

BARRINGTON BROADCASTING CORPORATION

**Consolidated Financial Statements for the Year Ended December 31, 2005,
and the Eight Month Period from May 1, 2004 through December 31, 2004**

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholder
Barrington Broadcasting Corporation

We have audited the accompanying consolidated balance sheets of Barrington Broadcasting Corporation (the "Company"), as of December 31, 2005 and 2004 and the related consolidated statements of operations, cash flows and stockholder's equity for the year ended December 31, 2005 and the eight month period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Barrington Broadcasting Corporation at December 31, 2005 and 2004 and the consolidated results of their operations and their cash flows for the year ended December 31, 2005 and the eight month period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Milwaukee, WI
April 7, 2006

BARRINGTON BROADCASTING CORPORATION
Consolidated Balance Sheets

	December 31,	
	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,336,820	\$ 1,436,995
Restricted cash	400,059	391,266
Trade receivables, less allowance for doubtful accounts of \$126,642 and \$91,952	6,538,652	3,902,914
Current portion of program broadcast rights	1,023,878	718,436
Deferred tax asset—current	—	73,954
Prepaid expenses and other current assets	1,185,152	246,251
Total current assets	10,484,561	6,769,816
Program broadcast rights	31,056	142,042
Debt issuance costs	509,561	773,901
Deferred tax asset	—	35,740
Other	43,868	33,250
Property and equipment—net	30,882,510	18,471,906
Goodwill	4,652,591	2,316,500
Intangibles, net	71,629,543	24,754,573
TOTAL ASSETS	\$118,233,690	\$53,297,728
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 858,596	\$ 316,983
Current portion of program broadcast payable	1,231,007	757,036
Current maturities of long-term debt	2,700,892	—
Obligations under capital leases	—	3,194
Accrued expenses and other liabilities	1,574,351	874,394
Deferred revenue—current	87,996	—
Related party loan	—	500,000
Total current liabilities	6,452,842	2,451,607
Long-term debt	51,316,953	25,500,000
Program broadcast payable	19,717	98,878
Deferred revenue	437,966	—
STOCKHOLDER'S EQUITY		
Common stock, \$0.001 par value		
Authorized 5,000 shares; issued and outstanding 1,000 shares	1	1
Additional paid-in capital	67,439,032	25,557,915
Accumulated deficit	(7,432,821)	(310,673)
Total stockholder's equity	60,006,212	25,247,243
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$118,233,690	\$53,297,728

See accompanying notes to consolidated financial statements

BARRINGTON BROADCASTING CORPORATION
Consolidated Statements of Operations

	<u>Year Ended December 31, 2005</u>	<u>Eight Month Period Ended December 31, 2004</u>
NET REVENUES	\$25,288,206	\$13,485,984
OPERATING EXPENSES		
Selling, technical and programming expenses	12,914,524	6,200,830
General and administrative	4,898,921	2,297,321
Depreciation and amortization	7,647,721	3,161,940
Corporate	1,719,659	717,661
Total operating expenses	<u>27,180,825</u>	<u>12,377,752</u>
INCOME (LOSS) FROM OPERATIONS	(1,892,619)	1,108,232
INTEREST (EXPENSE) INCOME		
Interest expense	(2,969,555)	(1,441,872)
Amortization of deferred financing costs	(67,434)	(92,868)
Unrealized loss on interest rate caps	(19,863)	—
Interest income	33,638	7,741
Loss on early extinguishment of debt	(2,046,942)	—
Total net interest expense	<u>(5,070,156)</u>	<u>(1,526,999)</u>
LOSS BEFORE INCOME TAXES	(6,962,775)	(418,767)
INCOME TAX (EXPENSE) BENEFIT	<u>(159,373)</u>	<u>108,094</u>
NET LOSS	<u><u>\$ (7,122,148)</u></u>	<u><u>\$ (310,673)</u></u>

See accompanying notes to consolidated financial statements

BARRINGTON BROADCASTING CORPORATION
Consolidated Statements of Stockholder's Equity
For the Year Ended December 31, 2005 and the
Eight Month Period May 1, 2004 through December 31, 2004

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at May 1, 2004	\$—	\$ —	\$ —	\$ —
Issuance of common stock	1	—	—	1
Contributed capital	—	25,557,915	—	25,557,915
Net loss	—	—	(310,673)	(310,673)
Balance at December 31, 2004	<u>\$ 1</u>	<u>\$25,557,915</u>	<u>\$ (310,673)</u>	<u>\$25,247,243</u>
Contributed capital	—	41,881,117	—	41,881,117
Net loss	—	—	(7,122,148)	(7,122,148)
Balance at December 31, 2005	<u>\$ 1</u>	<u>\$67,439,032</u>	<u>\$(7,432,821)</u>	<u>\$60,006,212</u>

See accompanying notes to consolidated financial statements

BARRINGTON BROADCASTING CORPORATION
Consolidated Statements of Cash Flows

	Year Ended December 31, 2005	Eight Month Period Ended December 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (7,122,148)	\$ (310,673)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,726,929	2,626,099
Amortization of program broadcast rights	1,246,400	571,304
Payments of program broadcast payable	(1,066,718)	(553,826)
Amortization of intangibles and debt issuance costs	983,478	628,709
Loss on early extinguishment of debt	2,046,942	—
Deferred income taxes	109,694	(109,694)
Unrealized loss on interest rate caps	19,863	—
Barter revenue net of expenses	(213,580)	(29,431)
Loss on disposal of assets	4,744	—
Changes in assets and liabilities that relate to operations, net of effect of acquisitions:		
Trade receivables	(2,635,738)	(2,431,683)
Prepaid expenses and other	(890,812)	(291,072)
Accounts payable	485,253	318,716
Accrued expenses	684,737	796,456
Deferred revenue	525,962	—
Net cash provided by operating activities	905,006	1,214,905
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,811,855)	(1,597,095)
Proceeds from disposition of assets	12,425	—
Acquisition of television stations	(66,133,889)	(48,445,474)
Net cash used in investing activities	(68,933,319)	(50,042,569)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted cash	(8,793)	(391,266)
Proceeds from long-term debt	28,517,845	25,500,000
Proceeds from related party loan	—	500,000
Payment of related party loan	(500,000)	—
Principal payments on capital leases	(3,194)	(1,971)
Purchase of interest rate cap	(108,800)	—
Contributed capital	41,881,117	25,557,916
Payment of debt acquisition costs	(1,850,037)	(900,020)
Net cash provided by financing activities	67,928,138	50,264,659
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, beginning of period	(100,175)	1,436,995
Cash and cash equivalents, end of period	\$ 1,336,820	\$ 1,436,995

Continued

See accompanying notes to consolidated financial statements

BARRINGTON BROADCASTING CORPORATION
Consolidated Statements of Cash Flows (Continued)

	<u>Year Ended December 31, 2005</u>	<u>Eight Month Period Ended December 31, 2004</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 2,628,584	\$ 1,310,259
Cash refunds of income taxes	\$ 321	\$ —
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of program broadcast rights	\$ 935,428	\$ 858,022
Equipment acquired by barter transactions	\$ 190,505	\$ 11,556
ACQUISITION OF TELEVISION STATIONS		
Property and equipment acquired at fair market value	\$16,152,346	\$19,489,354
Intangible assets acquired	50,127,102	27,606,914
Accounts receivable acquired	—	1,436,505
Trade contracts assumed	(82,091)	(7,576)
Capital leases assumed	—	(5,165)
Other liabilities assumed	(17,796)	(96,598)
Program broadcast rights acquired	505,428	573,760
Program broadcast liabilities assumed	(526,100)	(551,720)
Payment for acquisition of stations	\$66,158,889	\$48,445,474
Less amounts paid in prior year	(25,000)	—
Total acquisition of television stations	<u>\$66,133,889</u>	<u>\$48,445,474</u>

See accompanying notes to consolidated financial statements

BARRINGTON BROADCASTING CORPORATION

Notes to the Consolidated Financial Statements

(Note A)—Basis of Presentation and Accounting Policies

Nature of Business—Barrington Broadcasting Corporation (“Barrington Corporation”) owns and operates seven television stations located in Illinois, Michigan, Missouri and Texas. Barrington Corporation’s revenues are derived primarily from the sale of advertising time and, to a lesser extent, from compensation paid by the networks for broadcasting network programming and barter transactions for goods and services. The stations sell commercial time during programs to national, regional and local advertisers. The networks also sell commercial time during the programs to national advertisers. Credit arrangements are determined on an individual customer basis. Segment information is not presented because all of the Barrington Corporation’s revenue is attributed to a single reportable segment.

The advertising revenue of the stations is generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to and including the holiday season. Additionally, advertising revenue in even-numbered years can benefit from demand for advertising time in Olympic broadcasts and advertising placed by candidates for political offices.

Basis of Presentation—The consolidated financial statements include the accounts of Barrington Corporation and its television station subsidiaries consisting of WEYI-TV (Barrington Broadcasting Flint Corporation), WHOI-TV (Barrington Broadcasting Peoria Corporation), KHQA-TV (Barrington Broadcasting Quincy Corporation), KRCG-TV (Barrington Missouri Corporation), KVII-TV and KVIH-TV (Barrington Broadcasting Texas Corporation) and WBSF-TV (Barrington Michigan Corporation), all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated.

During 2004, Barrington Michigan Corporation and Barrington Missouri Corporation were wholly-owned subsidiaries of Barrington Broadcasting LLC, the parent of Barrington Corporation. On June 30, 2005, Barrington Broadcasting LLC contributed the ownership of Barrington Michigan Corporation and Barrington Missouri Corporation to Barrington Corporation at their historical cost. Barrington Missouri Corporation and Barrington Michigan Corporation became wholly-owned subsidiaries of Barrington Corporation. As this was a combination of entities under common control, and the 2004 financial statement presentation included the same reporting entities, this had no impact.

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation.

Significant Accounting Policies

(1) Accounting estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Barrington Corporation’s actual results could differ from those estimates.

(2) Cash equivalents and concentration

Barrington Corporation considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Barrington Corporation’s excess cash is invested primarily in mutual funds consisting of U.S. government securities and money market funds.

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

At various times during the periods, Barrington Corporation had cash and cash equivalents on deposit with a financial institution in excess of federal depository insurance limits. Barrington Corporation has not experienced any credit losses on these deposits.

At December 31, 2005 and 2004, respectively, \$400,059 and \$391,266 was held in escrow for the benefit of Barrington Corporation's lender to be used for payment of interest and principal on Barrington Corporation's loan. Upon approval of the lender, the funds can be released from the escrow.

(3) Accounts receivable and allowance for doubtful accounts

Barrington Corporation's accounts receivable consists primarily of billings to its customers for advertising spots aired and also includes amounts for production and other similar activities. Trade receivables normally have terms of 30 days and Barrington Corporation has no interest provision for customer accounts that are past due. Barrington Corporation maintains an allowance for estimated losses resulting from the inability of customers to make required payments. Barrington Corporation makes estimates of the amount of uncollectible accounts receivable and specifically reviews historical write-off activity by market, large customer concentrations, customer creditworthiness, and changes in customer payment practices when evaluating the adequacy of the allowance for doubtful accounts. Accounts receivables are charged to the allowance when Barrington Corporation determines that the receivable will not be collectible. Barrington Corporation recorded bad debt expense of approximately \$131,000 and \$18,000 in 2005 and 2004, respectively, which was included in general and administrative expenses in Barrington Corporation's consolidated statements of operations.

(4) Revenues

Revenue related to the sale of advertising is recognized at the time of broadcast. Net revenues are shown net of agency and national representatives' commissions. Revenue is recognized on network affiliation agreements over the term of each contract on a straight-line basis. Payments received from networks in advance of the period in which they are earned are recognized as deferred revenue and classified between current and long-term.

(5) Barter transactions

Revenue from barter transactions (advertising provided in exchange for goods and services) is recognized as income when advertisements are broadcast and merchandise or services received are charged to expense (or capitalized as appropriate) when received or used. In addition, revenue and expense from barter transactions include the recognition of revenue and expense pursuant to programming contracts whereby advertising time is given in exchange for the license to broadcast a program. Barter transactions are recorded at the fair market value of the asset or service received. For the year ended December 31, 2005, barter revenue and expenses totaled \$1,302,907 and \$1,089,327, respectively. For the period ended December 31, 2004, revenues from barter transactions totaled \$469,085 and barter expenses totaled \$449,654.

(6) Program broadcast rights and liabilities

Program broadcast rights represent rights for the telecast of feature length motion pictures, series produced for television, and other films and are presented at the lower of amortized cost or estimated net realizable value. Each agreement is recorded as an asset and liability when the license period begins, and the program is available for its first showing. Program broadcast rights are amortized on the straight-line method over the life of the contract, which is included in selling, technical and program expenses. The agreements are classified between current and long-term assets according to the

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

estimated time of future usage. The related liability is classified between current and long-term on the basis of the payment terms.

(7) Advertising expense

Advertising costs are expensed as incurred. Barrington Corporation incurred advertising costs in the amounts of \$222,352 and \$163,340 for the year ended December 31, 2005 and the eight month period ended December 31, 2004, respectively.

(8) Debt issuance costs and station acquisition costs

Debt issuance costs are amounts incurred in connection with long-term financing. The costs are amortized using a method that approximates the effective interest method over the terms of the related debt. Costs incurred in connection with long-term financing that is not consummated are expensed at the point in time when the negotiation regarding the financing ceases.

Acquisition costs are amounts incurred in connection with acquiring additional television stations. Costs incurred in connection with acquisitions, which are not consummated, are expensed at the point in time when the negotiation regarding the acquisition ceases. The acquisition costs related to successful acquisitions are treated as part of the purchase price and are allocated to the assets purchased.

(9) Property and equipment and intangible assets

- (a) Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Intangible assets are amortized over their estimated lives as described below. The following are the estimated ranges of the useful lives of the assets:

	Years
Building and improvements	5 - 40
Towers	5 - 10
Transmission equipment	3 - 10
Other equipment	1 - 5
Network affiliation agreements	5 - 11
Advertiser contracts and income leases	1 - 39

Expenditures for repairs and maintenance that do not extend the useful life of assets are charged to operations when incurred. When assets are sold or retired, the cost of the asset and the related accumulated depreciation are eliminated, and any gain or loss is recognized at such time.

- (b) Approximately \$76,200,000 or 64% of Barrington Corporation's total assets as of December 31, 2005 consist of unamortized intangible assets, principally Federal Communications Commission ("FCC") licenses and goodwill. FCC licenses and goodwill are considered indefinite lived and are not amortized for financial reporting purposes in accordance with generally accepted accounting principles in the United States. Network affiliation agreements are recorded at appraised value at the time of acquisition and amortized over the remaining life of the network contract. Advertiser lists and trademarks have been recorded at appraised value when acquired and are amortized over three years. Advertiser contracts and income leases have been recorded at appraised value when acquired and are amortized over the life of the contract or lease.

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

- (c) Barrington Corporation applies the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Other Intangible Assets*, which requires that indefinite-lived intangible assets be tested for impairment at least annually. Barrington Corporation considers each one of its television stations a reporting unit and as such tests its goodwill and indefinite-lived assets annually for impairment each September 30 unless events or circumstances would require an additional interim review. Annual impairment tests made by Barrington Corporation resulted in no adjustment to the carrying value.
- (d) In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, other long-lived assets are reviewed for potential impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Any impairment loss would be recognized when the sum of the expected, undiscounted future net cash flows is less than the carrying amount of the asset. If the asset is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value.

(10) Income taxes

Deferred taxes are provided based on the liability method whereby deferred tax assets are recognized for deductible temporary differences, operating losses and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Barrington Corporation and its subsidiaries file a consolidated federal income tax return.

(11) Employee benefits

Barrington Corporation has defined contribution plans covering all eligible employees. Barrington Corporation’s contribution is at the discretion of the Board of Directors.

Barrington Corporation is self-insured for health benefits, which are provided to all full-time employees with specified periods of service. Insurance coverage is maintained by Barrington Corporation for claims in excess of specific and annual aggregate limits.

(12) Derivative Financial Instruments

Barrington Corporation accounts for derivative financial instruments under the provisions of SFAS No. 133, *Accounting for Derivative and Hedging Activities*, that was amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 established accounting and reporting standards for: (1) derivative instruments, including certain derivative instruments embedded in other contracts, which are collectively referred to as derivatives; and (2) hedging activities. (See Note F).

(13) Financial Instruments

Barrington Corporation’s financial instruments consist of cash, trade receivables, accounts payable and long-term debt. Barrington Corporation’s estimate of fair value of these instruments approximates their carrying amount at December 31, 2005 and 2004.

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

(Note B)—Acquisition of Television Stations

On December 31, 2003, Barrington Corporation entered into an asset purchase agreement with Chelsey Broadcasting Company, LLC (“Chelsey”), and on January 8, 2004, Barrington Corporation entered into an asset purchase agreement with LIN Television, Inc. (“LIN”). Pursuant to these agreements, Barrington Corporation acquired the television broadcast assets of WHOI-TV and KHQA-TV from Chelsey on April 30, 2004 and WEYI-TV from LIN on May 14, 2004 (collectively, the “2004 Acquisitions”).

The total purchase price including costs of the acquisition of WHOI-TV and KHQA-TV was approximately \$24,085,000, which consisted of the purchase price of the assets of \$23,500,000 plus acquired liabilities and fees and costs of the transaction of approximately \$523,000 for 2004 and \$62,000 for 2005. The purchase price was allocated to acquired assets and liabilities at fair value based on an appraisal of the acquired assets completed during 2005.

The total purchase price including costs of the acquisition of WEYI-TV was approximately \$24,405,000, which consisted of the purchase price of the assets of \$24,000,000 plus acquired liabilities and fees and costs of the transaction of approximately \$423,000 for 2004 and (\$18,000) for 2005. The purchase price was allocated to acquired assets and liabilities at fair value based on an appraisal of the acquired assets completed during 2005.

On November 12, 2004, Barrington Corporation entered into an asset purchase agreement with Mel Wheeler, Inc. pursuant to which Barrington Corporation purchased the television broadcast assets of KRCG-TV, the CBS affiliate serving Columbia-Jefferson City, Missouri. The purchase was completed on February 28, 2005. The acquisition was funded for with cash provided from equity and bank financing.

The total purchase price, including costs of the acquisition of KRCG-TV, was approximately \$38,478,000, which consisted of the fair market value of the assets of \$38,000,000 and fees and costs of the transaction. The purchase price is subject to the resolution of certain contingencies. The purchase price has been allocated to acquired assets and liabilities at fair value based on an appraisal of the acquired assets.

On June 18, 2004, Barrington Michigan Corporation entered into an asset purchase agreement to acquire a construction permit issued by the Federal Communications Commission for constructing a full-power broadcasting facility in the Flint-Saginaw-Bay City, Michigan, area (the “Construction Permit”) and certain other rights under various contracts from ACME Television, Inc. The transaction closed on April 14, 2005 and the Construction Permit and other licenses were transferred to Barrington Michigan Corporation. Construction of the transmission facility commenced during 2006.

The total purchase price including costs of the acquisition of the Construction Permit was approximately \$4,701,000, which consisted of the purchase price of the Construction Permit and various other licenses of \$4,500,000 plus assumed liabilities and fees and costs of the transaction of approximately \$201,000. The purchase price has been allocated to acquired assets based on their relative fair market values as of the closing date.

On April 5, 2005, Barrington Corporation entered into an asset purchase agreement with New Vision Television (“New Vision”) pursuant to which Barrington Corporation agreed to purchase the television broadcast assets of KVII-TV, the CBS affiliate in Amarillo, Texas, and KVIH-TV, its satellite in Clovis, New Mexico. The purchase was finalized on August 1, 2005.

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

The total purchase price, including costs of the acquisition of KVII-TV and KVIH-TV, was approximately \$22,936,000, which consisted of the purchase price of the assets of \$22,500,000, including the acquired liabilities and fees and costs of the transaction of approximately \$436,000. The purchase price is subject to the final resolution of certain contingencies. The purchase price has been allocated to acquired assets and liabilities on a preliminary basis at fair value based on an appraisal of the acquired assets.

The acquisitions of the stations during 2005 and 2004 have been recorded under the purchase method of accounting and are included in the operating results for 2005 and 2004 from the acquisition date forward. The FCC licenses and goodwill are considered indefinite-lived assets and as such are not subject to amortization. The definite-lived intangible assets are being amortized over a weighted-average period of approximately ten years. All of Barrington Corporation's intangible assets are deductible over 15 years for tax purposes.

The following table summarizes the final allocation of the aggregate purchase price of Barrington Corporation's acquisitions:

	2005 Acquisitions			2004 Acquisitions		
	KRCG-TV	KVII-TV KVIH-TV	Construction Permit	Chelsey Acquisition		
				WHOI-TV	KHQA-TV	WEYI-TV
Accounts receivable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,436,505
Program broadcast rights . . .	57,200	448,228	—	179,587	119,247	274,926
Property and equipment						
Land	288,065	1,210,191	—	182,321	694,364	402,547
Buildings and improvements	480,838	838,721	—	625,532	2,070,821	799,444
Towers	604,731	1,056,680	—	144,392	348,907	961,016
Transmission equipment . .	1,824,671	888,784	—	1,284,686	1,287,205	2,211,495
Studio technical equipment	4,967,083	3,450,978	—	1,995,326	1,947,802	3,139,436
Office equipment	196,010	179,947	—	463,562	417,833	223,490
Automotive equipment . . .	73,912	91,735	—	97,589	111,748	73,223
Construction-in-progress . .	—	—	—	326	3,808	2,481
Total property and equipment	8,435,310	7,717,036	—	4,793,734	6,882,488	7,813,132
FCC licenses	28,024,100	13,491,500	4,500,000	8,066,900	718,000	12,583,700
Goodwill	1,027,494	804,862	201,594	847,251	732,653	1,038,649
Other intangibles, subject to amortization	1,011,295	1,022,507	—	1,177,285	945,415	1,540,811
Intangible assets acquired . .	30,062,889	15,318,869	4,701,594	10,091,436	2,396,068	15,163,160
Total assets	38,555,399	23,484,133	4,701,594	15,064,757	9,397,803	24,687,723
Capital leases	—	—	—	—	5,165	—
Other liabilities	20,511	79,376	—	58,319	33,886	11,969
Program broadcast payable . .	57,196	468,904	—	160,647	119,917	271,156
Total liabilities	77,707	548,280	—	218,966	158,968	283,125
Total purchase price, including costs	\$38,477,692	\$22,935,853	\$4,701,594	\$14,845,791	\$9,238,835	\$24,404,598

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

During the initial purchase price allocation period, Barrington Corporation recorded the preliminary allocation of the purchase price of the assets of WEYI-TV, WHOI-TV, and KHQA-TV. In 2005, Barrington Corporation and their independent valuation and appraisal firm adjusted its purchase price allocation. The net effect of the adjustments was to decrease FCC licenses by \$2,269,700, increase the value of network affiliation agreements by \$2,891,600 and decrease the value of goodwill by \$621,900, as a result of finalization of the valuation.

(Note C)—Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2005	2004
Land	\$ 2,791,467	\$ 1,283,349
Building and improvements	4,917,612	3,502,738
Towers	3,230,012	1,472,313
Transmission equipment	8,468,897	4,826,675
Studio technical equipment	18,248,408	8,576,903
Office equipment	1,692,176	1,134,642
Automotive equipment	516,944	282,560
Other	363,786	18,825
	40,229,302	21,098,005
Less accumulated depreciation	(9,346,792)	(2,626,099)
	\$30,882,510	\$18,471,906

Barrington Corporation recorded depreciation expense of \$6,726,929 and \$2,626,099 for the year ended December 31, 2005 and the eight months ended December 31, 2004.

(Note D)—Other Intangible Assets

The following table summarizes the carrying amount of each major classification of intangible assets:

	December 31,	
	2005	2004
<i>Unamortized Intangible Assets</i>		
FCC licenses	\$67,384,200	\$24,355,000
<i>Amortized Intangibles Assets</i>		
Network affiliation agreements	3,954,126	—
Other intangibles assets	1,743,102	935,414
Accumulated amortization	(1,451,885)	(535,841)
	\$71,629,543	\$24,754,573

Amortization of intangible assets was \$916,044 and \$535,841 for the year ended December 31, 2005, and the eight month period ended December 31, 2004, respectively. The weighted-average amortization period at December 31, 2005 was approximately 10 years.

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

Estimated amortization expense for each of the succeeding five years is as follows:

<u>Year Ending December 31,</u>	<u>Network Affiliation</u>	<u>Other Intangibles</u>
2006	\$ 534,810	\$118,351
2007	534,810	82,798
2008	534,810	52,718
2009	534,812	38,354
2010	361,673	38,354
Thereafter	963,730	450,123
	<u>\$3,464,645</u>	<u>\$780,698</u>

(Note E)—Long-Term Debt

Barrington Corporation borrowed \$25,500,000 in the form of a term loan pursuant to a loan facility dated May 14, 2004, in connection with the 2004 Acquisitions. The loan facility was amended during 2005 to provide for additional liquidity for pending and contemplated acquisitions, to reduce the interest rate on the facility, to extend the maturity and to restructure the covenants to reflect the acquisitions of KRCG-TV, the Bay City Michigan CP (see Note B) and related capital expenditures and KVII-TV (the “2005 Acquisitions”). The loan facility also provides a \$5,000,000 revolving credit line. The additional borrowings during 2005 totaled \$28,517,845 and were used for the 2005 Acquisitions.

The amendment of the loan facility during 2005 was considered a material modification of Barrington Corporation’s debt consistent with EITF Issue No. 96-19, *Debtor’s Accounting for a Modification or Exchange of Debt Instruments*. Barrington Corporation incurred \$1,850,037 of additional debt acquisition costs related to the amendment, which together with the balance of the unamortized debt acquisition costs of the original loan facility resulted in a loss on the early extinguishment of debt of \$2,046,942.

At December 31, 2005 and 2004, Barrington Corporation had \$54,017,845 and \$25,500,000 outstanding under the term loan, respectively. Barrington Corporation has not drawn on its revolving credit line.

During 2004, the term loan was subject to interest, at Barrington Corporation’s option, at a base rate plus an amount ranging from 1.750% to 5.750% or at a LIBOR rate plus an amount ranging from 3.000% to 7.000% based on leverage. During 2005, interest rates on the term loan and the revolver were amended to bear interest at Barrington Corporation’s option, at base rate plus an amount ranging from 0.375% to 1.875% or at a LIBOR rate plus an amount ranging from 1.625% to 3.125%. The weighted-average interest rate on the outstanding borrowings was 7.497% and 9.403% at December 31, 2005 and December 31, 2004, respectively. The unused portion of the revolver is subject to a commitment fee of 0.500% per annum.

Barrington Corporation is required to make scheduled payments on the term loan beginning on September 30, 2006, through the maturity date of March 31, 2012. In addition, Barrington Corporation is required to make prepayments on the term loan and the revolver under certain circumstances, including the sale of certain assets, the receipt of insurance proceeds, and the issuance of certain debt or equity securities. Barrington Corporation has the right to pay down the term loan and the revolver without penalty in increments of \$100,000.

The loan agreement contains certain financial covenants, including, but not limited to covenants related to total leverage, interest coverage and fixed charges. In addition, the loan agreement contains

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

other affirmative and negative covenants relating to, among other things, preservation of assets, compliance with laws, maintenance of insurance, financial statements and reporting, liens, payments on other debt, disposition of assets, transactions with affiliates, mergers and acquisitions, sales of assets, guarantees, and investments. The loan agreement contains customary events of default for bank facilities of this kind, including default on payment of the loans or other indebtedness, certain changes in ownership, control or management of Barrington Corporation, bankruptcy, and loss of FCC licenses, among others. The loans are secured by Barrington Corporation's present and future property, mortgages on all presently owned and hereafter acquired real estate, guarantees by and security interests in the assets, and the common stock of each subsidiary of Barrington Corporation. Barrington Corporation is currently in compliance with these financial covenants. As of December 31, 2005, Barrington Corporation has received a waiver from its lenders to certain reporting requirements in order to obtain additional time to deliver its 2005 audit and compliance certificate.

At December 31, 2005, the term loan facility provided for annual payments as follows:

<u>Year Ending December 31,</u>	
2006	\$ 2,700,892
2007	2,700,892
2008	5,401,785
2009	5,401,785
2010	8,102,677
Thereafter	<u>29,709,814</u>
	<u>\$54,017,845</u>

(Note F)—Accounting for Derivative Instruments and Hedging Activities

Under the provisions of SFAS No. 133, as amended and interpreted, Barrington Corporation recognizes at fair value all derivatives, whether designated in hedging relationships or not, in the balance sheet as either an asset or liability (see Note 2, Significant Accounting Policies). The accounting for changes in the fair value of a derivative, including certain derivative instruments embedded in other contracts, depends on the intended use of the derivative and the resulting designation. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in the statement of operations. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the statement of operations when the hedged item affects net income. If a derivative does not qualify as a hedge, it is marked to fair value through the statement of operations. Any fees associated with these derivatives are amortized over their term. Under these derivatives, the differentials to be received or associated with these derivatives are amortized over their term. Under these derivatives, the differentials to be received or paid are recognized as an adjustment to interest expense over the life of the contract. Gains and losses on termination of these instruments are recognized as interest expense when terminated.

SFAS No. 133 defines requirements for designation and documentation of hedging relationships, as well as ongoing effectiveness assessments in order to use hedge accounting under this standard. Barrington Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes relating all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. Barrington Corporation's derivative activities, all of which are for purposes other than

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

trading, are initiated within the guidelines of corporate risk-management policies. Management reviews the correlation and effectiveness of its derivatives on a periodic basis.

Non-Hedge Accounting Treatment

During the year ended December 31, 2005, Barrington Corporation entered into two interest rate cap agreements containing notional amounts of \$44,000,000 and \$20,000,000 that did not qualify for hedge accounting treatment. The agreements were outstanding at December 31, 2005. For the year ended December 31, 2005, Barrington Corporation adjusted the amount of its interest rate caps to fair value and recognized an unrealized loss in the amount of \$19,863.

These interest rate cap agreements, with a combined cost of \$108,800, limit Barrington Corporation's exposure to interest rate increases on its floating rate debt, thus reducing the impact of interest rate increases on future income. The 5.000% interest rate cap dated June 1, 2005, contains a notional amount of \$44,000,000 and expires May 31, 2007, the 5.500% interest rate cap dated November 9, 2005, contains a notional amount of \$20,000,000 and expires November 14, 2007. The notional principal amount of floating rate debt covered by the interest rate cap agreements effectively limits Barrington Corporation's exposure to rising LIBOR rates over 5.000% for the first \$44,000,000 and 5.500% for the next \$20,000,000. The agreements provide payment to Barrington Corporation as of specified dates, without an exchange of the underlying principal, of a differential which represents the interest at the three-month LIBOR rate on the notional amounts in excess of the three-month LIBOR of 5.000% or 5.500%, as the case may be, during the term of the agreements. The differential to be received is accrued as interest rates increase above the stated LIBOR rate and is recognized as an adjustment to interest expense related to debt.

Hedge Accounting Treatment

During the year ended December 31, 2005 and the eight months ended December 31, 2004, Barrington Corporation had no derivatives that qualified for hedge accounting treatment.

(Note G)—Program Broadcast Rights and Liabilities

Program broadcast rights and program broadcast liabilities consist of the following:

	Year Ended December 31, 2005		Eight Month Period Ended December 31, 2004	
	Program Rights	Program Liabilities	Program Rights	Program Liabilities
Beginning of period	\$ 860,478	\$ 855,914	\$ —	\$ —
Station acquisitions	505,428	526,100	573,760	551,718
Contracts acquired	935,428	935,428	858,022	858,022
Amortization	(1,246,400)	—	(571,304)	—
Amounts paid	—	(1,066,718)	—	(553,826)
	1,054,934	1,250,724	860,478	855,914
Less long-term maturities	(31,056)	(19,717)	(142,042)	(98,878)
Current contracts as of December 31	<u>\$ 1,023,878</u>	<u>\$ 1,231,007</u>	<u>\$ 718,436</u>	<u>\$ 757,036</u>

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

The maturities of the contracts in progress are as follows at December 31, 2005:

<u>Year Ending December 31,</u>	
2006	\$1,231,007
2007	<u>19,717</u>
	<u>\$1,250,724</u>

In addition, Barrington Corporation has entered into non-cancelable commitments for future program broadcast rights aggregating \$5,368,510 as of December 31, 2005, with total future payments as follows:

<u>Year Ending December 31,</u>	
2006	\$ 390,394
2007	1,339,173
2008	1,243,116
2009	1,087,008
Thereafter	<u>1,308,819</u>
	<u>\$5,368,510</u>

(Note H)—Accrued Expenses

Accrued expenses consist of the following:

	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Compensation and benefits	\$ 457,427	\$290,515
Interest	472,866	131,895
Other	644,058	451,984
	<u>\$1,574,351</u>	<u>\$874,394</u>

(Note I)—Leases

Barrington Corporation leases certain office facilities and equipment under operating lease arrangements. Future minimum payments for noncancelable operating leases as of December 31, 2005, are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2006	\$ 77,231
2007	68,047
2008	52,665
2009	44,224
2010	27,954
Thereafter	<u>21,822</u>
	<u>\$291,943</u>

Rent expense under the operating leases was \$60,835 and \$18,928 for the year ended December 31, 2005, and the eight month period ended December 31, 2004, respectively.

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

Barrington Corporation leases land, office space, and office and transportation equipment under agreements that expire from 2005 through 2011 and require various minimum annual rentals. The leases also require payment of the normal maintenance, real estate taxes, and insurance on the properties.

Barrington Corporation leases certain portions of its real property to various organizations. Total rental income under these agreements was \$159,395 and \$62,887 for the year ended December 31, 2005 and the eight month period ended December 31, 2004, respectively.

(Note J)—Related Party Loan

During May 2004, Barrington Corporation borrowed \$500,000 for working capital from an affiliate. The loan was unsecured and subject to interest in the amount of 9% annually. Interest expense on the loan was \$7,248 and \$28,875 for 2005 and 2004, respectively. The loan was repaid in March of 2005 in the amount of \$536,123 including interest.

(Note K)—Employee Benefit Plan

Barrington Corporation has a qualified 401(k) profit sharing plan in which substantially all of the employees of Barrington Corporation meeting certain service requirements are eligible to participate. Barrington Corporation paid matching contributions of \$45,582 and \$33,300 during the year ended December 31, 2005 and the eight month period ended December 31, 2004, respectively. For the year ended December 31, 2005 and the eight month period ended December 31, 2004, employee contributions totaled \$356,429 and \$270,805, respectively. No discretionary contributions were paid to participants in 2005 or 2004.

(Note L)—Management Agreement and Contingent Interest

On December 30, 2003, the Stockholder of Barrington Corporation entered into a Management Agreement with Barrington Broadcasting Company, LLC (“BBCLC”). The members of BBCLC are officers of Barrington Corporation. The agreement provides that BBCLC will provide management services to television stations acquired by Barrington Corporation. The fees charged by BBCLC approximate actual expenses incurred by BBCLC, including designated amounts for services provided by the members.

BBCLC also has a contingent interest in the parent of Barrington Corporation. Upon the occurrence of a sale of broadcast assets or similar liquidity events, as defined, BBCLC is entitled to proceeds, if distributed, after the Stockholder of Barrington Corporation receives the return of its cumulative capital contributions. BBCLC’s contingent profits interest is limited to 10% of total profits. As liquidation is not probable at December 31, 2005, Barrington Corporation has not recorded compensation expense related to this agreement.

(Note M)—Income Taxes

For the year ended December 31, 2005, Barrington Corporation provided a valuation allowance for all deferred income tax assets because Barrington Corporation believes that they may not be realized

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

through future taxable earnings. The provision for income tax (expense) benefit consists of the following:

	Year Ended December 31, 2005	Eight Month Period Ended December 31, 2004
Current income tax:		
Federal	\$ —	\$ 73,954
State	(49,679)	(1,600)
	(49,679)	72,354
Deferred income tax:		
Federal	2,757,236	35,740
State	—	—
	2,757,236	35,740
Total income tax benefit	2,707,557	108,094
Less: valuation allowance	(2,866,930)	—
Net tax (expense) benefit	\$ (159,373)	\$108,094

The calculated deferred tax assets and liabilities consist of the following components for Barrington Corporation:

	December 31,	
	2005	2004
Deferred tax assets:		
Net operating losses and credit carryforwards	\$ 4,567,812	\$ 314,310
Receivable allowances	49,154	35,715
Accruals	70,091	52,541
	4,687,057	402,566
Deferred tax liabilities:		
Intangibles	(1,535,000)	(259,585)
Depreciation	(285,127)	(33,287)
	(1,820,127)	(292,872)
	2,866,930	109,694
Less: valuation allowance	(2,866,930)	—
Net deferred tax asset	\$ —	\$ 109,694

Under the provisions of the Internal Revenue Code, Barrington Corporation has approximately \$11,420,000 of net operating loss carryforwards, which will begin to expire in the year 2024. A

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

reconciliation of the amount of statutory federal income taxes to Barrington Corporation's income tax expense or benefit is as follows:

	Year Ended December 31, 2005	Eight Month Period Ended December 31, 2004
Computed "expected" income tax benefit	\$ 2,367,344	\$141,094
Increase (decrease) resulting from:		
State income taxes net of federal effect	275,726	16,433
Nondeductible expenses	(43,965)	(47,833)
Other	108,452	(1,600)
	2,707,557	108,094
Less: valuation reserve	(2,866,930)	—
Income tax (expense) benefit	\$ (159,373)	\$108,094

(Note N)—Subsequent Events

On July 19, 2005, Barrington Corporation entered into an asset purchase agreement to acquire the all of the television broadcasting assets of WPDE-TV, Myrtle Beach, South Carolina from Diversified Communications. In addition to the assets of WPDE-TV, the contract provides that Diversified will assign its right to operate WWMB-TV, Myrtle Beach, South Carolina and its rights under an option to purchase the station from its owner. The transactions closed on February 6, 2006. The acquisition was paid for with cash provided from contributed capital and bank financing.

Concurrently with the WPDE-TV transaction, WWMB-TV, the UPN affiliate serving Myrtle Beach, was purchased by SagamoreHill of Carolina, LLC ("SagamoreHill"). Barrington Corporation will operate WWMB-TV on behalf of SagamoreHill under a local marketing agreement ("LMA"). Under the terms of the LMA, Barrington Corporation will make periodic payments to SagamoreHill for the right to provide programming and sell advertising on WWMB-TV. SagamoreHill will retain ultimate control and responsibility for the operation of its station. Barrington Corporation guaranteed full payment of all obligations incurred by SagamoreHill and SagamoreHill of Carolina Licenses, LLC, which owns WWMB's FCC license, under a new \$2,450,000 senior credit facility incurred by SagamoreHill and SagamoreHill of Carolina Licenses, LLC to purchase WWMB-TV.

The total purchase price of WPDE and SagamoreHill WWMD-TV including costs of the acquisition was approximately \$24,783,000, which consisted of the fair market value of the assets of \$24,169,000 and fees and costs of the transaction amounting to \$614,000. The purchase price has been allocated on a preliminary basis to acquired assets and liabilities at fair value based on an appraisal of the acquired assets.

SagamoreHill is considered a variable interest entity and in accordance with Financial Accounting Standards Board Interpretation No. 46 ("FIN 46R"), *Consolidation of Variable Interest Entities—an Interpretation of ARB No. 51*, Barrington Corporation's interest in SagamoreHill will be consolidated into the consolidated financial statements as of February 6, 2006.

BARRINGTON BROADCASTING CORPORATION
Notes to the Consolidated Financial Statements (Continued)

The aggregate purchase price was allocated as follows:

	2006 Acquisitions
Current assets	\$ 83,273
Program broadcast rights	225,513
Total property and equipment	10,292,590
Intangible assets	
FCC licenses	2,182,600
Goodwill	1,274,514
Other intangibles, not subject to amortization	2,182,600
Other intangibles, subject to amortization	8,786,993
Total Intangible assets acquired	14,426,707
Total assets	25,028,083
Other liabilities	17,433
Program broadcast payable	227,467
Total liabilities	244,900
Total purchase price, including costs	\$24,783,183

On March 24, 2006, Barrington Corporation entered into an asset purchase agreement with Raycom Media, Inc. (“Raycom”) pursuant to which Barrington Corporation will purchase the television broadcasting assets of certain of its stations for a purchase price of \$262,000,000 subject to adjustment. The stations include WNWO-TV, the NBC affiliate in Toledo, Ohio, WSTM-TV- the NBC and WSTQ-TV- the UPN affiliates in Syracuse, New York, WACH-TV, the FOX affiliate in Columbia, South Carolina, KGBT-TV, the CBS affiliate in Harlingen, Texas, KXRM-TV- the CBS and KXTU-TV-the UPN affiliates in Colorado Springs, Colorado, WPBN-TV, the CBS affiliate in Traverse City, Michigan, WTOM-TV, the NBC affiliate in Sheboygan, Michigan, WLUC-TV, the NBC affiliate in Marquette, Michigan, WFXL-TV, the FOX affiliate in Albany, Georgia and KTVO-TV, the ABC affiliate in Kirksville, Missouri.

The transaction will be financed with a combination of additional debt and contributed capital. In connection with the transaction, Barrington Corporation will refinance its existing debt and provide sufficient funds to complete the transaction. Barrington Corporation has secured a financing commitment for a new facility in the form \$150,000,000 senior secured term loan B and a \$25,000,000 revolving credit facility. Barrington Corporation has an additional \$125,000,000 financing commitment. The Raycom transaction remains subject to FCC approval. It is anticipated that the Raycom transaction will be completed during the third quarter of 2006.