95,578 |
| Total assets | \$ 2,312,541 | \$ (3,278) | \$ 2,309,263 |
| LIABILITIES AND SHAREHOLDERS EQUITY: | | | |
| CURRENT LIABILITIES | \$ 239,364 | \$ (1,460)(2) 1,727(3) (3,249)(4) | \$ 236,382 |
| LONG-TERM LIABILITIES: | | | |
| Notes payable, capital leases and commercial bank financing, less current portion | 1,427,810 | | 1,427,810 |
| Notes and capital leases payable to affiliates, less current portion | 16,120 | | 16,120 |
| Other long-term liabilities | 392,463 | (748)(5) | 391,715 |
| Total liabilities | 2,075,757 | (3,730) | 2,072,027 |
| MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES | 5,782 | | 5,782 |
| SHAREHOLDERS EQUITY: | | | |
| Common stock | 854 | | 854 |
| Additional paid-in capital | 590,158 | | 590,158 |
| Accumulated deficit | (360,010) | 452(6) | (359,558) |
| Total shareholders equity | 231,002 | 452 | 231,454 |
| Total liabilities and shareholders equity | \$ 2,312,541 | \$ (3,278) | \$ 2,309,263 |

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

SINCLAIR BROADCAST GROUP, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2004

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

| | Historical | Pro Forma Adjustments (7) | Pro Forma |
|---|------------------|------------------------------|------------------|
| REVENUES: | | | |
| Station broadcast revenues, net of agency commissions | \$ 637,186 | \$ (2,577) | \$ 634,609 |
| Revenues realized from station barter arrangements | 58,039 | (226) | 57,813 |
| Other operating divisions revenue | 13,054 | | 13,054 |
| Total revenues | 708,279 | (2,803) | 705,476 |
| OPERATING EXPENSES: | | | |
| Station production expenses | 148,408 | (817) | 147,591 |
| Station selling, general and administrative expenses | 154,352 | (1,552) | 152,800 |
| Expenses recognized from station barter arrangements | 53,494 | (135) | 53,359 |
| Amortization of program contract costs and net realizable value adjustments | 89,938 | (786) | 89,152 |
| Stock-based compensation expense | 1,603 | (8) | 1,595 |
| Other operating divisions expenses | 14,932 | | 14,932 |
| Depreciation and amortization of property and equipment | 48,617 | (459) | 48,158 |
| Corporate general and administrative expenses | 21,160 | (1) | 21,159 |
| Amortization of definite-lived intangible assets and other assets | 18,544 | (62) | 18,482 |
| Total operating expenses | 551,048 | (3,820) | 547,228 |
| Operating income | 157,231 | 1,017 | 158,248 |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense and amortization of debt discount and deferred financing costs | (120,400) | | (120,400) |
| Unrealized gain on derivative instruments | 29,388 | | 29,388 |
| Impairment of goodwill | (44,055) | | (44,055) |
| Other income, net | 3,022 | | 3,022 |
| Total other expense | (132,045) | | (132,045) |
| Income from continuing operations before income taxes | 25,186 | 1,017 | 26,203 |
| Income tax provision | (11,182) | (329)(8) | (11,511) |
| INCOME FROM CONTINUING OPERATIONS | \$ 14,004 | \$ 688 | \$ 14,692 |
| BASIC AND DILUTED EARNINGS PER SHARE: | | | |
| Earnings per share from continuing operations | \$ 0.04 | \$ 0.01 | \$ 0.05 |
| Weighted average common shares outstanding | 85,590 | N/A | 85,590 |
| Weighted average common and common equivalent shares outstanding | 85,741 | N/A | 85,741 |

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

SINCLAIR BROADCAST GROUP, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2003

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

| | Historical | Pro Forma Adjustments (7) | Pro Forma |
|---|------------|------------------------------|------------|
| REVENUES: | | | |
| Station broadcast revenues, net of agency commissions | \$ 614,682 | \$ (2,789) | \$ 611,893 |
| Revenues realized from station barter arrangements | 59,155 | (310) | 58,845 |
| Other operating divisions revenue | 14,568 | | 14,568 |
| Total revenues | 688,405 | (3,099) | 685,306 |
| OPERATING EXPENSES: | | | |
| Station production expenses | 142,469 | (813) | 141,656 |
| Station selling, general and administrative expenses | 138,284 | (1,426) | 136,858 |
| Expenses recognized from station barter arrangements | 54,315 | (211) | 54,104 |
| Amortization of program contract costs and net realizable value adjustments | 98,966 | (587) | 98,379 |
| Stock-based compensation expense | 1,397 | (6) | 1,391 |
| Other operating divisions expenses | 16,375 | | 16,375 |
| Depreciation and amortization of property and equipment | 44,004 | (441) | 43,563 |
| Corporate general and administrative expenses | 19,532 | (1) | 19,531 |
| Amortization of definite-lived intangible assets and other assets | 18,797 | (62) | 18,735 |
| Total operating expenses | 534,139 | (3,547) | 530,592 |
| Operating income | 154,266 | 448 | 154,714 |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense and amortization of debt discount and deferred financing costs | (121,165) | | (121,165) |
| Subsidiary trust minority interest expense | (11,246) | | (11,246) |
| Unrealized gain from derivative instruments | 17,354 | | 17,354 |
| Loss from extinguishment of debt | (15,187) | | (15,187) |
| Other income, net | 2,488 | | 2,488 |
| Total other expense | (127,756) | | (127,756) |
| Income from continuing operations before income taxes | 26,510 | 448 | 26,958 |
| Income tax provision | (10,676) | (142)(8) | (10,818) |
| INCOME FROM CONTINUING OPERATIONS | \$ 15,834 | \$ 306 | \$ 16,140 |
| BASIC AND DILUTED EARNINGS PER SHARE: | | | |
| Earnings per share from continuing operations | \$ 0.06 | \$ 0.01 | \$ 0.07 |
| Weighted average common shares outstanding | 85,651 | N/A | 85,651 |
| Weighted average common and common equivalent shares outstanding | 85,793 | N/A | 85,793 |

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

SINCLAIR BROADCAST GROUP, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2002

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

| | Historical | Pro Forma Adjustments (7) | Pro Forma |
|---|-------------|------------------------------|-------------|
| REVENUES: | | | |
| Station broadcast revenues, net of agency commissions | \$ 624,375 | \$ (2,814) | \$ 621,561 |
| Revenues realized from station barter arrangements | 57,628 | (310) | 57,318 |
| Other operating divisions revenue | 4,344 | | 4,344 |
| Total revenues | 686,347 | (3,124) | 683,223 |
| OPERATING EXPENSES: | | | |
| Station production expenses | 132,146 | (872) | 131,274 |
| Station selling, general and administrative expenses | 134,978 | (1,447) | 133,531 |
| Expenses recognized from station barter arrangements | 51,283 | (166) | 51,117 |
| Amortization of program contract costs and net realizable value adjustments | 117,255 | (461) | 116,794 |
| Stock-based compensation expense | 1,301 | (13) | 1,288 |
| Other operating divisions expenses | 6,051 | | 6,051 |
| Depreciation and amortization of property and equipment | 38,211 | (369) | 37,842 |
| Corporate general and administrative expenses | 17,797 | | 17,797 |
| Amortization of definite-lived intangible assets and other assets | 18,965 | (62) | 18,903 |
| Total operating expenses | 517,987 | (3,390) | 514,597 |
| Operating income | 168,360 | 266 | 168,626 |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense and amortization of debt discount and deferred financing costs | (118,114) | | (118,114) |
| Subsidiary trust minority interest expense | (23,890) | | (23,890) |
| Unrealized loss from derivative instruments | (30,939) | | (30,939) |
| Loss from extinguishment of debt | (15,362) | | (15,362) |
| Other income, net | 2,060 | | 2,060 |
| Total other expense | (186,245) | | 186,245 |
| (Loss) income from continuing operations before income taxes | (17,885) | 266 | (17,619) |
| Income tax benefit | 7,591 | (93)(8) | 7,498 |
| (LOSS) INCOME FROM CONTINUING OPERATIONS | \$ (10,294) | \$ 173 | \$ (10,121) |
| BASIC AND DILUTED LOSS PER SHARE: | | | |
| Earnings per share from continuing operations | \$ (0.24) | \$ | \$ (0.24) |
| Weighted average common shares outstanding | 85,337 | N/A | 85,337 |
| Weighted average common and common equivalent shares outstanding | 85,580 | N/A | 85,580 |

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

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. The following table sets forth the items included in the pro forma adjustment of current assets to remove WEMT's assets held for sale as of September 30, 2005 (in thousands):

| | | |
|---------------------------------|----|-------|
| Broadcast licenses, net | \$ | 1,278 |
| Property and equipment, net | | 440 |
| Definite-lived intangibles, net | | 621 |
| Program contract costs | | 939 |
| Total current assets | \$ | 3,278 |

2. The pro forma adjustment of current liabilities is to remove WEMT's liabilities held for sale as of September 30, 2005 which is comprised of program contracts payable.

3. Represents the current tax provision on the gain from the sale of WEMT, calculated in accordance with SFAS 109, Accounting for Income Taxes (SFAS 109).

4. Represents the deferred gain from the sale of WEMT station assets.

5. Represents the deferred tax benefit on the gain from the sale of WEMT, calculated in accordance with SFAS 109.

6. Represents the gain from sale of discontinued operations, net of taxes, for WEMT.

7. Represents the revenues and expenses resulting from operating WEMT in the ordinary course of business for each period presented.

8. Represents the income tax benefit from the pre-tax net operating losses of WEMT for each period presented.

SIGNATURES

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

SINCLAIR BROADCAST GROUP, INC.

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

Dated: February 14, 2006