SINCLAIR BROADCAST GROUP INC
Form 10-Q
August 05, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

COMMISSION FILE NUMBER: 000-26076

SINCLAIR BROADCAST GROUP, INC.

(Exact name of Registrant as specified in its charter)

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

10706 Beaver Dam Road

Hunt Valley, Maryland 21030

(Address of principal executive office, zip code)

(410) 568-1500

(Registrant s telephone number, including area code)

None

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes o No o

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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

Title of each class	**Number of shares outstanding as of July 29, 2011**
Class A Common Stock	52,008,622
Class B Common Stock	28,933,859

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SINCLAIR BROADCAST GROUP, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2011

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED BALANCE SHEETS

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

	As of June 30, 2011	As of December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 50,531	$ 21,695
Current portion of restricted cash		5,058
Accounts receivable, net of allowance for doubtful accounts of $3,017 and $3,216, respectively	118,614	120,977
Affiliate receivable	58	88
Current portion of program contract costs	17,678	37,000
Prepaid expenses and other current assets	8,875	5,996
Deferred barter costs	3,300	3,156
Assets held for sale	37,870	35,067
Deferred tax assets	9,658	9,658
Total current assets	246,584	238,695
PROGRAM CONTRACT COSTS, less current portion	6,042	8,729
PROPERTY AND EQUIPMENT, net	277,581	272,221
RESTRICTED CASH, less current portion	223	223
GOODWILL	659,705	659,605
BROADCAST LICENSES	47,002	47,375
DEFINITE-LIVED INTANGIBLE ASSETS, net	143,854	150,738
OTHER ASSETS	116,307	108,338
Total assets	$ 1,497,298	$ 1,485,924
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 3,685	$ 5,807
Accrued liabilities	70,518	64,645
Income taxes payable	3,799	298
Current portion of notes payable, capital leases and commercial bank financing	24,556	19,556
Current portion of notes and capital leases payable to affiliates	2,972	3,196
Current portion of program contracts payable	41,751	68,301
Deferred barter revenues	3,005	2,522
Liabilities held for sale	27,281	24,660
Total current liabilities	177,567	188,985
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	1,141,405	1,148,673
Notes payable and capital leases to affiliates, less current portion	18,091	19,573
Program contracts payable, less current portion	22,507	29,593

Deferred tax liabilities		226,087		210,335
Other long-term liabilities		46,948		45,847
Total liabilities		1,632,605		1,643,006
EQUITY (DEFICIT):				
SINCLAIR BROADCAST GROUP SHAREHOLDERS EQUITY (DEFICIT):				
Class A Common Stock, $.01 par value, 500,000,000 shares authorized, 51,998,503 and 50,284,052 shares issued and outstanding, respectively		520		503
Class B Common Stock, $.01 par value, 140,000,000 shares authorized, 28,933,859 and 30,083,819 shares issued and outstanding, respectively, convertible into Class A Common Stock		289		301
Additional paid-in capital		617,191		609,640
Accumulated deficit		(757,319)		(771,953)
Accumulated other comprehensive loss		(3,833)		(3,914)
Total Sinclair Broadcast Group shareholders deficit		(143,152)		(165,423)
Noncontrolling interests		7,845		8,341
Total deficit		(135,307)		(157,082)
Total liabilities and equity (deficit)	$	1,497,298	$	1,485,924

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
REVENUES:				
Station broadcast revenues, net of agency commissions	$ 159,259	$ 158,709	$ 315,118	$ 306,631
Revenues realized from station barter arrangements	18,498	17,985	35,720	32,761
Other operating divisions revenues	8,830	6,497	15,236	11,264
Total revenues	186,587	183,191	366,074	350,656
OPERATING EXPENSES:				
Station production expenses	42,917	38,645	85,262	74,563
Station selling, general and administrative expenses	30,192	30,554	60,754	61,196
Expenses recognized from station barter arrangements	16,531	15,748	32,258	28,979
Amortization of program contract costs and net realizable value adjustments	12,666	15,303	25,284	31,217
Other operating divisions expenses	7,763	6,433	14,266	12,109
Depreciation of property and equipment	7,859	9,093	15,917	18,714
Corporate general and administrative expenses	7,073	7,250	15,737	13,827
Amortization of definite-lived intangible assets	4,028	4,205	8,578	8,464
Total operating expenses	129,029	127,231	258,056	249,069
Operating income	57,558	55,960	108,018	101,587
OTHER INCOME (EXPENSE):				
Interest expense and amortization of debt discount and deferred financing costs	(24,628)	(28,132)	(53,508)	(56,895)
Loss from extinguishment of debt	(3,478)	(149)	(4,402)	(438)
Income (loss) from equity and cost method investments	815	(1,024)	826	(481)
Gain on insurance settlement			1,723	
Other income, net	585	539	1,054	1,183
Total other expense	(26,706)	(28,766)	(54,307)	(56,631)
Income from continuing operations before income taxes	30,852	27,194	53,711	44,956
INCOME TAX PROVISION	(12,476)	(10,516)	(20,501)	(17,465)
Income from continuing operations	18,376	16,678	33,210	27,491
DISCONTINUED OPERATIONS:				
Income from discontinued operations, includes income tax provision of $140, $244, $365 and $447, respectively	101	274	394	455
NET INCOME	18,477	16,952	33,604	27,946
Net loss attributable to the noncontrolling interests	102	321	254	847
NET INCOME ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP	$ 18,579	$ 17,273	$ 33,858	$ 28,793
Dividends declared per share	$ 0.12	$	$ 0.24	$
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP:				
Basic earnings per share from continuing operations	$ 0.23	$ 0.22	$ 0.42	$ 0.36
Basic earnings per share	$ 0.23	$ 0.22	$ 0.42	$ 0.36
Diluted earnings per share from continuing operations	$ 0.23	$ 0.21	$ 0.42	$ 0.36
Diluted earnings per share	$ 0.23	$ 0.21	$ 0.42	$ 0.36
Weighted average common shares outstanding	80,912	80,307	80,746	80,133
Weighted average common and common equivalent shares outstanding	81,169	86,985	81,004	81,175

AMOUNTS ATTRIBUTABLE TO SINCLAIR BROADCAST GROUP COMMON SHAREHOLDERS:				
Income from continuing operations, net of tax	$ 18,494	$ 16,999	$ 33,631	$ 28,198
Income from discontinued operations, net of tax	85	274	227	595
Net income	$ 18,579	$ 17,273	$ 33,858	$ 28,793

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)

FOR THE SIX MONTHS ENDED JUNE 30, 2011

(In thousands) (Unaudited)

	Sinclair Broadcast Group Shareholders						
	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
BALANCE, December 31, 2010	$ 503	$ 301	$ 609,640	$ (771,953)	$ (3,914)	$ 8,341	$ (157,082)
Dividends declared on Class A and Class B Common Stock				(19,224)			(19,224)
Class A Common Stock issued pursuant to employee benefit plans	5		5,079				5,084
Class B Common Stock converted into Class A Common Stock	12	(12)					
Class A Common Stock sold by variable interest entity			1,808				1,808
Tax benefit on share based awards			664				664
Distributions to noncontrolling interest						(242)	(242)
Amortization of net periodic pension benefit costs, net of taxes					81		81
Net income (loss)				33,858		(254)	33,604
BALANCE, June 30, 2011	$ 520	$ 289	$ 617,191	$ (757,319)	$ (3,833)	$ 7,845	$ (135,307)

SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net income	$ 18,477	$ 16,952	$ 33,604	$ 27,946
Amortization of net periodic pension benefit costs, net of taxes	40	73	81	145
Comprehensive income	18,517	17,025	33,685	28,091
Comprehensive loss attributable to the noncontrolling interests	102	321	254	847
Comprehensive income attributable to Sinclair Broadcast Group	$ 18,619	$ 17,346	$ 33,939	$ 28,938

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

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SINCLAIR BROADCAST GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 33,604	$ 27,946
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation of property and equipment	16,052	18,857
Recognition of deferred revenue	(8,398)	(10,606)
Amortization of definite-lived intangible and other assets	9,808	9,400
Amortization of program contract costs and net realizable value adjustments	25,284	31,217
Original debt issuance discount paid	(13,606)	(3,336)
Deferred tax provision	15,674	15,893
Change in assets and liabilities:		
Increase in accounts receivable, net	(729)	(5,917)
Decrease in income taxes receivable		691
Increase in prepaid expenses and other current assets	(2,936)	(260)
Increase in other assets	(522)	(169)
Increase in accounts payable and accrued liabilities	13,719	17,261
Increase in income taxes payable	4,165	
Increase in other long-term liabilities	2,322	60
Payments on program contracts payable	(36,911)	(48,833)
Other, net	10,261	7,535
Net cash flows from operating activities	67,787	59,739
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property and equipment	(20,656)	(4,662)
Acquisition of intangibles	(242)	
Purchase of alarm monitoring contracts	(4,432)	(3,391)
Decrease in restricted cash	5,058	42,051
Dividends and distributions from equity and cost method investees	1,348	143
Investments in equity and cost method investees	(8,294)	(6,362)
Proceeds from insurance settlement	1,736	
Proceeds from the sale of assets	41	
Loans to affiliates	(87)	(68)
Proceeds from loans to affiliates	117	70
Net cash flows (used in) from investing activities	(25,411)	27,781
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from notes payable, commercial bank financing and capital leases	132,951	9,025
Repayments of notes payable, commercial bank financing and capital leases	(124,570)	(74,611)
Proceeds from exercise of stock options, including excess tax benefits of share based payments of $0.7 million and $0 million, respectively	1,844	
Dividends paid on Class A and Class B Common Stock	(19,224)	
Payments for deferred financing costs	(4,401)	(1,228)
Proceeds from Class A Common Stock sold by variable interest entity	1,808	
Noncontrolling interests distributions	(242)	(37)
Repayments of notes and capital leases to affiliates	(1,706)	(1,499)
Net cash flows used in financing activities	(13,540)	(68,350)
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,836	19,170
CASH AND CASH EQUIVALENTS, beginning of period	21,695	23,224
CASH AND CASH EQUIVALENTS, end of period	$ 50,531	$ 42,394

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

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SINCLAIR BROADCAST GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

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

Discontinued Operations

It is our intent to divest a portion of Alarm Funding Associates, LLC (Alarm Funding). In accordance with the Financial Accounting Standards Board s (FASB) guidance on reporting assets held for sale, we reported the financial position and results of operations of this portion of Alarm Funding as assets and liabilities held for sale in the accompanying consolidated balance sheets and income from discontinued operations in the consolidated statements of operations. Discontinued operations have not been segregated in the consolidated statements of cash flows; therefore, amounts for certain captions will not agree with the accompanying consolidated balance sheets and consolidated statements of operations. The operating results of the portion of Alarm Funding which we intend to divest are not included in our consolidated results of operations from continuing operations for the three and six months ended June 30, 2011 and 2010.

Interim Financial Statements

The consolidated financial statements for the three and six months ended June 30, 2011 and 2010 are unaudited. In the opinion of management, such financial statements have been presented on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows for these periods as adjusted for the adoption of recent accounting pronouncements discussed below.

As permitted under the applicable rules and regulations of the Securities and Exchange Commission (SEC), the consolidated financial statements do not include all disclosures normally included with audited consolidated financial statements and, accordingly, should be read together with the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC. The consolidated statements of operations presented in the accompanying consolidated financial statements are not necessarily representative of operations for an entire year.

Variable Interest Entities

In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate VIEs when we are the primary beneficiary. The assets of our consolidated VIEs can only be used to settle the obligations of the VIE. All the liabilities including debt held by our VIEs are non-recourse to us. However, our senior secured credit facility (Bank Credit Agreement) contains cross-default provisions with the VIE debt of Cunningham Broadcasting Corporation (Cunningham). See *Note 5, Related Person Transactions* for more information.

We have entered into Local Marketing Agreements (LMAs) to provide programming, sales and managerial services for television stations of Cunningham, the license owner of seven television stations as of June 30, 2011. We pay LMA fees to Cunningham and also reimburse all operating expenses. We also have an acquisition agreement in which we have a purchase option to buy the license assets of the television stations which includes the Federal Communications Commission (FCC) license and certain other assets used to operate the station (License Assets). Our applications to acquire the FCC licenses are pending approval. We have determined that the Cunningham stations are VIEs and that based on the terms of the agreements, we are the primary beneficiary of the variable interests because we have the power to direct the activities which significantly impact the economic performance of the VIE through the sales and managerial services we provide and we absorb losses and returns that would be considered significant to Cunningham. See *Note 5, Related Person Transactions* for more information on our arrangements with Cunningham. Included in the accompanying consolidated statements of operations for the three months ended June 30, 2011 and 2010 are net revenues of $22.6 million and $23.3 million, respectively, that relate to LMAs with Cunningham. For the six months ended June 30, 2011 and 2010, Cunningham s stations provided us with approximately $45.9 million and $45.3 million, respectively, of total

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revenue.

We have outsourcing agreements with other license owners, under which we provide certain non-programming related sales, operational and administrative services. We pay a fee to the license owner based on a percentage of broadcast cash flow and we reimburse all operating expenses. We also have a purchase option to buy the License Assets. For the same reasons noted above regarding our LMAs, we have determined that the outsourced license station assets are VIEs and we are the primary beneficiary.

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

	As of June 30, 2011	As of December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,478	$ 5,319
Income taxes receivable	6	
Current portion of program contract costs	301	480
Prepaid expenses and other current assets	138	105
Total current asset	7,923	5,904
PROGRAM CONTRACT COSTS, less current portion	373	491
PROPERTY AND EQUIPMENT, net	7,077	7,461
GOODWILL	6,357	6,357
BROADCAST LICENSES	4,208	4,183
DEFINITE-LIVED INTANGIBLE ASSETS, net	6,768	6,959
OTHER ASSETS	890	914
Total assets	$ 33,596	$ 32,269
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 37	$ 37
Accrued liabilities	319	773
Income taxes payable		44
Current portion of notes payable, capital leases and commercial bank financing	11,064	11,056
Current portion of program contracts payable	274	649
Total current liabilities	11,694	12,559
LONG-TERM LIABILITIES:		
Notes payable, capital leases and commercial bank financing, less current portion	7,951	13,484
Program contracts payable, less current portion	211	190
Total liabilities	$ 19,856	$ 26,233

The amounts above represent the consolidated assets and liabilities of the VIEs related to our LMA and outsourcing agreements and have been aggregated as they all relate to our broadcast business. In addition, the risk and reward characteristics of the VIEs are similar.

We have investments in other real estate ventures and investment companies 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 allow us to control the entity, and therefore, we are not considered the primary beneficiary of the VIE. We account for these entities using the equity or cost method of accounting.

The carrying amounts of our investments in these VIEs for which we are not the primary beneficiary as of June 30, 2011 and December 31, 2010 were as follows (in thousands):

	As of June 30, 2011		As of December 31, 2010	
	Carrying amount	**Maximum exposure**	**Carrying amount**	**Maximum exposure**
Investments in real estate ventures	$ 8,273	$ 8,273	$ 7,769	$ 7,769
Investments in investment companies	26,890	26,890	24,872	24,872
Total	$ 35,163	$ 35,163	$ 32,641	$ 32,641

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The carrying amounts above are included in other assets in the consolidated balance sheets. The income and loss related to these investments are recorded in income from equity and cost method investments in the consolidated statement of operations. We recorded income of $0.9 million and a loss of $0.4 million in the quarters ended June 30, 2011 and 2010, respectively. We recorded income of $0.9 million and $0.5 million for the six months ended June 30, 2011 and 2010, respectively.

Our maximum exposure is equal to the carrying value of our investments. As of June 30, 2011 and December 31, 2010, our unfunded commitments related to private equity investment funds totaled $12.9 million and $14.9 million, respectively.

Recent Accounting Pronouncements

In December 2010, the FASB issued amended guidance with respect to goodwill impairment. The amended guidance requires that step two of the goodwill impairment test be performed if the carrying amount of a reporting unit is zero or negative and it is more likely than not that a goodwill impairment exists based on any adverse qualitative factors including an evaluation of the triggering circumstances noted in the guidance. The change is effective for fiscal years and interim changes within those years beginning after December 15, 2010. We do not believe that this guidance will have a material impact on our consolidated financial statements.

In April 2011, the FASB issued a proposed Accounting Standards Update for goodwill impairment testing. The proposal allows an entity to first consider qualitative factors when deciding whether it is necessary to perform the current two-step goodwill impairment test. An entity would need to perform step-one if it determines qualitatively that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. The proposed changes would be effective prospectively for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early application would be permitted. Although we believe that this guidance may have a significant impact on how we perform our annual goodwill impairment testing, we do not believe it will have a material impact on our consolidated financial statements.

In May 2011, the FASB issued new guidance for fair value measurements. The purpose of the new guidance is to have a consistent definition of fair value between U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). Many of the amendments to GAAP are not expected to have a significant impact on practice; however, the new guidance does require new and enhanced disclosure about fair value measurements. The amendments are effective for interim and annual periods beginning after December 15, 2011 and should be applied prospectively. We do not believe that this guidance will have a material impact on our consolidated financial statements but may require changes to our fair value disclosures.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income in the financial statements. The new guidance does not make any changes to the components that are recognized in net income or other comprehensive income but rather allows an entity to choose whether to present items of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. Each component of net income and other comprehensive income along with their respective totals would need to be displayed under either alternative. The new guidance is effective for fiscal years beginning after December 15, 2011. We do not believe that this guidance will have a material impact on our consolidated financial statements.

Use of Estimates

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

Restricted Cash

In October 2009, we established a cash collateral account with the proceeds from the sale of 9.25% Senior Secured Second Lien Notes due 2017 (the 9.25% Notes). The cash collateral account restricted the use of cash therein to repurchase the 3.0% Convertible Senior Notes due 2027 (the 3.0% Notes) and our 4.875% Convertible Senior Notes due 2018 (the 4.875% Notes) upon, or prior to, the expiration of the put periods for such notes in May 2010 and January 2011, respectively. Upon expiration of the put period for the 4.875% Notes in January 2011, the unused cash was used to reduce our overall debt balance pursuant to our Bank Credit Agreement. During 2010, we used $53.6 million of restricted cash to repurchase a portion of the outstanding 3.0% and 4.875% Notes. As of December 31, 2010, all of the restricted cash classified as current related to the 4.875% Notes   January 2011 put option. As of June 30, 2011, we had no restricted cash classified as current.

Additionally, under the terms of certain lease agreements, as of June 30, 2011 and December 31, 2010, we were required to hold $0.2 million of restricted cash related to the removal of analog equipment from some of our leased towers.

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Dividends

In February 2011, our Board of Directors reinstated our dividend policy, declaring a quarterly common stock dividend of $0.12 per share.

In May 2011, our Board of Directors declared a quarterly cash dividend of $0.12 per share.

Revenue Recognition

In first quarter 2011, we adopted the Emerging Issue Task Force s amended guidance on accounting for revenue arrangements with multiple deliverables. The amended guidance clarifies that each deliverable within our multiple-deliverable revenue arrangements is accounted for as a separate unit of accounting if the delivered item or items have value to the client on a standalone basis and for an arrangement that includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the company. The guidance requires us to determine an estimated selling price (ESP) for all deliverables within an arrangement if vendor-specific objective evidence (VSOE) or third-party evidence does not exist. Application of this guidance has not changed the allocation of the arrangement revenue to the elements in our multiple-deliverable arrangements.

We enter into multiple-deliverable revenue arrangements with multi-channel video programming distributors (MVPD s) that may include a combination of retransmission consent fees, advertising, and other marketing elements. We have determined that the retransmission consent fees and advertising elements have value on a standalone basis. The other marketing elements are not valued on a stand alone basis because they are immaterial to the overall arrangement. We include the value of other marketing elements with the retransmission consent fee element.

Due to the complexities and uniqueness of each arrangement, we have determined that our ESP for the retransmission consent fee element is based upon the market, the MVPD, the network affiliation, the number of subscribers, the length of the contract and other factors. We recognize the revenue applicable to the retransmission consent element of the arrangement ratably over the life of the agreement which is representative of the delivery of our television broadcast signal. Each arrangement s life varies, typically ranging one to five years in length.

The advertising element of our multiple-deliverable arrangements is recognized in the period during which the time spots are aired. The advertising revenue is valued using VSOE which is calculated using the average selling unit rate for the advertising spot in which the commercial aired.

Our arrangements generally do not include any performance, cancellation, or refund provisions. Under certain agreements, the counterparty may terminate the agreement if particular actions occur such as the transmission failure of our broadcast signal for a certain period of time.