

**ANNUAL REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

**BARRINGTON BROADCASTING GROUP LLC  
BARRINGTON BROADCASTING CAPITAL CORPORATION**

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Hoffman Estates, Illinois 60169  
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Pursuant to Section 4.3(a) of the Indenture, dated as of August 11, 2006, as supplemented by the Supplemental Indenture, dated as of March 19, 2008, by and among Barrington Broadcasting Group LLC, a Delaware limited liability company (“Barrington Group”), Barrington Broadcasting Capital Corporation, a Delaware corporation (“Barrington Capital”), U.S. Bank National Association, as trustee, and the guarantors named therein, relating to the 10½% Senior Subordinated Notes due 2014 (the “notes”), Barrington Group and Barrington Capital are furnishing the information contained herein to holders of the notes.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Annual Report are known as “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements may relate to, among other things:

- our significant amount of debt and our ability to comply with the financial covenants in the agreements governing such debt;
- our ability to maintain our network affiliations;
- our ability to generate advertising and other revenues;
- cyclical or other trends in advertising spending;
- the regulatory environment for our industry;
- competition in our markets; and
- our ability to achieve certain cost savings from the television stations we may acquire, program or provide such services to in the future.

These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this Annual Report that are not historical facts. When used in this Annual Report, the words “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed in “Item 1A. Risk Factors.” You should not place undue reliance on such forward-looking statements, which are based on the information currently available to us and speak only as of the date on which this Annual Report is posted on our website ([www.barringtontv.com](http://www.barringtontv.com)). We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent reports furnished to holders of our 10½% Senior Subordinated Notes due 2014.

## PART I

*As used in this Annual Report, the term “Issuers” refers to Barrington Broadcasting Group LLC, a Delaware limited liability company, or Barrington Group, and Barrington Broadcasting Capital Corporation, a Delaware corporation, or Barrington Capital; the term “Barrington Corporation” refers to Barrington Broadcasting Corporation, a Delaware corporation, and its consolidated subsidiaries prior to the merger of Barrington Broadcasting Corporation with Barrington Group; and unless the context otherwise requires, the terms “we,” “us,” “our” or similar terms refer to Barrington Group and its consolidated subsidiaries.*

### ITEM 1. Business.

#### Company Overview

We are a television broadcasting company focused on smaller markets across the United States. We own, program and/or provide support services to 24 network television stations, many of which have leading positions in 15 geographically diverse, smaller markets. In 10 of our 15 markets, we own a station ranked #1 or #2 in audience share. All of our stations are affiliated with national television networks—six with NBC, six with ABC, four with CBS, three with FOX and five with CW. In the markets where we own or operate a CW station, we operate duopolies. In Traverse City, Michigan, where we own the NBC affiliate, we also provide support services to the ABC affiliate located in that market. In addition, in Syracuse, New York, where we own the NBC affiliate, we provide support services to the CBS affiliate located in that market.

We believe smaller markets are more attractive than larger markets. Our stations are located in markets that rank between the 68th and 200th largest in the United States, as based on Nielsen Media Research data. As a result of our small market focus, our stations are able to achieve greater audience share, higher advertising rates relative to their market size and lower programming costs than stations in larger markets.

Traditional competitive local media, like Yellow Pages directories and newspapers, have experienced substantial declines in usage by both local and national advertisers. We believe local television is a cost effective substitute for these advertising dollars and has proven to be more efficient as well. In addition, small market rates for advertising time on television are more affordable to local advertisers than television advertising rates for larger markets. We believe the coverage areas of smaller market television stations better fit the business trading areas of local advertisers than the coverage areas of television stations within the top 50 markets. In addition, we believe new production and provisioning technologies allow smaller businesses to take advantage of television advertising in smaller markets.

#### Competitive Strengths

We believe that the following competitive strengths allow us to successfully operate in our markets:

***Leading Positions Within Our Local Markets.*** Our leading positions in the markets we serve enable us to effectively sell advertising to local businesses. In 11 of our 15 markets, we have a local newscast that is ranked #1 or #2, and in 10 of our markets we operate the #1 or #2 ranked station as measured by audience share. In addition to our strong rankings, we believe that our unique local content, identifiable local personalities and deep-rooted community presence give us an advantage when competing for local advertising revenues, which we believe are more stable than national advertising

revenues. Furthermore, the leading syndicated programs our stations typically carry allow us to enhance our local brand. Lastly, our current duopoly position in five of our markets includes a CW network-affiliated station that complements its primary station's demographic by targeting viewers in the 18 to 34 age group.

***Limited Competition Within Our Markets.*** We own, program and/or provide support services to stations in markets ranked 68th to 200th in the United States. Generally, in these smaller markets, there are a limited number of competing television stations and other alternatives for advertisers to effectively reach a broad audience. In seven of our 15 markets, we compete with four or fewer other stations. In addition, we believe that the reduced costs of producing television commercials, together with declining cable penetration and diminished effectiveness of print advertising, have and will continue to enhance the attractiveness of television advertising relative to other forms of advertising in our markets. Furthermore, with fewer competing television stations, we face less competition for syndicated programming, which enables us to have high quality programming while spending less than 4% of our 2009 gross revenues on programming versus approximately 10% for the average network-affiliated television station in 2008, which is the most recent industry information available.

***Diverse Operations.*** We believe our operations are well diversified and are not dependent on any specific market, station or network. We own, program and/or provide support services to 24 stations in 15 distinct markets across 14 states. No single market accounted for more than 16% of our 2009 net revenues. Our primary stations are affiliated with all four major networks, with no network group accounting for more than approximately 35% of our 2009 net revenues.

***Growing Local Advertising Base.*** Due to the reduced costs of producing television commercials, we believe that our stations now appeal to an incremental advertising base that was historically unable to afford local television advertising. We believe that tapping into this expanding base of potential advertisers will enable our stations to increase gross revenues by increasing the amount of television commercials produced within our stations and the competition for airtime sold to local advertisers for such commercials.

***Experienced Management Team and Equity Sponsor.*** With an average of more than 25 years of experience in managing television stations in smaller markets, our management team has significant expertise in managing multiple stations' operations and creating operating efficiencies at stations similar to our stations. Our management team is led by K. James Yager, who has 49 years of television experience with network-affiliated television stations serving smaller markets. He has served as Chairman of the Television Board of Directors of the National Association of Broadcasters, or the NAB; he is a member of the Broadcast Music Board of Directors and has testified numerous times before congressional committees regarding various broadcasting issues. Chris Cornelius, our Chief Operating Officer, has 26 years of television management experience and serves on the NBC Affiliate Board of Directors. Warren Spector, our Chief Financial Officer, has 23 years of television experience, having served as Chief Financial Officer of Retlaw Enterprises before the sale of its television broadcasting assets to Fisher Communications where he served as Chief Operating Officer. The principals of our equity sponsor, Pilot Group LP, or Pilot Group, add significant media experience, as they have operated radio stations in larger and smaller markets and have held positions with various media companies, including AOL Time Warner, ABC, NBC, CBS and MTV.

## **Our Strategy**

The primary aspects of our strategy include the following:

***Capitalize on Strong Local Presence.*** We expect to maintain strong local brands and market presence at our stations by continuing to provide programming focused on local news, community affairs

and local events. We believe that these efforts will increase local viewership and allow us to effectively meet the needs of our communities and local advertisers.

**Focus on Local Advertising.** We believe local advertising is a more stable source of revenues than national advertising. Declining commercial production costs have made television advertising more attractive to potential local advertisers within our markets. To target these local advertisers, we employ high quality sales teams with significant expertise in their respective markets. We plan to increase local revenues at our stations by continuing to focus on selling directly to local advertisers and capturing a greater share of all market advertising expenditures.

**Implement Cost Reduction Initiatives.** We continue to use our expertise and scale in operating smaller market stations to implement cost savings initiatives at our stations. We will continue to emphasize strict cost controls with a focus on minimizing operating and programming expenses.

**Leverage Stations for Internet Dissemination.** By employing unique, local-based content and leveraging our established brands, we continue to further develop local web portals with minimal capital expenditures. We provide valuable local content and cross promotion across our television stations and internet sites, which we believe will continue to drive advertising revenues and customer usage.

**Selectively Pursue Joint Sales and Shared Services Agreements in our Current Markets.** We believe our television station portfolio has reached our target scale. As a result, we plan to selectively pursue opportunities to enter into joint sales and shared services agreements with other television operators in certain of our current markets where we believe we can realize benefits through shared infrastructure and personnel.

## Our Stations

The following table sets forth information about the stations that we own, program and/or for which we provide support services.

<u>Market Rank</u>	<u>Market</u>	<u>Station</u>	<u>Network Affiliation</u>	<u>Network Affiliation Agreement Expiration Date</u>	<u>Station Rank<sup>(1)</sup></u>	<u>No. of Stations in Market<sup>(2)</sup></u>	<u>FCC License Expiration Date</u>
68	Flint/Saginaw/Bay City, MI	WEYI	NBC	December 2015	3	5	October 2013
68	Flint/Saginaw/Bay City, MI	WBSF	CW	August 2016	5	5	October 2013
73	Toledo, OH	WNWO	NBC	December 2015	3	5	October 2013
79	Columbia, SC	WACH	FOX	June 2012	4	5	December 2012
83	Syracuse, NY	WSTM	NBC	December 2015	2	6	June 2015
83	Syracuse, NY	WSTQ <sup>(3)</sup>	CW	August 2011	5	6	June 2015
83	Syracuse, NY	WTVH <sup>(4)</sup>	CBS	March 2013	3	6	June 2015
87	Harlingen/Weslaco/McAllen/Brownsville, TX	KGBT	CBS	December 2013	2	4 <sup>(5)</sup>	August 2014

(continued)

<u>Market Rank</u>	<u>Market</u>	<u>Station</u>	<u>Network Affiliation</u>	<u>Network Affiliation Agreement Expiration Date</u>	<u>Station Rank<sup>(1)</sup></u>	<u>No. of Stations in Market<sup>(2)</sup></u>	<u>FCC License Expiration Date</u>
92	Colorado Springs/Pueblo, CO	KXRM	FOX	June 2012	4	5	April 2014
92	Colorado Springs/Pueblo, CO	KXTU <sup>(3)</sup>	CW	August 2011	5	5	April 2014
104	Myrtle Beach/Florence, SC	WPDE	ABC	December 2013	2	4	December 2012
104	Myrtle Beach/Florence, SC	WWMB <sup>(6)</sup>	CW	August 2016	5	4	December 2012
117	Traverse City/Cadillac, MI	WPBN/ WTOM	NBC	December 2015	2	4	October 2013
117	Traverse City/Cadillac, MI	WGTU/ WGTQ <sup>(7)</sup>	ABC	December 2012	4	4	October 2013
116	Peoria/Bloomington, IL	WHOI <sup>(8)</sup>	ABC	December 2009 <sup>(9)</sup>	3	6	December 2013
131	Amarillo, TX/Clovis, NM	KVII	ABC	August 2013	1	5	August 2014
131	Amarillo, TX/Clovis, NM	KVIH	CW	August 2016	5	5	October 2014
137	Columbia/Jefferson City, MO	KRCG	CBS	June 2015	1	6	February 2014
145	Albany, GA	WFXL	FOX	June 2012	2	4	April 2013
171	Quincy, IL/Hannibal, MO/ Keokuk, IA	KHQA	CBS	June 2015	1	3	February 2014
180	Marquette, MI	WLUC	NBC	December 2015	1	4	October 2013
200	Kirksville, MO/Ottumwa, IA	KTVO	ABC	December 2013	1	2	February 2014

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- (1) Based on Nielsen Media Research data for the February, May, July, and November 2009 rating periods, Sunday to Saturday, 6 a.m. to 2 a.m.
- (2) Based on Nielsen Media Research data for stations reporting over a one-half point average.
- (3) Operates as a low power station.
- (4) The FCC license of WTVH is held by Granite Broadcasting Corporation which also owns the assets of the station. We partially program and provide sales and other support services to WTVH pursuant to a joint sales agreement and a shared services agreement.
- (5) Includes only U.S.-based stations.
- (6) The assets of WWMB are owned by SagamoreHill of Carolina, LLC and its FCC license is held by SagamoreHill of Carolina Licenses, LLC. We program WWMB pursuant to a local marketing agreement.
- (7) The FCC license of WGTU/WGTQ is held by Tucker Broadcasting of Traverse City, Inc. who also owns the assets of the stations. We partially program and provide sales and other support services to WGTU/WGTQ pursuant to a joint sales agreement and a shared services agreement.
- (8) Granite Broadcasting Corporation partially programs and provides sales and other support services to WHOI pursuant to a joint sales agreement and shared services agreement.
- (9) We are currently negotiating an extension of our affiliation agreement with ABC with respect to WHOI.

## **Revenues**

We generate our revenues primarily from the sale of local and national advertising. All network-affiliated stations are required to carry advertising sold by their networks, which reduces the amount of advertising time available for sale by our stations. Our stations sell the remaining advertising time in network programming and the advertising time in non-network programming, retaining all of the revenues received from these sales.

Advertisers wishing to reach a national audience usually purchase time directly from the networks, or advertise nationwide on a market-by-market basis. National advertisers who wish to reach the audience within one of our markets often buy advertising time directly from our stations through national advertising sales representative firms. Local businesses purchase advertising time directly from our stations' local sales staffs.

Our advertising revenues are positively affected by strong local economies, national, state and local political election campaigns, and certain events such as the Olympics or the Super Bowl. Because television broadcast stations rely on advertising revenues, declines in advertising expenditures, particularly in difficult economic periods, can adversely affect the broadcast industry. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending. This could cause our revenues or operating results to decline in any given period.

The gross advertising revenues of our stations are 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, our gross advertising revenues in even-numbered years can benefit from demand for advertising time in Olympic broadcasts and advertising placed by candidates for political offices as well as political issue-oriented advertising. A station's local market strength, especially in local news ratings, is the primary factor that buyers consider when placing political advertising.

We also derive revenues from other sources, including trade and barter programming, internet advertising and retransmission consent revenue. A national syndicated program distributor will often retain a portion of the available advertising time for programming it supplies in exchange for no fees or reduced fees charged to the stations for such programming. These programming arrangements are referred to as barter programming. Retransmission consent revenue is the amount paid by various satellite and cable providers in return for consent to the retransmission of the signals of our television stations.

## **Competition**

Competition in the television industry takes place on several levels: competition for audience, competition for programming (including news) and competition for advertisers. In addition, the broadcasting industry is continually faced with technological change and innovation, the rise in popularity of competing entertainment and communications media, and governmental restrictions or actions of federal regulatory bodies, including the Federal Communications Commission, or the FCC, and the Federal Trade Commission, any of which could have a material effect on our operations.

Our stations directly compete for audience share, programming and advertising revenues with the other television broadcast stations in each of our markets, many of which are owned by parent companies with greater financial resources than us. We also compete generally for audience share and advertising revenues with all other advertising outlets, including radio stations, cable television, newspapers and the internet.

### ***Audience Share***

We compete for viewership generally against other leisure activities in which one could choose to engage rather than watch television. Broadcast stations compete for audience share specifically on the basis of program popularity, which has a direct effect on advertising rates. A portion of the daily programming on the network-affiliated stations that we own, program and/or provide services to is supplied by the associated network. In those periods, the stations are dependent upon the performance of the network programs in attracting viewers. Stations compete for audience share during non-network time periods with a combination of locally originated news, public affairs and other entertainment programming, including syndicated programs.

### ***Programming***

We purchase non-network programming for cash, cash and barter, or barter only. Competition for non-network programming involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. We compete with other stations for exclusive access to non-network reruns (such as *Two and a Half Men*) and first-run product (such as *Wheel of Fortune*). Additionally, stations try to produce unique newscasts that include local features and events, as well as a journalistic style that appeals to local viewers. We also compete to secure program broadcast rights for local community and sporting events.

### ***Advertising Revenues***

In addition to competing with other video programming outlets for audience share, we compete for advertising revenues with other television stations in our respective markets and other advertising media, such as newspapers, radio stations, magazines, billboards and other outdoor advertising, transit advertising, the Yellow Pages directories, direct mail, local cable systems and local internet portals.

Advertisers wishing to reach a national audience may purchase time directly from the networks. However, competition for advertising dollars in the broadcasting industry also occurs within individual markets. Generally, a television broadcasting station in a particular market does not compete with stations in other market areas, unless a station in a “distant” Nielsen Media Research Designated Market Area, or DMA, is imported by a local cable television system or Direct Broadcast Satellite, or DBS, service provider pursuant to certain statutory provisions and the FCC's rules.

### ***Employees***

As of December 31, 2009, we had a total of 764 employees comprised of 702 full time and 62 part-time or temporary employees. As of December 31, 2009, 73 of our employees were covered by collective bargaining agreements. We believe that our employee relations are satisfactory, and we have not experienced any work stoppages at any of our facilities. However, we cannot assure you that our collective bargaining agreements will be renewed in the future, or that we will not experience a prolonged labor dispute, which could have a material adverse effect on our business, financial condition, or results of operations.

### ***Seasonality***

Our business has experienced and is expected to continue to experience significant seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing habits. The advertising revenue of television broadcasting 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. In addition, advertising revenue

tends to be higher in even-numbered years, when national, state and local political advertising is a significant element of advertising revenue. Historically, in odd-numbered years, little if any revenue is obtained from political advertising.

### **Intellectual Property**

In order to produce certain news programs and provide content on our websites, we own or license various domain names, trademarks and trade names. In addition, certain programming and promotions are provided to us for distribution under licenses secured from others.

### **Regulatory Environment**

We are subject to federal regulation under the Communications Act of 1934, as amended, or the Communications Act, and the FCC's rules and policies that affect the business operations of television broadcasting stations.

### ***License Grant and Renewal***

Television broadcast licenses are granted for a maximum term of eight years and are subject to renewal upon application to the FCC. All of our television station licensees have recently completed the license renewal process and hold broadcast licenses that expire in 2012 or later.

The FCC is required to grant an application for license renewal if it finds that during the preceding license term, the licensee: (1) served the public interest, convenience, and necessity; (2) did not commit any serious violations of the Communications Act or the FCC's rules; and (3) did not commit other violations of the Communications Act or the FCC's rules which, taken together, would constitute a pattern of abuse. The vast majority of renewal applications are granted by the FCC under this standard.

During certain limited periods after a renewal application is filed, interested parties, including members of the public, may file petitions with the FCC asking the FCC to deny the renewal application. The renewal applicant is entitled to respond to such petitions. After reviewing these submissions, the FCC may deny a petition, or it may determine that the petition raises a substantial and material question of fact as to whether a grant of the renewal application would serve the public interest and hold a hearing to determine whether the license should be renewed. In the vast majority of cases in which a petition to deny is filed against a license renewal application, the FCC ultimately grants the renewal without a hearing.

No competing application to the FCC for authority to operate a new station that would replace the incumbent licensee may be filed against a renewal application unless the FCC first determines that the incumbent licensee is not entitled to the renewal of its license.

Assignments of FCC licenses and transfers of control of companies that hold FCC licenses – including so-called “de facto” transfers of control, in which a party other than the FCC-approved licensee effectively supplants the FCC-approved licensee as the party exercising functional control over the station – must be approved in advance by the FCC. Before granting such approval, the FCC considers, among other factors, whether the proposed transaction would comply with its rules restricting the number of media interests a single entity may hold.

Under its rules, the FCC will permit an entity to own two full-power commercial television stations in a Nielsen Media Research Designated Market Area only if (1) there would still be eight independently-owned and operating, full-power, television stations or station combinations in the DMA; (2) the predicted pertinent field-strength signal contour of each such independently-owned station or station combination overlaps the predicted pertinent field-strength signal contour of one of the two

stations that would be under common ownership, and (3) at least one of the two stations to be commonly owned is not ranked as one of the top four stations in the DMA based upon its all-day audience share, as measured by Nielsen. The FCC's local television ownership rule also includes an exception allowing common ownership of stations in a single DMA where one of the stations is failing or unbuil.

The FCC attributes toward the local television ownership limits a station owner's involvement in certain arrangements through which it provides programming to or otherwise exercises control over the operation of a second station in the same market. The FCC considers such an agreement, known as a time brokerage or local marketing agreement, to be attributable if it allows the first station's owner to provide more than 15% of the second station's weekly broadcast programming. However, local marketing agreements, or LMAs, entered into prior to November 5, 1996 are grandfathered, which means they are deemed to confer attributable interests, but to the extent that those interests conflict with the FCC's local station ownership rule, they are exempted from the application of that rule. The FCC has indicated that it intends to revisit whether it will continue to allow these agreements to be exempted from this aspect of its ownership rule.

The FCC also permits ownership of two commonly-owned commercial television stations in the same market if the FCC classifies one of the stations as a satellite of the other station. This status is typically granted by the FCC if (1) there is no overlap of City Grade signal contour between the parent station and the satellite; (2) the satellite would provide service to an underserved area; and (3) no alternative operator is ready and able to construct or to purchase and operate the satellite as a full-service station. In addition, television stations that are classified by the FCC as low-power television stations are not subject to the local television ownership limits.

We currently have two markets in which we own two full-power television stations in the same DMA that are under common ownership and that are programmed separately from each other: WEYI in Saginaw, Michigan and WBSF in Bay City, Michigan, which are both in the Flint/Saginaw/Bay City, Michigan DMA, and KVII in Amarillo, Texas and KVIH in Clovis, New Mexico, both in the Amarillo, Texas/Clovis, New Mexico DMA. In the Florence/Myrtle Beach, South Carolina DMA, we own WPDE and provide more than 15% of the weekly programming broadcast by WWMB, which is owned by SagamoreHill of Carolina, LLC, or SagamoreHill, pursuant to a grandfathered LMA. In addition, we own a two-station combination in the Traverse City/Cadillac, Michigan DMA, in which the authorized satellite station, WTOM in Cheboygan, Michigan, currently retransmits all of the programming of parent station WPBN, in Traverse City, Michigan. Additionally, in the Traverse City/Cadillac, Michigan DMA we provide up to 15% of weekly programming broadcast by WGTU, a full power television station, whose programming is also retransmitted by its authorized satellite station WGTQ. Finally, in two markets – the Syracuse, New York DMA and the Colorado Springs, Colorado DMA – we own both a full-power station and a low-power station, as permitted by FCC rules.

In March 2009, we entered into joint sales and shared services agreements with Granite Broadcasting Corporation, or Granite, concerning Granite's and our respective operations in the Peoria, Illinois market, or the Peoria Granite agreements, and the Syracuse, New York market, or the Syracuse Granite agreements. The Peoria Granite agreements together with the Syracuse Granite agreements are referred to collectively as the Granite agreements. Under the Granite agreements, Granite's Peoria station, WEEK, conducts advertising sales and provides certain other technical and support services to our station, WHOI. In addition, Granite has the right to provide up to 15% of the weekly programming on WHOI. In Syracuse, our station, WSTM, provides the advertising sales together with other technical and support services for Granite's station, WTVH. We also have the right to program up to 15% of the weekly schedule of WTVH.

### ***Cable Must-Carry and Retransmission Consent Rights***

Every three years, commercial television broadcasters may make an election with respect to the carriage of their stations' signals on local cable television systems in their stations' DMAs, as defined by Nielsen Media Research. A station may elect to exercise its so called must-carry rights, which generally compel the applicable cable systems to carry the primary digital signal designated by a station. A must-carry station is entitled to carriage of its digital signal, but only a single stream of video (that is, a single channel of programming) is required to be carried even if the station offers multiple streams of video (a practice known as multicasting). A must-carry station is permitted to designate which of its digital programming streams will be carried by a cable operator.

Alternatively, a broadcaster may elect, at three-year intervals that began in October 1993, not to insist on must-carry and instead to negotiate with the applicable cable systems with respect to a station's consent to the retransmission of its digital signal by the cable system to such system's subscribers. These agreements with cable system operators are known as retransmission consent agreements. If a broadcaster elects to exercise its retransmission consent rights, a cable television system that is subject to that election may not carry the station's signal without the station's consent (and the station cannot compel carriage). This generally requires the cable system and the broadcaster to negotiate the terms under which the broadcaster will consent to the cable system's carriage of the station's signal. Frequently, the station obtains certain concessions from the cable system in exchange for the granting of retransmission consent rights.

If a broadcaster chooses to exercise its must-carry rights, it may request cable system carriage on its over-the-air channel or another channel on which it was carried on the cable system as of a specified date. A cable system generally must carry the station's signal in compliance with the station's carriage request, and in a manner that makes the signal available to all cable subscribers. However, must-carry rights are not absolute, and whether a cable system is required to carry the station on its system, or in the specific manner requested, depends upon variables such as the location, size, and number of activated channels of the cable system and whether the station's programming duplicates, or substantially duplicates, the programming of another station carried on the cable system. If certain conditions are met, a cable system may decline to carry a television station that has elected must-carry status, although it is unusual for all of those conditions to be met.

When a cable system retransmits a television station's digital signal, the FCC rules require the system to carry the digital signal in the format in which it was originally broadcast. Accordingly, digital stations offering high-definition television, or HDTV, content are entitled to carriage in HDTV format. In addition, to ensure that all cable subscribers have the ability to view the digital signals of local broadcast stations, cable operators must either down-convert the signals of must-carry stations to analog format for analog cable subscribers, or, if the cable system is all-digital, carry the must-carry signals only in digital format, provided that all subscribers with analog television sets have the necessary equipment to view the broadcast content. Although a cable system that is not all-digital will be required to carry analog versions of all must-carry signals to ensure that analog subscribers can view the signals, the digital signals of stations carried pursuant to retransmission consent may be carried in any manner that is consistent with the private agreements of the parties.

As of October 1, 2008, all of our stations have elected to exercise their retransmission consent rights for the three-year carriage cycle that commenced on January 1, 2009 and are operating under retransmission consent agreements with the applicable cable systems in the markets we serve. Our stations are expected to make their next elections by October 1, 2011, for the three-year carriage cycle commencing on January 1, 2012.

### ***Direct-to-Home Satellite Services and Must-Carry***

In November 1999, Congress enacted the Satellite Home Viewer Improvement Act of 1999, known as SHVIA. Congress later amended and extended SHVIA in December 2004 with the Satellite Home Viewer Extension and Reauthorization Act of 2004, known as SHVERA. SHVIA requires providers of DBS services such as DirecTV and EchoStar to carry upon request the signals of all local television stations in a DMA in which the satellite service provider is carrying at least one local television station's signal (sometimes referred to as carry-one, carry-all). SHVERA allows satellite providers to also import the signal of a network-affiliated station that is outside of a local market to subscribers within the local market who are deemed to be unserved by a local station affiliated with the same network, or if the station from outside of the local market is significantly viewed, as determined by the FCC, within the local market. Unserved generally refers to a satellite subscriber who is unable, using a conventional outdoor rooftop antenna, to receive the signal of the local network-affiliated station of specified signal strength. If a subscriber is able to receive a signal at the FCC's specified strength from a local network affiliate, then, subject to certain exceptions, the subscriber is not eligible to receive that network's programming from an out-of-market affiliate of the same network carried on the satellite service. The distant signal provisions of SHVERA were scheduled to expire at the end of 2009, but have been subject to short-term extensions while Congress considers a longer-term extension of these provisions along with other changes to the law, including changes to reflect the transition to digital television.

Commercial television stations made their first elections between retransmission consent and must-carry status for purposes of satellite carriage by July 1, 2001, for carriage commencing January 1, 2002. They continued making elections, beginning in October 2005 (for carriage commencing January 1, 2006), on a three-year cycle that coincides with the cable election period.

Satellite carriers are not required to carry duplicative network signals in a single, local DMA, unless the stations are licensed to different communities in different states. Satellite carriers are required to carry all local television stations in a contiguous manner on their channel line-ups and may not discriminate in their carriage of stations.

In an order released in March 2008, the FCC required satellite carriers to carry digital-only stations upon request in markets in which they are providing any local-into-local service. The same order required satellite carriers, over a four-year period, to begin transmitting the high definition, or HD, signals of all stations that offer them in markets where any station's signals are carried in HD. The FCC is also considering, in a pending proceeding, what obligations it should impose on satellite delivery of HD signals to subscribers who do not have HD-capable equipment.

DirecTV and EchoStar currently provide satellite carriage of our stations in 11 and 14 of our markets, respectively, pursuant to retransmission consent agreements. Our stations will make their next elections by October 1, 2011 for the three-year carriage cycle commencing January 1, 2012.

### ***Digital Television***

In June 2009, the broadcast television industry in the United States converted from analog signals to digital television, or DTV, signals. This process, known as the DTV transition, concluded in 2009, when full-power analog television service ceased. DTV technology allows broadcasters to deliver video and audio signals of higher quality and resolution (including HDTV) than the previously used analog transmission. DTV also has substantial capabilities for multicasting (the transmission of several program streams concurrently within the same channel bandwidth), mobile broadcasting, and data transmission.

As a part of the DTV transition, stations elected either to maintain service on the channel they used for DTV service prior to the transition date or to switch to a different channel (most commonly, the

channel formerly used by the station for analog service) for post-transition operation. Of the stations we own, program and/or provide support services to, 14 have elected to maintain DTV service on their pre-transition DTV channels, while six, have now returned to their analog channels for post-transition DTV service. Two stations, WSTM and WPBN operate on an entirely new channel.

In general, each station's digital channel allotment was intended to allow the station to continue to provide service after the DTV transition to the same number of viewers who previously received analog service. However, a number of variables affect the extent to which a station's DTV operation will provide such replication of service. Under certain circumstances, a station's DTV operation may cover a lesser geographic area than was covered by the station's former analog signal.

Full-power DTV stations, including certain of our stations, may experience interference from a variety of sources, such as other full-power stations and low-power television stations. In addition, in the future, broadcast stations may experience interference from electronic devices that the FCC may allow to be operated on an unlicensed basis. The FCC has adopted rules to limit the amount of interference that full-power digital television stations may cause to other stations. Low-power stations, including our stations WSTQ and KXTU, are required to accept interference from and avoid interference to full-power broadcasters. Certain other low-power stations, known as "Class A" LPTV stations, however, have greater interference protection rights, and protecting such stations may limit our stations' ability to expand their service in the future.

Television station operators may use a portion of their DTV signals to provide ancillary services, such as computer software distribution, internet, interactive programming, e-commerce, paging services, audio signals, subscription video, or data transmission services. To the extent a station provides such ancillary services, it is subject to the same regulations as are applicable to other analogous services under the FCC's rules and policies. A commercial television station is also required to pay the FCC a fee equal to 5% of the gross revenues derived from all ancillary services provided over such station's DTV signal for which it received a fee in exchange for the service or received compensation from a third party in exchange for transmission of material from that third party, not including commercial advertisements used to support broadcasting.

### ***Programming and Operations***

The Communications Act requires broadcasters to serve the public interest, including presenting programming that is responsive to community problems, needs and interests, and to maintain certain records demonstrating such responsiveness. Stations also must follow various rules promulgated under the Communications Act that regulate, among other things:

- political advertising, including pricing and availability to legally-qualified candidates and their supporters;
- sponsorship identification announcements;
- station-conducted contests, third-party-conducted contests, and lottery advertising;
- the broadcasting of obscene, indecent, or profane material;
- various operational requirements, including the maintenance and staffing of a main studio within the station's community of license or within its service area, and the maintenance at such studio of a file containing certain FCC-related records and other material that is required to be available for inspection by the

public; and

- technical operations, including limits on human exposure (both on the part of the general public and on the part of installation and repair crews) to harmful levels of electromagnetic radio frequency radiation.

Television stations are required to comply with the Children’s Television Act of 1990 and various FCC regulations that were adopted pursuant to that Act. These include limits on the type and amount of commercial matter that can be included in programs that are designed primarily for audiences comprised of children 12 years of age and younger; restrictions on the station’s ability to display its internet address on the screen during such programs; an affirmative requirement to present at least three hours per week for each stream of digital programming of so-called core educational and informational programming targeted to viewers aged 16 years old and younger (with restrictions on what times of day and under what circumstances such programming must be aired); affirmative obligations to publicize the broadcasting of such programs; and related record-keeping and FCC reporting obligations.

In addition, television stations are required to provide (with certain limited exceptions) closed captioning for virtually all of their analog programming first shown on or after January 1, 1998 and digital programming first shown on or after January 1, 2002, and for 75% of programming first shown before these dates, in order to ensure that the content of such programming is accessible to persons who are unable to hear the audio portion of stations’ broadcasts.

On November 3, 2008, the FCC issued an order adopting rules revising the procedures by which viewers may file closed captioning complaints and requiring stations to make available certain information intended to assist viewers in contacting stations about closed captioning concerns. These rule changes are now in effect. In its order, the FCC also sought comment on certain other matters relating to its closed captioning rules. Among other things, the FCC inquired whether one of the exemptions to its captioning rules, which covers programming on “channels” generating gross revenues of less than \$3 million annually exempts programming broadcast on a station’s multicast stream if that multicast stream’s annual revenues are less than \$3 million. The FCC has not yet issued a decision on these additional matters for which it sought comment.

In November 2007, the FCC adopted new public interest obligations for broadcasters; however, because of legal challenges, these new requirements have not yet become effective. Among other changes, the FCC announced that it would require broadcasters to report on the amount and type of public interest programming they offer and to make their public inspection files available over the Internet. The FCC has also requested comment on additional proposals, including its tentative conclusions to adopt “processing guidelines” that establish minimum amounts of locally-oriented programming broadcasters should provide and to require broadcasters to establish permanent community advisory boards.

The Bipartisan Campaign Reform Act of 2002, or the Reform Act, imposes various restrictions both on contributions to political parties during federal elections and on certain broadcast, cable television and DBS advertisements that refer to a candidate for federal office. Those restrictions may adversely affect the advertising revenues of our television stations during campaigns for federal office. However, the U.S. Supreme Court’s decision in January 2010 in *Citizens United v. Federal Election Commission* authorized corporations and labor unions to finance political advocacy communications, which we believe will limit the overall impact of the Act on our business with respect to these advertisers.

The FCC’s policies prohibit the broadcast of indecent and profane material during certain hours of the day, and the FCC regularly imposes monetary forfeitures when it determines that a television station violated that policy. During 2009, the U.S. Supreme Court reversed a decision pertaining to indecency by the U.S. Court of Appeals for the Second Circuit. The Second Circuit had held that the

FCC violated its procedural obligations when it proposed forfeitures for the broadcast of so-called “fleeting expletives,” which the FCC found were indecent. Neither court ruled on whether the FCC’s indecency policy was constitutional, however, that question is now pending before the Second Circuit. In addition, the U.S. Court of Appeals for the Third Circuit found that the FCC acted improperly when it imposed monetary forfeitures in connection with CBS’s 2004 broadcast of a musical performance during the Super Bowl halftime show, which the FCC also found to be indecent. During February 2010, the Third Circuit heard additional argument on the issue in light of the Supreme Court decision but has not yet issued a decision. The resolution of this litigation could affect the risks associated with operation of our broadcast television stations.

It is not generally the FCC’s policy to notify licensees when it receives indecency complaints regarding their broadcasts before it issues a formal letter of inquiry or takes other enforcement action. As a result, the FCC may have received complaints of which we are not aware alleging that one or more of our stations broadcast indecent material.

During 2006 and 2007, a media watchdog group filed a series of complaints at the FCC alleging that various broadcast stations and cable channels violated the FCC’s sponsorship identification rules by broadcasting material provided to them by a third party without disclosing the source of the material. None were filed against our stations. The first FCC decision concerning these complaints was issued in September 2007, when the FCC proposed monetary forfeitures against a cable operator in connection with a series of news broadcasts identified in the complaints. Although these decisions do not directly impact our stations, they are relevant because the FCC typically uses similar standards to evaluate alleged sponsorship identification violations by broadcast stations and cable operators.

On June 26, 2008, the FCC requested comment on its proposal to modify its sponsorship identification rules in order to increase regulation of embedded advertising, which includes both product placement and product integration. Among other things, the FCC inquired whether it should (1) require visual disclosures that have lettering of a particular size or that air for a particular amount of time, (2) adopt rules to protect children from embedded advertising, and (3) enhance disclosure requirements connected with on-air endorsements.

The FCC is conducting proceedings concerning various matters in addition to those described in this section. The outcome of these FCC proceedings and other matters described in this section could adversely affect the profitability of our television broadcasting operations.

#### **ITEM 1A. Risk Factors.**

Each of the following factors as well as the other information in the Annual Report should be considered in evaluating our business and our prospects. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition and operating results could be harmed substantially.

##### ***Risks Related to Our Business***

***The revenues generated by stations we operate or provide programming to could decline substantially if they fail to maintain or renew their network affiliation agreements on favorable terms, or at all.***

Due to the quality of the programming provided by the networks, stations that are affiliated with a network generally have higher ratings than unaffiliated independent stations in the same market. As a

result, it is important for stations to maintain their network affiliations. All of the television stations that we own, operate or program or provide other support services to have affiliation agreements with a major network—six stations have affiliation agreements with NBC, four stations have affiliation agreements with CBS, six stations have affiliation agreements with ABC, three stations have affiliation agreements with FOX and five stations have affiliation agreements with CW. Each of NBC, CBS and ABC generally provides affiliated stations with up to 22 hours of prime time programming per week, while each of FOX and CW provides affiliated stations with up to 15 hours of prime time programming per week. In return, affiliated stations broadcast the respective network's commercials during the network programming.

All of the network affiliation agreements of the stations that we own, operate or program or provide other support services to are scheduled to expire at various times through August 2016. Network affiliation agreements are also subject to earlier termination by the networks under limited circumstances. We cannot assure you that our affiliation agreements will be renewed or that each network will continue to provide programming to affiliates on the same basis as it currently provides programming. The non-renewal, renewal at less advantageous terms or termination of a network affiliation could adversely affect our results of operations.

***Because a high percentage of our operating expenses are fixed, a relatively small decrease in gross revenues could have a significant negative impact on our results of operations.***

Other than commissions paid to our sales staff and outside sales agencies, our expenses do not vary significantly with the increase or decrease of gross revenues. As a result, a minor shortfall in expected gross revenues could have a significant negative impact on our results of operations.

***We are dependent to a significant degree on automotive advertising.***

For the years ended December 31, 2009, 2008 and 2007, approximately 18%, 22% and 25%, respectively, of our gross advertising revenues consisted of automotive advertising revenues. During the year ended December 31, 2009 as compared to the year ended December 31, 2008 (excluding WHOI's and WTVH's revenue attributable to automotive advertising), automotive advertising revenues decreased from \$26.8 million to \$17.3 million, or 35.4%. A further decrease in these revenues in the future could materially and adversely affect our results of operations and cash flows, which could affect our ability to fund operations and service our debt obligations.

***Our advertising revenues are subject to fluctuations as a result of several factors, including cyclical and seasonal variations.***

Our business is cyclical in nature. Because we depend upon the sale of advertising for a significant portion of our gross revenues, our operating results are sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. During periods of economic contraction, gross revenues may decrease while some of our costs remain fixed, which could have a significant negative impact on our results of operations.

Our business has experienced and is expected to continue to experience significant seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing habits. Typically, our gross revenues are lowest during the first quarter and highest during the fourth quarter of each calendar year.

Our gross revenues tend to be higher in even-numbered years, when national, state and local political advertising is a significant element of advertising revenues. However, the Reform Act imposes various restrictions on both contributions to political parties during federal elections and on certain broadcast, cable television and DBS advertisements that refer to a candidate for federal office. We believe that these restrictions may have an adverse affect on our advertising revenues during campaigns for federal office. In odd-numbered years, little, if any, gross revenues are obtained from political advertising. Our advertising revenue also tends to be higher in even-numbered years due to the positive impact of the Olympics.

***If the CW network is discontinued by its owners, our ability to generate revenues may be adversely affected and our expenses could increase.***

Five of our stations, along with a digital sub channel in one of our markets, are currently affiliates of the CW network. In addition, in the markets where we operate a CW station, we operate duopolies. The CW network, which is a joint venture between CBS and Time Warner, targets a younger demographic audience. Our ability to generate advertising revenues at our CW affiliated stations depends heavily upon audience acceptance of the CW network's programming content. The CW network's ratings have been lower than expected since its inception in September 2006. If the CW network continues to attract low ratings, our advertising revenues may be adversely impacted. In addition, if CBS and Time Warner decide to discontinue the network entirely, our revenues may be adversely impacted and our expenses would increase as we would have to purchase programming to fill the time periods formerly programmed by the CW network.

***We are dependent on our senior executives and our business would be negatively impacted if we were to lose their services.***

We believe that our success and our ability to maintain our competitive position depends on our ability to retain the services of K. James Yager and Chris Cornelius, two of our senior executives who have entered into employment agreements with Barrington Group for terms expiring on December 31, 2010. These individuals have extensive experience in the television broadcasting industry and have been instrumental in formulating and executing our business strategy. If we lost the services of K. James Yager or Chris Cornelius, we may not be able to timely identify and retain appropriate or suitable replacements to manage our operations. The complete or partial loss of their services could adversely affect our ability to manage effectively our overall operations and successfully execute current or future business strategies.

***If WHOI does not perform as expected pursuant to our joint sales and shared services agreements with Granite for such station, it could cause a decrease in the station's revenues. Similarly, we may not be able to realize the expected level of revenues from our sales efforts and related support services that we provide to Granite's station, WTVH, pursuant to our joint sales and shared services agreements with Granite for such station.***

Granite provides advertising sales, programming and other technical and support services to our station in Peoria, Illinois, WHOI, pursuant to joint sales and shared services agreements. If WHOI does not generate revenues consistent with historical results under Granite's management, it would adversely impact our results of operations.

Similarly, we provide advertising sales, programming and other technical and support services to Granite's station in Syracuse, New York, WTVH, pursuant to joint sales and shared services agreements with Granite. If we are not able to generate the expected level of revenues from advertising sales for

WTVH, it could adversely impact our results of operations.

*We face risks associated with acquiring stations and potential acquisitions.*

We have grown rapidly through the acquisition of television stations and we may continue to grow as a result of additional acquisitions, some of which may be material. Growth of our business through acquisitions entails numerous risks, including:

- we may not be able to successfully reduce costs, increase gross advertising revenues or audience share or realize anticipated synergies and economies of scale with respect to any acquired station;
- we may experience difficulties integrating operations and systems, as well as company policies and cultures;
- we may fail to retain and assimilate employees of acquired stations;
- we may incur unbudgeted costs in connection with pursuing potential acquisitions which are not consummated;
- our operating results may fluctuate due to our incurrence of considerable expenses to acquire stations before receiving the anticipated revenues expected to result from the acquisitions;
- our management may be reassigned from overseeing existing operations by the need to identify potential acquisition targets, conduct due diligence, negotiate acquisition agreements and integrate acquired stations;
- we may experience difficulties in finding suitable acquisition candidates or in making acquisitions on attractive terms;
- we may face difficulties in obtaining and maintaining any required regulatory authorizations in connection with acquisitions; and
- we may encounter problems in entering new television markets in which we have little or no experience.

In the future, we may need additional capital to continue growing through acquisitions. This additional capital may be raised in the form of additional debt, which would increase our leverage and could have an adverse effect on our ability to pay interest on our 10½ Senior Subordinated Notes due 2014, referred to herein as the notes. We may not be able to raise sufficient additional capital on terms that we consider acceptable, or at all.

There can be no assurance that we will be able to successfully integrate any stations that we might acquire or to which we may provide support services in the future. If we fail to do so, or if we do so but at greater cost than anticipated, our business, financial condition and results of operations may be adversely affected.

***Our business may be adversely affected by strikes and other labor protests which could cause disruptions in our operations.***

As of December 31, 2009 approximately 10% of our employees were represented by various unions, including the United Auto Workers, the International Brotherhood of Electrical Workers, Radio & Broadcast Engineers and the National Broadcast Employees & Technicians / Communications Workers of America. If we were to experience a strike or work stoppage at one of our broadcasting stations, any resulting disruptions in operations could cause us to lose viewers and advertisers and might have permanent adverse effects on our business.

***We are controlled by Pilot Group, and its interests may differ from the interests of note holders.***

As a result of Pilot Group's controlling interest in us, Pilot Group is able to exercise a controlling influence over our business and affairs. As the managing member of Barrington LLC, Pilot Group is able to unilaterally determine the outcome of many matters, including the election and removal of directors, the acquisition of additional television stations and the approval of any merger, consolidation or sale of all or substantially all of our assets. In addition, four of our directors are affiliated with Pilot Group. The interests of Pilot Group may differ from the interests of the holders of the notes and Pilot Group could take actions or make decisions that are not in the best interests of the note holders. Furthermore, this concentration of ownership by Pilot Group may have the effect of impeding a merger, consolidation, takeover or other business combination involving us.

***Changes in FCC ownership rules may limit our ability to continue programming WWMB under a "grandfathered" LMA and/or require material modifications to our joint sales and shared services arrangements with respect to certain other stations, which could adversely affect our results of operations.***

FCC ownership rules currently impose significant limitations on the ability of broadcast licensees to have attributable interests in multiple media properties. The television "duopoly rule" limits licensees to the ownership of one television station in most medium-sized and smaller television markets and two stations in most larger markets. In addition, the FCC ownership limitations currently restrict the programming by one station owner of a second station in the same market pursuant to a time brokerage agreement or LMA. However, time brokerage agreements or LMAs entered into prior to November 5, 1996 are currently "grandfathered" from such restrictions. We currently program television station WWMB pursuant to a "grandfathered" LMA with SagamoreHill.

In 2003, the FCC voted to revise and in most cases substantially liberalize several of its national and local ownership rules. In 2004, the United States Court of Appeals for the Third Circuit found virtually all of those actions to be without adequate support and remanded to the FCC for further deliberation. As a result, most of the rule changes adopted by the FCC did not go into effect and the FCC's media ownership rules with respect to television remained unchanged. In 2005, the United States Supreme Court declined to hear an appeal of the Court of Appeals' decision. The FCC commenced a further rulemaking in June 2006 in order to re-examine the ownership rules in light of the Court's decision. The FCC decided to relax its newspaper-television cross-ownership rule, but to retain its duopoly rule. That decision is presently subject to challenge. In March 2008, the FCC sought comment on additional proposed changes to its ownership rules, including whether it should treat all LMAs as attributable interests for the purpose of its ownership rules, and in September 2009 the agency began a proceeding to conduct a more comprehensive review of its ownership rules. We are unable to predict the timing or outcome of any FCC deliberations on attribution of LMAs or related matters. If the FCC's duopoly rule is relaxed, we may be able to acquire full ownership of WWMB. If we are unable to acquire

WWMB and the FCC decides to prohibit grandfathered time brokerage agreements or LMAs, our continued programming of WWMB through our LMA may not be permitted by the FCC, which could have a material adverse effect on our operations.

Through our subsidiary that operates WPBN, Traverse City, Michigan, and its satellite WTOM, Cheboygan, Michigan, we have entered into a joint sales agreement and shared services agreement with Tucker Broadcasting of Traverse City, Inc., or Tucker, whereby we hold certain programming and advertising sales rights with respect to Tucker's television stations WGTU in Traverse City and its satellite WGTQ in Sault Ste. Marie, Michigan as well as provide certain shared services to these stations.

We also have entered into joint sales and shared services agreements with Granite Broadcasting Corporation concerning operations in the Peoria, Illinois and Syracuse, New York markets. Under the agreements, Granite's Peoria station, WEEK, will conduct advertising sales and provide certain other technical and support services to our station, WHOI. In addition, Granite will have the right to provide up to 15% of the weekly programming for WHOI. In Syracuse, our station, WSTM, will provide advertising sales and other technical and support services for Granite's station, WTVH. We also will have the right to program up to 15% of the weekly schedule of WTVH.

The FCC has a pending rulemaking pertaining to the attribution of joint sales agreements in which it may determine that a joint sales agreement involving the sale of 15% or more of a same-market television station's advertising time will result in that station being attributable to the party providing the sales services for multiple ownership purposes. In the event that the FCC were to adopt such a rule, it is possible that the new rule could require material modification of our joint sales agreement and shared services agreement.

### ***Risks Related to Our Industry***

#### ***Our television content may attract fewer viewers, limiting our ability to generate advertising revenues.***

The success of each of our television stations is primarily dependent upon our ability to generate advertising revenues. The ability of television stations to generate advertising revenues depends to a significant degree upon audience acceptance. Although we are diversified in our network affiliations by having affiliation agreements with all of the major television networks, our programming may not attract sufficient targeted viewership or we may not achieve favorable ratings. Our ratings and audience acceptance is influenced by many factors, including the content offered, shifts in population, demographics, general economic conditions, public tastes, reviews by critics, promotions, the quality and acceptance of other competing content in the marketplace at or near the same time, the availability of alternative forms of entertainment and other intangible factors. All of these factors could change rapidly, and many are beyond our control. A shift in viewer preferences could cause our programming not to gain popularity or to decline in popularity, which could cause our advertising revenues to decline. In addition, we, our networks, and the others on whom we rely for programming, may not be able to anticipate and react effectively to shifts in viewer tastes and interests in the markets. Such inability to anticipate shifts in viewer preferences could negatively impact our advertising revenues and our results of operations. Our advertising revenues will suffer if any of our broadcasting stations cannot maintain their audience ratings or market share or cannot continue to command the advertising rates that we anticipate.

***The continued development of alternative video program distribution channels may adversely affect our ability to retain viewers.***

Several of the largest national television networks—including networks with which some of our stations are affiliated—have recently begun providing access to popular network programs to viewers by means of platforms other than local television stations affiliated with such networks. These platforms include portable playing devices (such as the iPod), streaming over the internet, and delivery to portable receivers, including specially-equipped mobile telephone devices. This phenomenon is still evolving and it is difficult to predict what impact it may have, if it continues or grows, upon the traditional model for the delivery of network television programs to viewers through network-affiliated local stations and multichannel video program distributors such as local cable systems and DBS service providers. However, if these platforms are successful in our markets, our revenues and results of operations could be adversely impacted.

***Our industry is subject to significant syndicated and other programming costs, and increased programming costs could adversely affect our results of operations.***

Our industry is subject to significant syndicated and other programming costs. Programming costs constitute one of the most significant operating costs in our industry. We may be exposed in the future to increased programming costs, which may adversely affect our operating results. We often acquire program rights two or three years in advance, making it difficult for us to accurately predict how a program will perform. In some instances, we may have to replace programs before their costs have been fully amortized, resulting in write-offs that increase station operating costs. If we are unable to obtain audience-attracting programming in the future or if we are exposed to increased programming costs, our operating results will be negatively impacted.

***Ongoing issues relating to the digital television spectrum and the conversion to digital television may adversely affect us.***

Full-power television stations discontinued broadcasting their analog signals on or before June 12, 2009, which we refer to as the transition date. After that date, viewers who relied on over-the-air reception for television viewing were required to use television receivers with digital reception capability or converter boxes that permit DTV signals to be viewed on analog television sets. While most viewers have obtained the equipment necessary to receive digital broadcasts, federal subsidies for purchasing digital converter boxes that were provided immediately before and after the transition date are no longer available. In addition, viewers of some stations are experiencing difficulty receiving digital signals due to differences in broadcast equipment, antennas needed to receive digital signals, and other factors. Two of our stations, WPBN and KVIH, are changing the channels on which they broadcast in order to improve reception of their signals to such viewers. We cannot predict the extent which our viewers may be affected by these equipment and reception changes. Finally, it is too early to determine whether the cessation of analog signals on June 12, 2009 caused a significant number of viewers to obtain video programming from other sources, including the internet. If significant numbers of viewers choose to use alternative distribution methods rather than adopt DTV technology, such decisions could reduce television viewing audiences and could adversely affect our operating results.

In addition, the FCC has proposed in its National Broadband Plan to make additional radio spectrum available for broadband services, including reallocating certain portions of the broadcast band for broadband use through various means. The implementation of the FCC's proposals would require one or more FCC rulemaking proceedings as well as legislative action. Therefore, we currently are unable to predict whether and in what form the proposals might proceed and what impact they might have on our

operations.

***We may be adversely affected by disruptions in our ability to receive or transmit programming.***

The transmission of programming is subject to risks of equipment failure, including those failures caused by satellite defects and destruction, natural disasters, power losses, low-flying aircraft, software errors or telecommunications errors. Disruption of our programming transmissions may occur in the future and satellites or other comparable transmission equipment may not be available. Any natural disaster or extreme climatic event, such as an ice storm, could result in the loss of our ability to broadcast. Further, we own or lease antenna and transmitter space for each of our stations. If we were to lose any of our antenna tower leases or if any of our towers or transmitters were damaged, we may not be able to secure replacement leases on commercially reasonable terms, or at all, which could also prevent us from transmitting our signals. Disruptions in our ability to receive or transmit our broadcast signals could have a material adverse effect on our audience levels, advertising revenues and future results of operations.

***Any potential hostilities, terrorist attacks or natural disasters may affect our revenues and results of operations.***

We may experience a loss of advertising revenues and incur additional broadcasting expenses in the event that the United States engages in foreign hostilities, in the event there is a terrorist attack against the United States or upon the occurrence of a natural disaster. Significant news events like a war, a terrorist attack or a natural disaster will likely result in the preemption of regularly scheduled programming by network news coverage of the event. As a result, advertising may not be aired and the revenues for such advertising may be lost unless the broadcasting station is able to run the advertising at agreed-upon times in the future. We cannot assure you that the advertisers will agree to run such advertising in future time periods or that space will be available for such advertising. We cannot predict the extent or duration of any preemption of local programming if it occurs. In addition, our broadcasting stations may incur additional expenses as a result of expanded news coverage of the local impact of a war, terrorist attack or natural disaster. The loss of revenues and increased expenses could negatively affect our results of operations.

***If we are unable to reach retransmission consent agreements with cable companies for the carriage of our stations' signals, we could lose revenues and audience share.***

The Communications Act permits stations to choose either mandatory carriage (“must-carry”) or retransmission consent. These elections are generally made at three-year intervals. Although retransmission consent agreements typically involve a concession by the cable operator in exchange for carriage of a station’s signal, stations that elect must-carry may not receive such concessions. Likewise, if a station elects retransmission consent but does not reach an agreement with the cable operator as to which it has made this election, the cable system cannot distribute the station's signal to the cable system's subscribers.

All of our stations have elected retransmission consent and have negotiated agreements or extensions with cable companies for the carriage of their signals.

***If direct broadcast satellite companies do not carry our stations, we could lose revenues and audience share.***

Federal law allows direct broadcast satellite television service providers to transmit broadcast television signals to subscribers in local markets, provided that the satellite service providers offer to carry all local stations in that market. DirecTV and EchoStar's Dish Network carry our stations in 11 and 14 of our markets, respectively. In those markets in which satellite providers do not carry local station signals, subscribers to those satellite services are unable to view our stations without making alternative arrangements, such as installing special antennas and switches. In the event that subscribers to satellite services do not receive signals from the stations that we own and operate, or that we provide programming to under LMAs or joint sales agreements, we could lose audience share which would adversely affect our results of operations.

Federal law also permits satellite service providers to import into local markets the signals of same-network-affiliated stations from distant markets, under certain conditions where the local network-affiliated station's signal does not reach certain households in the market with sufficient strength to be viewed or where the out-of-market station is "significantly viewed" in the local market. Such distant signal importation could fragment the audience for any of our stations in local markets that might be so affected, by giving viewers in that market access to a potentially superior quality signal offering the same network programming as our station offers.

***The FCC can sanction us for programming on our stations that is found or alleged to be indecent.***

Over the past several years, the FCC has increased its efforts to impose substantial fines on television stations for their broadcasts of indecent material in violation of the Communications Act and related FCC rules. As described above, the FCC's recent decisions reflect an increased scrutiny with respect to the use of certain language and images on broadcast television, and the agency has recently increased the maximum forfeiture amount for indecency violations. Moreover, the FCC's recent decisions have been in several respects inconsistent with prior decisions, and the FCC typically has not explained fully the basis on which it distinguishes between programming that it finds indecent and programming that it does not find indecent. The ambiguity of this standard makes it difficult for broadcasters and their programming providers to predict whether a particular program may be found indecent. As a result, we may not always be able to guard against broadcasting programming that the FCC may later find to be indecent and we may therefore be subject to the imposition of fines by the FCC.

Even when the FCC does not determine that a station broadcasted indecent programming, the fact that a complaint has been filed against the station can delay processing of routine FCC applications for the station. When the FCC has received unresolved complaints against a station, it is common for the FCC to require a station to agree to waive certain rights or make other concessions, including financial concessions, in order for a routine application for renewal of its license or for transfer of the station to be granted.

As discussed above, the FCC is currently involved in litigation over the validity of its indecency enforcement regime. In separate cases, the U.S. Courts of Appeal for the Second and Third Circuits have already found certain FCC indecency enforcement actions to be invalid. The U.S. Supreme Court has upheld one FCC indecency decision on administrative procedure grounds but has sent the case back to the lower court for consideration of whether other aspects of the FCC's decision were improper and the second case was reargued before the appellate court, which is considering the impact of the Supreme Court's decision. There is a significant likelihood that the appellate courts in both cases will consider whether the FCC's indecency policy was constitutional, which was not the issue underlying the first decisions in the cases.

The resolution of this indecency litigation could materially affect the FCC's indecency enforcement efforts going forward, either by increasing or decreasing the risk of an indecency finding relating to our broadcasts. Because we are unable to predict the outcome of the litigation, we cannot fully estimate the impact that indecency regulation will have on our business in the future.

### ***Risks Relating to Our Indebtedness***

***We are highly leveraged and future cash flow may not be sufficient to meet our obligations, including our obligations under the notes, and we might have difficulty obtaining more financing.***

We have a substantial amount of indebtedness. As of December 31, 2009, we had total indebtedness of approximately \$227.9 million, including our guarantee of the SagamoreHill term loan, our guarantee of a \$4.0 million term loan A facility and a \$3.0 million term loan B facility entered into by Tucker to partially fund its acquisition of WGTU/WGTQ, referred to herein collectively as the Tucker term loans. Our substantial indebtedness could have important consequences. For example, it could:

- adversely affect our cash flow and make it more difficult for us to satisfy our obligations with respect to the notes;
- limit our ability to respond to changing business, economic and industry conditions and to withstand competitive pressures, which may affect our financial condition;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- result in an event of default if we fail to comply with the financial and other restrictive covenants contained in (i) the Credit Agreement, dated as of August 11, 2006, by and among Barrington Group, as borrower, all of its subsidiaries and Barrington Broadcasting LLC, as guarantors, Bank of America, N.A., as administrative agent, and the lenders party thereto, referred to herein as our credit agreement, governing our \$147.5 million senior secured term loan B, referred to herein as the term loan facility, and \$25.0 million revolving credit facility, referred to herein as the revolving facility and, together with the term loan facility, referred to herein as our credit facility, (ii) the indenture governing the notes or (iii) instruments governing our other indebtedness;
- limit our ability to borrow additional funds or obtain additional financing in the future;
- limit our ability to pursue acquisition opportunities;
- expose us to greater interest rate risk since the interest rate on borrowings under our credit facility will fluctuate with the current market rates; and
- place us at a competitive disadvantage to our competitors who are not as highly leveraged.

Under the terms of the indenture governing the notes and our credit agreement, we are permitted, subject to certain conditions and limitations, to incur additional indebtedness. If we incur additional indebtedness, the risks described above will be exacerbated.

Our ability to continue to fund our debt requirements and to reduce debt may be affected by general economic, financial market, competitive and regulatory factors, among other things. Although we currently believe that we will continue to be in compliance with the financial covenants contained in our credit agreement throughout 2010, a further deterioration in the economic or business environment could negatively impact our financial results and cause us to fail to comply with one or more of these covenants.

If there were an event of default under one of our debt instruments, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, if accelerated upon an event of default, or that we would be able to repay, refinance or restructure the payments on those debt instruments.

***The Issuers' ability to make payments on the notes substantially depends on cash flow from their operating subsidiaries. If such subsidiaries cannot make distributions to the Issuers, or such distributions decrease, the Issuers may not be able to make payments on the notes.***

The Issuers have no revenue generating operations except for those conducted through Barrington Group's operating subsidiaries. Accordingly, the Issuers' only material source of cash, including cash to make payments on or redeem the notes, is distributions with respect to the Issuers' ownership interests in such operating subsidiaries that are derived from the earnings and cash flow generated by such operating subsidiaries. Distributions to Barrington Group from its operating subsidiaries will depend on:

- the financial performance of the operating subsidiaries;
- covenants contained in our debt agreements, including our credit agreement and the indenture governing the notes;
- covenants contained in other agreements to which we or our subsidiaries are or may become subject;
- business and tax considerations; and
- applicable law, including laws regarding the payment of distributions.

The operating results of our operating subsidiaries at any given time may not be sufficient to make distributions or other payments to us and any distributions and/or payments to us may not be adequate to pay any amounts due under the notes or our other indebtedness. If the cash flows and capital resources of our operating subsidiaries are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness, including the notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and our operating subsidiaries might be required to dispose of material assets or operations to meet our debt service and other obligations. Our credit agreement and the indenture governing the notes restrict our ability to dispose of assets and use the proceeds from the disposition. Our operating subsidiaries may not be able to consummate those dispositions or to obtain the proceeds which could be realized from them and these proceeds may not be adequate to meet any debt service obligations then due. Any inability to meet our debt service obligations would have a material adverse effect on our results of operations.

***Our ability to engage in certain transactions is restricted by our credit agreement and the indenture governing the notes.***

Our credit agreement and the indenture governing the notes contain covenants that limit our and our restricted subsidiaries' ability to engage in specific types of transactions. The covenants include, among other things, limitations on our ability to:

- make distributions on our equity interests, repurchase, repay or redeem our equity interests or prepay subordinated indebtedness;
- issue preferred equity;
- make certain investments;
- incur additional indebtedness;
- create liens on assets to secure indebtedness;
- transfer or sell all or substantially all of our assets;
- merge or consolidate with another entity;
- enter into certain transactions with affiliates; and
- enter into sale and leaseback transactions.

In addition, our credit agreement requires us to satisfy various financial covenants, including maximum total leverage and minimum interest coverage ratios, and limits our total capital expenditures.

Future indebtedness or other contracts could contain financial or other covenants more restrictive than those applicable to our credit facility and the notes. These restrictive covenants may limit our ability to expand our operations, pursue our business strategies and react to events and opportunities as they unfold or present themselves. If we are unable to capitalize on future business opportunities, our business may be harmed.

We would not have been in compliance with the total leverage ratio covenant contained in our credit agreement when measured for the quarter ended December 31, 2008. However, pursuant to the terms of our credit agreement, Pilot Group had the right, subject to certain limitations, to make one or more cash capital contributions to us in order to prevent a default under our credit agreement. During the first quarter of 2009, Pilot Group made cash capital contributions to us in an aggregate amount of \$16.0 million to prevent a default under our credit agreement. As of December 31, 2009, we were in compliance with the financial covenants contained in our credit agreement.

Our ability to comply with these provisions may be affected by general economic conditions, industry conditions and other events beyond our control. Although we currently believe that we will continue to be in compliance with these covenants throughout 2010, a further deterioration in the economic or business environment could negatively impact our financial results and cause us to fail to comply with one or more of these covenants. Our failure to comply with the covenants contained in our credit agreement or the indenture governing the notes could result in an event of default, which could materially and adversely affect our operating results and our financial condition.

***Floating rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.***

Borrowings under our credit facility are subject to floating rates of interest. If there is a rise in interest rates, our debt service obligations on the borrowings under our credit facility would increase even though the amount borrowed would remain the same, which would affect our results of operations. A 1% change in LIBOR would result in our interest expense under our credit facility fluctuating approximately \$1.7 million per year without taking into account the effect of any hedging instruments. We have entered into interest rate hedging agreements which effectively fixed the interest rate on the majority of our borrowings under our credit facility at no greater than 5.5% and no less than 4.845%. There can be no assurance that when the interest rate hedging agreements expire we will be able to enter into other interest rate hedging agreements on favorable terms or at all. In addition, when LIBOR decreases to a rate lower than 4.845%, our interest expense increases and we will owe additional interest to the counterparties to our interest rate hedging agreements.

### ***Risks Relating to the Notes***

***The notes are contractually junior in right of payment to our senior indebtedness, and the guarantees are contractually junior in right of payment to all senior indebtedness of the guarantors.***

The notes are contractually junior in right of payment to all of our existing and future senior indebtedness, and the guarantees of the notes are contractually junior in right of payment to all existing and future senior indebtedness of the guarantors. As of December 31, 2009, we had approximately \$173.0 million of senior indebtedness outstanding, consisting of indebtedness under our credit facility (including \$21.0 million of borrowings under our revolving facility), our guarantee of the \$2.4 million SagamoreHill term loan, our guarantee of the \$3.0 million Tucker term loan B facility and the credit support we provide for the \$4.0 million Tucker term loan A facility in the form of a \$4.0 million letter of credit issued under our revolving facility, which reduces our ability to draw funds on our revolving facility by \$4.0 million. We may not pay principal, premium, if any, interest or other amounts on the notes in the event of a payment default in respect of certain senior indebtedness, including debt under our credit facility, unless that indebtedness has been paid in full or the default has been cured or waived. In addition, if certain other defaults regarding certain senior indebtedness occur, we may be prohibited from paying any amount on the notes and the guarantors may be prohibited from paying any amount on the guarantees for a designated period of time. In the event of bankruptcy, liquidation or dissolution, our assets would be available to pay obligations on the notes only after all payments had been made on our senior indebtedness. Similarly, in the event of bankruptcy, liquidation or dissolution of any guarantor, its assets would be available to pay obligations on its guarantee of the notes only after all payments had been made on its senior indebtedness. Accordingly, we may not have enough assets remaining after payments to holders of our senior indebtedness to make any payments on the notes.

***The notes are not secured by the Issuers' assets or the assets of the Issuers' subsidiaries.***

The notes and the guarantees are not secured by the Issuers' assets or the assets of the guarantors. However, the indebtedness incurred under our credit facility and our guarantee of the SagamoreHill term loan are secured by a security interest in all or substantially all of the Issuers' assets, and all or substantially all of the assets of the guarantors. In addition, future indebtedness that the Issuers and the guarantors incur may be secured by the Issuers' assets and those of the guarantors. If the Issuers or the guarantors become insolvent, or are liquidated, or if payment of any secured indebtedness is accelerated,

the holders of the secured indebtedness will be entitled to exercise the remedies available to secured lenders under applicable laws including the ability to foreclose on and sell the Issuers' and the guarantors' collateral securing the indebtedness in order to satisfy the secured indebtedness. In such circumstances, we may not have sufficient assets to repay the notes.

***Federal and state fraudulent transfer and conveyance laws allow courts, under specific circumstances, to void guarantees and to require note holders to return payments received from us or the guarantors.***

The Issuers' creditors or the creditors of our guarantors could challenge the note guarantees issued by the guarantors as fraudulent transfers or conveyances or on other grounds. Under the federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, the delivery of the guarantees could be voided as fraudulent transfers or conveyances if a court determined that the guarantor, at the time it incurred the indebtedness evidenced by its guarantees:

- delivered the guarantees with the intent to hinder, delay or defraud its existing or future creditors; or
- received less than reasonably equivalent value or did not receive fair consideration for the delivery of the guarantees, and if the guarantor:
  - was insolvent or rendered insolvent at the time it delivered the guarantees;
  - was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
  - intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

If the guarantees issued by the guarantors were voided or limited under fraudulent transfer or conveyance or other laws, any claim noteholders may make against such guarantors for amounts payable on the notes would be effectively subordinated to all of the indebtedness and other obligations of such guarantors, including trade payables and any subordinated indebtedness. If the granting of liens to secure the guarantees issued by the guarantors were voided or limited under fraudulent transfer or conveyance or other laws, the guarantees would become unsecured claims to the extent of the avoidance or limitation, ranking equally with all general unsecured claims of such guarantors.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, is greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts, including contingent liabilities, as they become due.

We cannot be sure what standard a court would apply in making these determinations or, regardless of the standard, that a court would not void the guarantees issued by the guarantors or that any

such guarantees would not be subordinated to a guarantor's other indebtedness.

***Noteholders may not be entitled to require us to repurchase the notes in connection with certain transactions because the term “all or substantially all” in the context of a change of control has no established meaning under the relevant law.***

One of the ways a change of control can occur under the indenture governing the notes is upon a sale of all or substantially all of our assets. The meaning of the phrase “all or substantially all” as used in that definition varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under applicable law and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of “all or substantially all” of the assets of a person and therefore it may be unclear whether a change of control has occurred and whether noteholders have the right to require us to repurchase the notes.

***We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture.***

Upon the occurrence of certain specific kinds of change of control events, we are required to offer to repurchase all of our outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest to the date of repurchase. However, it is possible that we will not have sufficient funds at the time of such change of control to make the required repurchase of the notes or that restrictions in our credit agreement will not allow such repurchases. In addition, certain important corporate events, such as leveraged recapitalizations, that would increase the level of our indebtedness, would not constitute a change of control under the indenture.

**ITEM 1B. Unresolved Staff Comments.**

Not Applicable.

**ITEM 2. Properties.**

We lease our principal executive offices, which are located at 2500 W. Higgins Road, Suite 155, Hoffman Estates, Illinois 60169. In addition, we own or lease facilities in the following locations.

<u>Station—Metropolitan Area</u>	<u>Use—Location</u>	<u>Owned or Leased</u>	<u>Mortgage</u>
WEYI / WBSF—Flint / Saginaw / Bay City, MI	Studio and tower site—Clio, MI	Owned	Yes
	Tower site—Saginaw, MI	Leased	No
WNWO—Toledo, OH	Studio and office—Toledo, OH	Owned	Yes
	Tower and transmitter site—Oregon, OH	Owned	Yes
WSTM / WSTQ-LP—Syracuse, NY	Studio and office—Syracuse, NY	Owned	Yes
	WSTM Tower/transmitter site—Onondaga, NY	Owned	Yes
	WSTQ Tower/transmitter site—Syracuse, NY	Leased	Yes
WACH—Columbia, SC	Studio—Columbia, SC	Leased	No
	Tower site—Elgin, SC	Leased	No
KGBT—Harlingen / Weslaco / McAllen / Brownsville, TX	Studio—Harlingen, TX	Owned	Yes
	Transmitter site—La Feria, TX	Owned	Yes
	News bureau—Pharr (McAllen), TX	Owned	Yes
	Tower site—La Feria, TX	Owned	No
		(via joint venture)	
KXRM / KXTU-LP—Colorado Springs / Pueblo, CO	Studio and office—Colorado Springs, CO	Owned	Yes
	Transmitter site—Colorado Springs, CO	Leased	No
	Transmitter site—Florence, CO	Leased	No
	Translator site—Woodland Park, CO	Leased	No
WPDE / WWMB—Myrtle Beach / Florence, SC	News bureau and sales office—Florence, SC	Owned	Yes
	Tower, transmitter and antennae site—Dillon County, SC	Owned	Yes
	Main studio and office facility—Conway, SC	Leasehold	No
WPBN / WTOM—Traverse City / Cadillac, MI	Microwave relay site—Fingerboard Corners, MI	Owned	Yes
	Tower and transmitter site—Cheboygan, MI	Owned	Yes
	Microwave relay site—Leetsville, MI	Owned	Yes
	Studio—Traverse City, MI	Owned	Yes
	Microwave relay site—Gaylord, MI	Leasehold	No
	Tower and transmitter site—Slagle Township, MI	Leased	No
WGTU / WGTQ – Traverse City / Cadillac, MI	News bureau—Gaylord, MI	Leased	No
	WGTU Tower and transmitter site – Kalkaska, MI	Owned	Yes
	WGTQ Tower and transmitter site – Goetzville, MI	Owned	Yes
	Microwave relay site – Traverse City, MI	Owned	Yes
	Satellite receiving site – Traverse County, MI	Leased	No

(continued)

<u>Station—Metropolitan Area</u>	<u>Use—Location</u>	<u>Owned or Leased</u>	<u>Mortgage</u>
WHOI—Peoria / Bloomington, IL	Tower and studio site—Creve Coeur, IL	Owned	Yes
KVII/KVIH—Amarillo, TX	Studio and tower site—Amarillo, TX	Owned	Yes
	Tower and booster site—Guymon, OK	Owned	No
		(via joint venture)	
	Tower site—Potter County, TX	Leasehold	No
	Tower site—Clovis, NM	Owned	Yes
	Tower site—Roosevelt County, NM	Leasehold	No
KRCG—Columbia / Jefferson City, MO	Tower / booster site—Bovina, TX	Leasehold	No
		(via joint venture)	
	Studio and tower site—New Bloomfield, MO	Owned	Yes
	Sales office—Columbia, MO	Leased	No
	Weather radar—Fulton, MO	Leased	No
WFXL—Albany, GA	Tower site, Sedelia, MO	Leased	No
	Studio—Albany, GA	Leased	No
	Tower site—Doerun, GA	Owned	No
		(via joint venture)	
KHQA—Quincy, IL / Hannibal, MO / Keokuk, IA	Tower site—Albany, GA	Leased	No
	Tower site—Quincy, IL	Owned	Yes
	Studio and tower site—Quincy, IL	Owned	Yes
WLUC—Marquette, MI	Tower site—Carthage, IL	Leased	No
	Tower and transmitter site—Ely, MI	Owned	Yes
	Studio—Negaunee, MI	Owned	Yes
	Parking lot—Negaunee, MI	Leasehold	No
	Passive reflector screen site—Ishpeming, MI	Leasehold	No
	Microwave / camera site—Marquette, MI	Leased	No
	News and sales office—Escanaba, MI	Leased	No
	News and sales office—Iron Mountain, MI	Leased	No
News and sales office—Houghton, MI	Leased	No	
KTVO – Kirksville, MO / Ottumwa, IA	Studio – Kirksville, MO	Owned	Yes
	Tower and transmitter site—Lancaster, MO	Owned	Yes
	Studio—Ottumwa, IA	Owned	Yes
	Microwave relay site—Soap Creek, IA	Owned	Yes
	Tower site—Knox County, Colony, MO	Leasehold	No
	Sales office and microwave antenna site—Ottumwa, IA	Owned	No

### ITEM 3. Legal Proceedings.

From time to time, we are involved in legal and regulatory proceedings arising out of our operations. Management believes that we are not currently party to any legal or regulatory proceedings, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on our financial position or results of operations.

### ITEM 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

## PART II

### **ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Not applicable.

### **ITEM 6. Selected Financial Data.**

The following table presents the selected historical financial data for Barrington Group. The selected historical financial data of Barrington Group should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto included elsewhere in this Annual Report.

Barrington Group, which was formed in October 2003 to acquire broadcasting stations:

- acquired WHOI and KHQA in April 2004;
- acquired WEYI in May 2004;
- acquired KRCG in February 2005;
- obtained a construction permit for WBSF in April 2005;
- acquired KVII and KVIH in August 2005;
- acquired WPDE and entered into a LMA for WWMB in February 2006;
- acquired WNWO, WSTM/WSTQ, KGBT, KXRM/KXTU, WPBN/WTOM, WFXL, WLUC and KTVO, referred to collectively herein as the Raycom stations, in August 2006;
- entered into a joint sales agreement and a shared services agreement with Tucker with respect to stations WGTU/WGTQ in April 2008; and
- entered into joint sales agreements and shared services agreements with respect to station operations at Granite's station WTVH and our station WHOI in March 2009.

	<b>Year Ended December 31, 2005</b>	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2007</b>	<b>Year Ended December 31, 2008</b>	<b>Year Ended December 31, 2009</b>
<b>Statement of Operations Data:</b>					
Net revenues	\$ 25,288	\$ 76,063	\$ 112,539	\$ 119,377	\$ 99,019
Expenses:					
Operating <sup>(1)</sup>	17,813	46,423	77,529	79,887	69,698
Depreciation and amortization	7,648	19,875	29,459	29,629	20,862
Impairment of intangibles and goodwill				84,298	10,560
Corporate	1,720	4,367	4,663	5,319	5,369
Total operating expenses	<u>27,181</u>	<u>70,665</u>	<u>111,651</u>	<u>199,133</u>	<u>106,489</u>
(Loss) income from operations	(1,893)	5,398	888	(79,756)	(7,470)
Total net interest expense <sup>(2)</sup>	5,070	13,773	26,537	26,281	22,791
Other income <sup>(3)</sup>	<u>-</u>	<u>-</u>	<u>(256)</u>	<u>(1,185)</u>	<u>(57,504)</u>
(Loss) income before income taxes	(6,963)	(8,375)	(25,393)	(104,852)	27,243
Income tax expense (benefit)	159	2,920	(64)	307	510
Net (loss) income	<u>\$ (7,122)</u>	<u>\$ (11,295)</u>	<u>\$ (25,329)</u>	<u>\$ (105,159)</u>	<u>\$ 26,733</u>

	<b>December 31, 2005</b>	<b>December 31, 2006</b>	<b>December 31, 2007</b>	<b>December 31, 2008</b>	<b>December 31, 2009</b>
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 1,737	\$ 4,920	\$ 2,268	\$ 28,839	\$ 23,410
Total assets	118,234	424,621	398,149	322,885	291,523
Total long-term debt, including current portions	54,018	274,576	273,579	303,048	227,894
Total member's/stockholder's equity (deficit)	60,006	128,489	99,487	(7,725)	39,770

- (1) Includes selling, technical, programming (including amortization of program broadcast rights) and general and administrative expenses.
- (2) Includes \$2,047 and \$575 loss on early extinguishment of debt in 2005 and 2006, respectively.
- (3) For the years ended December 31, 2007 and 2008, represents the non-cash gain on exchange of newsgathering equipment between our stations and Sprint Nextel Corporation. For the year ended December 31, 2009, represents the gain on the repurchase of a portion of our outstanding notes of \$55,081 and the non-cash gain on exchange of newsgathering equipment with Sprint Nextel Corporation of \$2,423.

## **ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis should be read in conjunction with Barrington Group's consolidated financial statements and the notes thereto included elsewhere in this Annual Report.

### **Introduction**

We are a television broadcasting company focused on smaller markets across the United States. We own, program and/or provide support services to 24 network television stations, many of which have leading positions in 15 geographically diverse, smaller markets. In 10 of our 15 markets, we own a station ranked #1 or #2 in audience share. All of our stations are affiliated with national television networks—six with NBC, six with ABC, four with CBS, three with FOX and five with CW. In the markets where we own or operate a CW station, we operate duopolies. In Traverse City, Michigan, where we own the NBC affiliate, we also provide support services to the ABC affiliate located in that market. In addition, in Syracuse, New York, where we own the NBC affiliate, we provide support services to the CBS affiliate located in that market.

We are subject to regulation by the FCC. In addition, we face risks that could materially adversely affect our business, consolidated financial condition, results of operations or liquidity. For a discussion of certain of the risks facing us, see the risk factors set forth in Item 1A. to this Annual Report.

### **Acquisitions & Transactions**

- On March 2, 2009, we entered into joint sales and shared services agreements with Granite Broadcasting Corporation relating to Granite's and Barrington Group's respective station operations in the Peoria, Illinois market and the Syracuse, New York market. The Peoria Granite agreements are designed to permit us to substantially reduce our local operating costs while continuing to share in the revenues produced by our station, WHOI. The Syracuse Granite agreements are designed to create a significant economy of scale for us across those stations in the Syracuse market, while also allowing us to realize a portion of the revenues generated through our advertising sales efforts and related support services provided to Granite's station, WTVH.
- On April 1, 2008, Tucker, a variable interest entity the results of which are consolidated with those of Barrington Group, completed the acquisition of television station WGTU and its satellite WGTQ, for which we provide technical, engineering and certain other support services for a fee. In addition, we have the right to provide up to 15% of WGTU/WGTQ's weekly programming and to sell WGTU/WGTQ's local advertising on a commissioned basis. The cost of the WGTU/WGTQ acquisition was \$10.8 million, which included transaction fees and costs of \$0.8 million. The WGTU/WGTQ acquisition was financed with borrowings by Tucker under the Tucker term loans and borrowings from Pilot Group.

The WGTU/WGTQ acquisition was accounted for using the purchase method of accounting under SFAS No. 141, "Business Combinations," or SFAS No. 141. The aggregate consideration has been allocated to the tangible and intangible assets acquired and liabilities assumed by us based upon their respective fair values as of the acquisition date.

## Revenues

Our revenues are primarily derived from the sale of local and national advertising. In addition to competing with other video programming outlets for audience share, we compete for advertising revenues with other television broadcasting stations in our respective markets and other advertising media, such as newspapers, radio stations, magazines, billboards and other outdoor advertising, transit advertising, the Yellow Pages directories, direct mail, local cable systems and local internet portals. All network-affiliated stations are required to carry advertising sold by their networks, which reduces the amount of advertising time available for sale by our stations. Our stations sell the remaining advertising time in network programming and the advertising time in non-network programming, retaining all of the revenues received from these sales.

Advertisers wishing to reach a national audience usually purchase time directly from the networks, or advertise nationwide on a market-by-market basis. National advertisers who wish to reach the audience within one of our markets often buy advertising time directly from our stations through national advertising sales representative firms. Local businesses purchase advertising time directly from our stations' local sales staffs.

Advertising rates are based upon a number of factors, including:

- a program's popularity among the viewers that an advertiser wishes to target (demographic ratings);
- the number of advertisers competing for the available time;
- the size of the market served by the station;
- the availability of alternative advertising media in the market area;
- the effectiveness of the sales forces; and
- development of projects, features and programs that tie advertiser messages to programming.

Our advertising revenues are positively affected by strong local economies, national, state and local political campaigns and significant events such as the Olympics or the Super Bowl. Because television broadcast stations rely on advertising revenues, declining advertising budgets in recessionary or weak economic periods adversely affect the broadcast industry, and as a result may contribute to a decrease in the revenues of broadcast television stations, particularly from regional and national advertisers. The gross advertising revenues of our stations are 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, our gross advertising revenues in even-numbered years can benefit from demand for advertising time in Olympic broadcasts and advertising placed by candidates for political offices as well as political issue-oriented advertising. A station's local market strength, especially in local news ratings, is the primary factor that buyers consider when placing political advertising. From time to time, proposals have been advanced in Congress to require television broadcast stations to provide some advertising time to political candidates at no charge, which could potentially reduce advertising revenues from political candidates.

Local and regional advertising is sold by each station's own sales representatives to local and other non-national advertisers or agencies. Generally, these contracts are short-term, although occasionally, longer-term packages are also sold. National spot advertising (generally a series of spot

announcements between programs or within the station's own programs) is sold by the station or its sales representatives directly to agencies representing national advertisers. Political advertising is generated by national, state and local elections, which can vary greatly from both market to market and year to year.

Compared to revenues from national advertising accounts, revenues from local advertising is generally more stable and more controllable. We seek to attract new advertisers to television and to increase the amount of advertising time sold to existing local advertisers by relying on experienced local sales forces with strong community ties, producing news and other programming with local advertising appeal and sponsoring or co-promoting local events and activities.

A television station's rates are primarily determined by the estimated number of television homes it can provide for an advertiser's message. The estimates of the total number of television homes in a market and the station's share of those homes are based on the Nielsen Media Research industry-wide television rating service. The demographic make-up of the viewing audience is equally important to advertisers. A station's rate card for national and local advertisers takes into account, in addition to audience delivered, such variables as the length of the commercial announcements and the quantity purchased. Because television stations rely on advertising revenues, they are sensitive to cyclical changes in the national and local economy. The sizes of advertisers' budgets, which are affected by broad economic trends, affect the broadcast industry in general. The strength of the local economy in each station's market also significantly impacts revenues.

We also derive revenues from other sources, including trade and barter programming, internet advertising, rental of tower space and retransmission consent fees. A national syndicated program distributor will often retain a portion of the available advertising time for programming it supplies in exchange for waiving fees or reducing fees charged to the stations for such programming; these programming arrangements are referred to as barter programming. Retransmission consent revenue is the amount paid by various satellite and cable providers in return for consent to the retransmission of the signals of our television stations.

### **Impairment of FCC License**

As required by ASC 350, "Intangibles – Goodwill and Other," we conduct an annual evaluation of our goodwill and FCC broadcast licenses for possible impairment. The annual evaluation is conducted as of October 1 or more frequently if indicators of impairment exist. During the three months ended June 30, 2009, certain events and changes in circumstances indicated that such assets may have become impaired, which resulted in additional testing between the required annual evaluations. We believe that unfavorable business conditions, the reduction in the valuation of certain television stations (especially those whose only assets are their FCC broadcast license and their transmission facilities) and the decline in advertising revenues in our markets, which has directly affected our stations, are indicators of a sustained impact on the value of our intangible assets.

We employ a market multiple approach based on a two year average of our expected current year results and the results of the upcoming year to determine, on an initial basis, whether there is an overall impairment in the enterprise value of our television assets within each of the markets and whether additional impairment testing is necessary. We believe that this approach closely approximates the valuation that a strategic buyer would use in valuing our television stations. When an impairment is indicated, we employ a comprehensive discounted cash flow analysis for purposes of testing the carrying value of our FCC broadcast licenses and goodwill for impairment. The fair value estimates of our FCC broadcast licenses and goodwill contain significant assumptions, incorporating variables that are based on past experiences and judgments about future performance. These assumptions include estimates of the growth rate of television advertising expenditures in each market, each station's projected share of the revenues in its market, the profit margin of a station within a particular market, certain risk-adjusted

discount rates and each station's expected growth rates in perpetuity (to estimate terminal values). If the carrying amount of the FCC broadcast license and goodwill is greater than estimated fair value in a given market, such carrying amount is reduced to the estimated fair value. Such reductions may have a material impact on our consolidated financial condition and results of operations.

We recorded an aggregate non-cash impairment charge of \$10.6 million during the year ended December 31, 2009 for the FCC broadcast licenses at three of our stations. We also recorded an aggregate non-cash impairment charge of \$83.0 million during the year ended December 31, 2008, for the FCC broadcast licenses at nine of our stations, as well as an aggregate non-cash impairment charge of \$1.3 million during the year ended December 31, 2008, for goodwill at two of our television stations. For additional information, see the notes to our consolidated financial statements contained elsewhere in this Annual Report.

### **Reorganization and Restructuring Costs**

Beginning in the second quarter of 2008, we initiated certain operating expense reductions to eliminate or reduce identified costs, including a reduction in our workforce of approximately 11%. During the first quarter of 2009, we reduced our workforce by an additional 14%. Additionally, in connection with the execution of the Peoria Granite agreements, we recorded certain liabilities relating to employee severance costs. Pursuant to the terms of the Peoria Granite agreements, Granite is required to reimburse us for 50% of certain of these costs. We recorded expenses of \$1.2 million for the year ended December 31, 2009, related to one-time severance costs as a result of the workforce reduction and the Peoria Granite agreements. In addition, during the year ended December 31, 2008, we recorded severance expenses of \$1.0 million related to workforce reductions initiated in the second quarter of 2008. As of December 31, 2009, we had paid \$2.0 million of the total \$2.2 million of severance expense recorded in 2008 and 2009, respectively.

In addition, in connection with the execution of the Granite agreements, we will pay Granite monthly amounts over approximately twelve months to equalize transitional costs incurred by us and Granite, which payment is estimated at \$0.7 million in the aggregate. These costs have been capitalized and included in other assets in the consolidated balance sheets and will be amortized ratably over the life of the Granite agreements. For the year ended December 31, 2009, net payments made to Granite for the transitional costs totaled \$0.6 million.

## Results of Operations

### *Combined Results of Barrington Group*

On April 1, 2008, we entered into a joint sales agreement and shared services agreement with Tucker whereby we supply up to 15% of WGTU/WGTQ's programming and provide sales, engineering and technical support. Tucker, the owner of WGTU/WGTQ, is considered a variable interest entity and as a result, WGTU/WGTQ's results of operations have been consolidated with our results beginning April 1, 2008.

On March 2, 2009, we entered into joint sales and shared services agreements with Granite, whereby we supply up to 15% of Granite's station WTVH's programming and provide sales, engineering and technical support to Granite, and Granite supplies up to 15% of our station WHOI's programming and provides sales, engineering and technical support to us. The income and expenses resulting from the Granite agreements have been included in our results of operations beginning March, 2, 2009.

### *Year Ended December 31, 2009 Compared to Year Ended December 31, 2008*

The following table sets forth our operating results for the year ended December 31, 2009 as compared to the year ended December 31, 2008.

	<u>Year Ended December 31</u>				
	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>% Change</u>	
	(dollars in thousands)				
Revenue:					
Local	\$ 70,019	\$ 79,353	\$ (9,334)	(11.8)	%
National	25,053	34,501	(9,448)	(27.4)	
Political	2,397	14,763	(12,366)	(83.8)	
Retransmission fees	5,725	1,818	3,907	214.9	
Other	12,354	9,360	2,994	32.0	
Gross revenue	115,548	139,795	(24,247)	(17.3)	
Direct costs	16,529	20,418	(3,889)	(19.0)	
Net revenue	99,019	119,377	(20,358)	(17.1)	
Operating expenses:					
Selling, technical and program expenses	51,919	58,940	(7,021)	(11.9)	
General and administrative	17,779	20,947	(3,168)	(15.1)	
Depreciation and amortization	20,862	29,629	(8,767)	(29.6)	
Impairment of intangible assets	10,560	84,298	(73,738)	(87.5)	
Corporate	5,369	5,319	50	0.9	
Total operating expenses	106,489	199,133	(92,644)	(46.5)	
Income (loss) from operations	(7,470)	(79,756)	72,286	90.6	
Interest expense	(20,704)	(24,412)	3,708	15.2	
Amortization of debt issuance costs	(2,100)	(1,938)	(162)	(8.4)	
Interest income	13	69	(56)	(81.2)	
Net interest expense	(22,791)	(26,281)	3,490	13.3	
Non-operating income	57,504	1,185	56,319	nm	
Income (loss) before income taxes	27,243	(104,852)	132,095	126.0	
Income tax expense	(510)	(307)	(203)	(66.1)	
Net income (loss)	\$ 26,733	\$ (105,159)	\$ 131,892	nm	%

Our net revenue for the year ended December 31, 2009 was \$99.0 million, as compared to \$119.4 million for the year ended December 31, 2008, a decrease of \$20.4 million, or 17.1%. The major components of, and changes to, net revenue were as follows:

- Gross local revenue decreased to \$70.0 million for the year ended December 31, 2009 from \$79.4 million for the year ended December 31, 2008, a decrease of \$9.4 million, or 11.8%. The decrease in gross local revenue was primarily due to a decline in local automotive advertising revenue of approximately \$4.6 million for year ended December 31, 2009, as compared to the same period in 2008. In addition, the continued weakness of the U.S. economy continued to negatively impact other retail advertising. If the economy continues to be weak, we expect the decline in gross local advertising revenue to continue. In addition to the decline in automotive advertising revenue our gross local revenue decreased due to the absence of summer Olympic revenue in 2009, which had positively impacted the revenue of our NBC stations in 2008.
- Gross national revenue for the year ended December 31, 2009 was \$25.1 million as compared to \$34.5 million for the year ended December 31, 2008, a decrease of \$9.4 million, or 27.4%. The decline in gross national advertising revenue was primarily due to a decline in national automotive advertising revenue of approximately \$5.0 million for the year ended December 31, 2009, as compared to the same period in 2008. If the economy continues to be weak, we expect the decline in gross national advertising revenue to continue. In addition to the decline in automotive advertising revenue our gross national revenue decreased due to the absence of summer Olympic revenue in 2009, which had positively impacted the revenue of our NBC stations in 2008.
- Our gross political advertising revenue for the year ended December 31, 2009 was \$2.4 million, as compared to \$14.8 million for the year ended December 31, 2008, a decrease of approximately \$12.4 million. For the year ended December 31, 2009, gross political revenue was comprised primarily of political advertising associated with state and local political campaigns and political advertising by special interest groups.
- Revenue from retransmission fees for the year ended December 31, 2009 was \$5.7 million, as compared to \$1.8 million for the year ended December 31, 2008, an increase of approximately \$3.9 million, or 214.9%. The increase was due to additional revenue associated with the renegotiation of certain retransmission consent agreements.
- Other revenue for the year ended December 31, 2009 was \$12.4 million, as compared to \$9.4 million for the year ended December 31, 2008, an increase of approximately \$3.0 million, or 32.0%. The increase was primarily due to a \$1.3 million increase in revenue related to advertising on our station's websites and \$2.9 million in revenue associated with the Syracuse Granite agreements, whereby we earn fees relative to the services we provide.

Our operating expenses for the year ended December 31, 2009 were \$106.5 million, as compared to \$199.1 million for the year ended December 31, 2008, a decrease of \$92.6 million, or 46.5%. The major changes to operating expenses were as follows:

- As a result of an impairment analysis performed during the year ended December 31, 2009, we recorded an aggregate non-cash impairment charge of \$10.6 million for the FCC broadcast license at three of our television stations. For the year ended December 31, 2008, we recorded non-cash impairment charges of \$83.0 million for the FCC broadcast licenses at nine of our television stations and \$1.3 million for goodwill at two of our stations.

- Our selling, technical and programming expenses were \$51.9 million for the year ended December 31, 2009 compared to \$58.9 million for the year ended December 31, 2008, a decrease of \$7.0 million, or 11.9%. The decrease in expenses was primarily the result of workforce reductions and mandatory furloughs which we initiated in the second quarter 2008 and first quarter 2009, respectively, and the renegotiation of various contractual obligations.
- Our general and administrative expenses were \$17.8 million for the year ended December 31, 2009 as compared to \$20.9 million for the year ended December 31, 2008, a decrease of \$3.1 million, or 15.1%. The decrease in expenses was primarily the result of workforce reductions and mandatory furloughs which we initiated in the second quarter 2008 and first quarter 2009, respectively, the Peoria Granite agreements and the renegotiation of various contractual obligations.
- Our depreciation and amortization was \$20.9 million for the year ended December 31, 2009 as compared to \$29.6 million for the year ended December 31, 2008, a decrease of \$8.7 million, or 29.6%. The decrease was primarily due to the now fully depreciated status of assets placed in service prior to December 31, 2006 and the fully amortized status of various intangible assets acquired as part of our acquisition of substantially all of the assets of 12 television stations from Raycom Media, Inc., referred to herein as the Raycom acquisition, in August 2006.
- Total corporate expense was \$5.4 million for the year ended December 31, 2009 as compared to \$5.3 million for the year ended December 31, 2008, an increase of \$0.1 million or 0.9%.

Our net interest expense, including amortization of debt issuance costs, for the year ended December 31, 2009 was \$22.8 million as compared to \$26.3 million for the year ended December 31, 2008, a decrease of \$3.5 million, or 13.3%. The decrease was primarily due to the repurchase of a portion of our outstanding notes during the year ended December 31, 2009, which reduced the outstanding balance of the notes. The decrease in interest expense was partially offset by the increased interest associated with the increase in the amount outstanding under our revolving facility for the year ended December 31, 2009 as compared to December 31, 2008, and the increase in the applicable margin under our credit facility as a result of the amendment to our credit agreement in February 2009.

Non-operating income for the year ended December 31, 2009 and 2008 was \$57.5 million and \$1.2 million, respectively. The increase was attributable to a gain of \$55.1 million associated with the repurchase of a portion of our outstanding notes during the year ended December 31, 2009. The remaining non-operating income of \$2.4 million was attributable to the exchange of news gathering equipment between our stations and Nextel. The FCC granted Nextel the right to reclaim a portion of the spectrum in the 2GHz frequency band and mandated that broadcasters refrain from using that bandwidth (along with the corresponding analog equipment). In order to reclaim this spectrum, Nextel is obligated to replace all of the analog newsgathering equipment of broadcasters currently using this spectrum with digital equipment. As the exchange in each of our markets is completed, a gain is recorded to the extent that fair market value of the equipment received exceeds the book value of the analog equipment exchanged. We expect to complete the Nextel exchange in our remaining markets by the end of 2010.

Barrington Group and each of its subsidiaries (except for Barrington Capital) are organized as limited liability companies and all of their taxable profits or losses pass through to their respective members. Accordingly, we are not subject to federal income taxes on a consolidated basis, but we are subject to state taxes on a consolidated basis in some jurisdictions. We had a net income tax expense of \$0.5 million for the year ended December 31, 2009 and net income tax expense of \$0.3 million for the year ended December 31, 2008. Net income tax expense consisted of various state income taxes for our subsidiaries and Tucker, which is organized as a corporation for income tax purposes. As of December 31, 2009 and 2008, Tucker had net deferred federal tax assets in the amount of \$1.0 million and \$0.5

million, respectively, which were fully reserved by a valuation allowance, as we believe the deferred tax assets may not be realized through future taxable earnings.

Our net income was \$26.7 million for the year ended December 31, 2009, compared to a net loss of \$105.2 million for the year ended December 31, 2008, a change of \$131.9 million.

***Year Ended December 31, 2008 Compared to Year Ended December 31, 2007***

The following table sets forth our operating results for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

	<b><u>Year Ended December 31</u></b>				
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>	
	(in thousands)				
Revenue:					
Local	\$ 79,353	\$ 81,275	\$ (1,922)	(2.4)	%
National	34,501	38,594	(4,093)	(10.6)	
Political	14,763	1,712	13,051	762.3	
Retransmission fees	1,818	1,478	340	23.0	
Other	9,360	8,593	767	8.9	
Gross revenue	139,795	131,652	8,143	6.2	
Direct costs	20,418	19,113	1,305	6.8	
Net revenue	119,377	112,539	6,838	6.1	
Operating expenses:					
Selling, technical and program expenses	58,940	58,089	851	1.5	
General and administrative	20,947	19,440	1,507	7.8	
Depreciation and amortization	29,629	29,459	170	0.6	
Impairment of intangible assets	84,298	-	84,298	nm	
Corporate	5,319	4,663	656	14.1	
Total operating expenses	199,133	111,651	87,482	78.4	
(Loss) income from operations	(79,756)	888	(80,644)	nm	
Interest expense	(24,412)	(24,924)	512	2.1	
Amortization of debt issuance costs	(1,938)	(1,693)	(245)	(14.5)	
Interest income	69	80	(11)	(13.8)	
Net interest expense	(26,281)	(26,537)	256	1.0	
Non-operating income	1,185	256	929	362.9	
Loss before income taxes	(104,852)	(25,393)	(79,459)	(312.9)	
Income tax (expense) benefit	(307)	64	(371)	(579.7)	
Net loss	\$ (105,159)	\$ (25,329)	\$ (79,830)	(315.2)	%

Our net revenue for the year ended December 31, 2008 was \$119.4 million, as compared to \$112.5 million for the year ended December 31, 2007, an increase of \$6.9 million, or 6.1%. The major components of, and changes to, net revenue were as follows:

- Net revenue increased by \$2.3 million for the year ended December 31, 2008 as a result of the WGTU/WGTQ acquisition.
- Gross local revenue decreased to \$79.4 million for the year ended December 31, 2008 from \$81.3 million for the year ended December 31, 2007, a decrease of \$1.9 million, or 2.4%. Excluding the effect of the WGTU/WGTQ acquisition, gross local revenue decreased by \$3.4 million, or

4.2%, to \$77.9 million for the year ended December 31, 2008 from \$81.3 million for the year ended December 31, 2007. The decrease was due to the weakening economy during the fourth quarter of 2008 which negatively impacted local automotive and retail advertising. The decline in local revenues was partially offset by advertising revenue associated with the summer Olympic games in August 2008 which positively impacted our NBC affiliated stations. Olympic advertising added gross revenue of \$1.8 million for the year ended December 31, 2008, which included a \$1.2 million increase in gross local revenue. In the fourth quarter of 2008, gross local revenue decreased by \$2.9 million, or 13.7%, to \$18.3 million as compared to \$21.2 million for the fourth quarter of 2007.

- Gross national revenue decreased by \$4.1 million, or 10.6%, for the year ended December 31, 2008. Excluding the effect of the WGTU/WGTQ acquisition, gross national advertising revenue declined by \$4.7 million, or 12.2%, for the year ended December 31, 2008. In the fourth quarter of 2008, gross national revenue was \$8.1 million as compared to \$10.1 million for the fourth quarter of 2007 a decrease of \$2.0 million, or 20.1%. The decrease in gross national revenue was primarily due to an unprecedented decline in spending by national automotive accounts. If the economy continues to be weak, we expect the decline in gross national advertising revenue to continue.
- Our gross political advertising revenue for the year ended December 31, 2008 was \$14.8 million, as compared to \$1.7 million for the year ended December 31, 2007, an increase of approximately \$13.1 million. For the year ended December 31, 2008, gross political advertising revenue was comprised primarily of political advertising associated with the 2008 presidential election.
- Revenue from retransmission fees for the year ended December 31, 2008 were \$1.8 million, as compared to \$1.5 million for the year ended December 31, 2007, an increase of approximately \$0.3 million, or 23.0%. The increase was due to additional revenue associated with the renegotiation of certain retransmission consent agreements.
- Other revenue for the year ended December 31, 2008 was \$9.4 million, as compared to \$8.6 million for the year ended December 31, 2007, an increase of approximately \$0.8 million, or 8.9%. The increase was primarily due to increases in revenue related to advertising on our station's websites and Tucker's acquisition of WGTU/WGTQ.

Our operating expenses for the year ended December 31, 2008 were \$199.1 million, as compared to \$111.7 million for the year ended December 31, 2007, an increase of \$87.4 million, or 78.4%. The major changes to operating expenses were as follows:

- As a result of impairment analyses performed during the year ended December 31, 2008, we recorded an aggregate non-cash impairment charge of \$84.3 million for the FCC broadcast licenses at nine of our television stations and for goodwill at two of our television stations.
- The operating expenses associated with the WGTU/WGTQ acquisition increased operating expenses by \$3.5 million for the year ended December 31, 2008. Included in the \$3.5 million of operating expenses was an aggregate non-cash impairment charge of \$0.9 million resulting from the impairment analysis performed during the fourth quarter of 2008.
- Excluding the effect of the WGTU/WGTQ acquisition, our selling, technical and programming expenses were \$57.7 million for the year ended December 31, 2008 compared to \$58.1 million for the year ended December 31, 2007, a decrease of \$0.4 million, or 0.6%. The decrease in these expenses was primarily the result of certain operating expense reductions which we initiated in

the second quarter of 2008 which were partially offset by continued investment in the development and operation of centrally coordinated websites.

- Excluding the effect of the WGTU/WGTQ acquisition, our general and administrative expenses increased by \$1.1 million for the year ended December 31, 2008, primarily as a result of severance costs related to workforce reductions which we initiated in the second quarter of 2008.
- Our depreciation and amortization increased \$0.2 million, or 0.6%, for the year ended December 31, 2008. Excluding the effect of the WGTU/WGTQ acquisition, depreciation and amortization decreased by \$0.8 million, or 2.8%, for the year ended December 31, 2008. The primary causes of this decrease were the fully depreciated status of certain equipment at the stations we acquired during 2004 and the fully amortized status of certain amortizable intangible assets related to the Raycom acquisition. The decrease in depreciation and amortization was partially offset by an increase of \$4.4 million related to additional depreciation related to our analog transmission equipment that will be taken out of service in June 2009 when we are required by the FCC to discontinue broadcasting in that format.
- Total corporate expenses increased by \$0.7 million, or 14.1%, to \$5.3 million for the year ended December 31, 2008 from \$4.7 million for the year ended December 31, 2007, primarily as result of fees incurred related to a consent solicitation we conducted with respect to the notes.

Our net interest expense, including amortization of debt issuance costs, for the year ended December 31, 2008 was \$26.3 million as compared to \$26.5 million for the year ended December 31, 2007, a decrease of \$0.3 million, or 1.0%. The decrease was primarily the result of a reduction in the interest rates applicable to the term loan facility of our credit facility during the year ended December 31, 2008, which was partially offset by our borrowing of an additional \$17.0 million under our revolving credit facility in October 2008.

Non-operating income for the years ended December 31, 2008 and 2007 was \$1.2 million and \$0.3 million, respectively, and was attributable to the exchange of news gathering equipment between our stations and Sprint Nextel Corporation, or Nextel. The FCC granted Nextel the right to reclaim a portion of the spectrum in the 2GHz frequency band and mandated that broadcasters refrain from using that bandwidth (along with the corresponding analog equipment). In order to reclaim this spectrum, Nextel is obligated to replace all of the analog newsgathering equipment of broadcasters currently using this spectrum with digital equipment. As the exchange in each of our markets is completed, a gain is recorded to the extent that fair market value of the equipment received exceeds the book value of the analog equipment exchanged. We expect to complete the Nextel exchange in our remaining markets during 2010.

Barrington Group and each of its subsidiaries (except for Barrington Capital) are organized as limited liability companies and all of their taxable profits or losses pass through to their respective members. Accordingly, we are not subject to federal income taxes on a consolidated basis but we are subject to state taxes on a consolidated basis in some jurisdictions. We had a net income tax expense of \$0.3 million for the year ended December 31, 2008, as compared to an income tax benefit of \$0.1 million for the year ended December 31, 2007. For the year ended December 31, 2008, net income tax expense relates to state income taxes for our subsidiaries and Tucker, which is organized as a C corporation for income tax purposes. As of December 31, 2008, Tucker had a net deferred federal tax asset in the amount of \$0.5 million, which was fully reserved by a valuation allowance, as we believe the deferred tax assets may not be realized through future taxable earnings. For the year ended December 31, 2007, the net income tax benefit was due to refunds of state taxes related to Barrington Corporation and each of its subsidiaries being merged into newly formed limited liability companies in 2006, referred to herein as the LLC conversion.

Our net loss was \$105.2 million for the year ended December 31, 2008, compared to a loss of \$25.3 million for the year ended December 31, 2007, an increase of \$79.8 million, or 315.2%.

### **Liquidity and Capital Resources**

Our primary sources of liquidity are cash flow from operating activities, borrowings under our credit facility and capital contributions. Our need for liquidity arises primarily from operating requirements, capital expenditures and our debt service obligations. We are currently fully drawn under the revolving credit facility of our credit facility, in order to fund seasonal working capital needs and to preserve our financial flexibility in light of the current uncertainty in the credit markets. We expect that cash on hand and cash from operations will be sufficient to cover our operating requirements, capital expenditures and our debt service obligations with respect to borrowings under our credit facility and the notes during the next twelve months.

Although we currently believe that we will be in compliance with the financial covenants contained in our credit agreement throughout 2010, a further deterioration in the economic or business environment could negatively impact our financial results and cause us to fail to comply with one or more of the financial covenants. Our failure to comply with the covenants contained in our credit agreement could result in an event of default. If an event of default occurs, the lenders would be permitted to accelerate the maturity of the loans outstanding under our credit facility, seek to foreclose upon any collateral securing such loans and terminate any commitments of the lenders to lend to us, which could materially and adversely affect our operating results, our financial condition and our liquidity.

On March 10, 2010, we discovered that we had made an inadvertent error in the calculation of the amount of the excess cash flow mandatory prepayment which was required to be made under our credit facility for fiscal 2008. Due to this error, we originally determined in April 2009 that no excess cash flow mandatory prepayment was required under our credit facility for fiscal 2008, when in fact we actually owed \$1.3 million. This payment would have been due in April 2009 and the failure to make such payment constituted an event of default under our credit facility. In order to cure this payment event of default, on March 15, 2010, we made a payment of \$1.4 million, which included default interest on the prepayment amount, to the lenders under our credit facility.

In addition, we determined that an excess cash flow mandatory prepayment of \$0.8 million was required under our credit facility for the year ended December 31, 2009. The aggregate excess cash flow mandatory prepayment of \$2.1 million for 2008 and 2009 is included in current maturities of long term debt in our consolidated balance sheets as of December 31, 2009.

*Cash flows from operating activities.* Our cash flows provided by operating activities for the year ended December 31, 2009 were \$1.3 million, as compared to cash provided by operating activities of \$13.7 million for the year ended December 31, 2008. The decrease in cash flows provided by operating activities of approximately \$12.4 million was primarily the result of a decrease in cash revenue of \$23.4 million, which was primarily associated with a decline in automotive and retail advertising, as well as the cyclical nature of political revenue and revenue associated with the Olympics, which tends to decrease in odd-numbered years and increase in even-numbered years. The decline in advertising revenue was partially offset by increases in other revenue attributable to the renegotiation of certain retransmission consent agreements and the cash flows from the Syracuse Granite agreements. The decrease in net revenue was partially offset by certain operating expense reductions initiated in the second quarter of 2008 and first quarter of 2009, as well as the cash flows from the Peoria Granite agreements, collectively reducing cash payments for operating expenses by approximately \$9.9 million for the year ended December 31, 2009 compared to the same period in 2008. Additionally, the decrease in net revenue was partially offset by a decrease in cash interest payments on the notes of approximately \$1.1 million during the year ended December 31, 2009, as compared to the same period in 2008.

*Cash flows from investing activities.* Our cash flows used in investing activities were \$5.8 million for the year ended December 31, 2009, as compared to \$14.3 million for the year ended December 31, 2008. The decrease in cash flows used in investing activities for the year ended December 31, 2009 was primarily due to Tucker's acquisition of WGTU/WGTQ in April 2008. The decrease of \$10.8 million due to the WGTU/WGTQ acquisition was partially offset by an increase in the purchase of property and equipment of \$1.3 million and an increase of \$0.7 million attributable to the Granite agreements during the year ended December 31, 2009. Purchases of property and equipment for the year ended December 31, 2009 were \$4.9 million, as compared to \$3.6 million for the year ended December 31, 2008. The increase in capital expenditures was due to our investment in equipment related to our establishment of a central facility for the master control operations for several of our stations and capital expenditures related the integration of WTVH's operations as a result of the Syracuse Granite agreements.

*Cash flows from financing activities.* Our cash flows used in financing activities were \$1.0 million for the year ended December 31, 2009, as compared to cash flows provided by financing activities of \$27.2 million for the year ended December 31, 2008, a decrease of \$28.2 million. The decrease in cash flows provided by financing activities for the year ended December 31, 2009 was primarily a result of proceeds of \$7.0 million from Tucker's financing of the WGTU/WGTQ acquisition and Tucker's issuance to Pilot Group of a \$3.3 million convertible subordinated note during the year ended December 31, 2008. Cash flows used in financing activities for the year ended December 31, 2009 included \$16.0 million in capital contributions from Pilot Group, which contributions were partially used to reduce our indebtedness and resulted in cash outflows of \$12.9 million to repurchase a portion of our outstanding notes and \$2.4 million in debt issuance costs related to the amendment of our credit agreement. Additionally, we paid \$1.6 million in scheduled principal payments on the term loan facility of our credit facility.

*Our credit facility and the notes.* Our credit facility is comprised of a \$147.5 million senior secured term loan facility and a \$25.0 million senior secured revolving facility. As of December 31, 2009, the total balance outstanding under our term loan facility and the SagamoreHill term loan was \$145.1 million. Additionally, the balance outstanding under the Tucker credit facility as of December 31, 2009 totaled \$6.9 million. The balance outstanding under our revolving facility as of December 31, 2009 was \$21.0 million. The borrowings under our revolving facility were used to fund short term working capital needs and to preserve our financial flexibility in light of the current uncertainty in the credit markets. In addition, the letter of credit issued to support the Tucker term loan A facility in the amount of \$4.0 million reduces the amount available to be drawn under our revolving facility.

Our term loan facility matures in August 2013 and our revolving facility matures in August 2012. The obligations under our credit facility are guaranteed by Barrington Group, Barrington LLC and all of Barrington Group's direct and indirect subsidiaries. Borrowings under our credit facility are secured by a first priority lien on substantially all of our and our direct and indirect subsidiaries' existing and future assets. Furthermore, Barrington Group, Barrington LLC and all of Barrington Group's direct and indirect subsidiaries have guaranteed the SagamoreHill term loan, which matures in August 2013, and the Tucker term loans, which mature in March 2011.

On April 1, 2008, Tucker borrowed \$3.3 million from Pilot Group and issued to Pilot Group a convertible note. The convertible note was due to mature on October 1, 2011. The principal amount of the convertible note bore interest at 9% annually, payable in the form of PIK interest. On February 28, 2009, Pilot Group converted the convertible note into 3,572 shares of non-voting preferred stock of Tucker. At the time of the conversion, PIK interest on the convertible note totaled \$0.3 million, which interest was capitalized and added to the \$3.3 million principal amount of the convertible note.

Borrowings under our credit facility bear interest at a floating rate, which can be either LIBOR plus an applicable margin or, at our option, a base rate plus an applicable margin payable at least annually. Base rate is defined as the higher of (i) the Bank of America prime rate or (ii) the federal funds effective rate plus 0.50%. As of the February 23, 2009 effective date of the amendment to our credit agreement, the applicable margin for borrowings under our term loan facility and our revolving facility increased to 4.25% for LIBOR loans and 3.25% for base rate loans, subject to a pricing grid based on total leverage. The applicable margin for the SagamoreHill term loan is 2.25% for LIBOR loans and 1.25% for base rate loans. The interest rate payable under our credit facility would increase by 2.0% per annum during the continuance of an event of default. Any unused portion of our revolving facility is subject to a commitment fee of 0.5% per year. The applicable margin for the Tucker term loan A is 2.0% in the case of LIBOR loans and 1.0% in the case of base rate loans. The applicable margin for the Tucker term loan B is 3.0% in the case of LIBOR loans and 2.0% for base rate loans. On April 1, 2010, the applicable margin will increase on the Tucker term loan B to 3.75%, in the case of LIBOR loans, and 2.75%, in the case of base rate loans, which margin will be in effect through September 30, 2010. Beginning October 1, 2010, the applicable margin will increase to 5.0%, in the case of LIBOR loans, and 4.0%, in the case of base rate loans.

The amendment to our credit agreement also allowed us to use up to \$13.0 million of cash for one year following the February 23, 2009 effective date of the amendment to purchase and retire a portion of the notes. In addition, the amendment eliminated an uncommitted \$50.0 million incremental term loan facility. In connection with the amendment, we incurred approximately \$2.8 million of debt issuance costs, of which \$2.4 million was capitalized.

We would not have been in compliance with the total leverage ratio covenant contained in our credit agreement when measured for the quarter ended December 31, 2008. However, pursuant to the terms of our credit agreement, Pilot Group had the right, subject to certain limitations, to make one or more cash capital contributions to us in order to prevent a default under our credit agreement. During the first quarter of 2009, Pilot Group made cash capital contributions to us in an aggregate amount of \$16.0 million to prevent a default under our credit agreement. As of December 31, 2009, we were in compliance with the financial covenants contained in our credit agreement.

We issued \$125.0 million aggregate principal amount of 10½% Senior Subordinated Notes due 2014, of which \$54.9 million aggregate principal amount were outstanding as of December 31, 2009. The notes mature on August 15, 2014. Interest is payable on the notes semi-annually in cash on February 15 and August 15. The notes are unconditionally guaranteed on an unsecured senior subordinated basis by all of our current and future restricted subsidiaries (other than Barrington Capital) that guarantee our and our subsidiaries' other indebtedness. The notes bear interest at a fixed rate of 10.5%.

Subsequent to the February 23, 2009 effective date of the amendment to our credit agreement, we repurchased \$70.1 million aggregate principal amount of the notes for an aggregate purchase price of \$12.9 million. We recorded a gain on the extinguishment of debt of \$55.1 million, which includes the write off of \$2.1 million of deferred financing costs and other fees incurred in association with the repurchase of the notes.

Our credit agreement and the indenture governing the notes limit our ability to:

- incur additional indebtedness and issue preferred stock;
- pay dividends on our capital stock or repurchase our capital stock or subordinated debt;
- make investments;

- create certain liens;
- sell certain assets or merge or consolidate with or into other companies;
- incur restriction on the ability of our subsidiaries to make distributions or transfer assets to us; and
- enter into transactions with affiliates.

In addition, our credit agreement also requires us to maintain various financial ratios and manage our business prudently. Continued availability of our revolving facility will be predicated on compliance with these covenants.

For additional information regarding our credit facility and the notes, see Note I to our consolidated financial statements included elsewhere in this Annual Report.

### Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2009, and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

	<u>Total</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 and After</u>
	(in thousands)						
Term facility.....	\$ 142,706	\$ 3,394	\$ 1,220	\$ 1,220	\$ 136,872	\$ -	\$ -
Senior subordinated notes.....	54,940	-	-	-	-	54,940	-
SagamoreHill term loan.....	2,370	25	25	25	2,295	-	-
Tucker term loans .....	6,878	70	6,808	-	-	-	-
Revolving credit facility .....	21,000	21,000	-	-	-	-	-
Contracts payable .....	1,447	124	108	555	335	174	151
Program broadcast payables .....	<u>6,767</u>	<u>5,724</u>	<u>480</u>	<u>337</u>	<u>218</u>	<u>8</u>	<u>-</u>
Total obligations reported as liabilities .....	<u>236,108</u>	<u>30,337</u>	<u>8,641</u>	<u>2,137</u>	<u>139,720</u>	<u>55,122</u>	<u>151</u>
Interest on long-term debt obligations <sup>(1)</sup> .....	56,291	18,213	12,674	12,140	9,659	3,605	-
Non-cancelable commitments to purchase program broadcast rights .....	8,932	21	4,183	2,734	1,494	492	8
Operating lease obligations .....	<u>6,813</u>	<u>983</u>	<u>735</u>	<u>629</u>	<u>630</u>	<u>632</u>	<u>3,204</u>
Total contractual obligations .....	<u>\$ 308,144</u>	<u>\$ 49,554</u>	<u>\$ 26,233</u>	<u>\$ 17,640</u>	<u>\$ 151,503</u>	<u>\$ 59,851</u>	<u>\$ 3,363</u>

- (1) Represents estimated interest expense on the term loan facility, the revolving facility, the SagamoreHill term loan and the Tucker term loans based on the expected future debt balances and using the floating interest rates on the obligations as of December 31, 2009. Assumes the payments on our interest rate hedging agreements are based on current LIBOR levels through maturity. Interest expense on the notes is calculated at 10.5% annually.

### Seasonality

Our business has experienced and is expected to continue to experience significant seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing habits. The advertising revenue of television broadcasting 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. In addition, advertising revenue tends to be higher in even-numbered years, when national, state and local political advertising is a significant element of advertising revenue.

### **Off-Balance Sheet Arrangements**

We have various operating lease obligations for equipment, land and office space that expire through March 2022. In addition, we account for program rights and obligations in accordance with ASC Topic 920, "Entertainment – Broadcasters," which requires us to record program rights agreements on our balance sheet on the first broadcast date of the program. We have commitments for future program rights agreements not recorded on our balance sheet at December 31, 2009. For a summary of these non-cancelable commitments, see the table under "– Contractual Obligations."

At December 31, 2009, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as "structured finance entities" or "variable interest entities," which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Our arrangements with SagamoreHill and Tucker are on-balance sheet arrangements. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

### **Inflation**

We do not believe that moderate changes in the inflation rate have had a significant effect on our operations.

### **Critical Accounting Policies and Estimates**

Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying disclosures. Actual results could differ from those assumptions and estimates. The accounting policies that are most significant and sensitive to assumptions and estimates include allocation of a station's purchase price to identifiable assets, and the procedures used to evaluate various assets for impairment.

*Purchase accounting.* The purchase of stations involves allocation of the purchase price according to the estimated fair market values of the monetary, tangible, and intangible assets acquired. The allocated values are "pushed-down" to become the restated asset costs on the books of the subsidiary companies representing the individual stations. We obtain outside appraisals following our purchases of stations. The values assigned by the appraisals may differ from the estimates initially assigned by us at the time of purchase. Generally accepted accounting principals allow up to one year for completion of the determination of allocation of values, so changes to the estimated purchase price allocations may materially change the depreciation and amortization expenses reported up to one year from purchase. With the exception of the WGTU/WGTQ acquisition, all purchase price allocations for acquisitions we have consummated were finalized prior to March 31, 2009.

*Impairment of long-lived assets.* Generally accepted accounting principles require that most long-lived assets are carried at the lower of cost or fair value. Such assets compose the major portion of Barrington Group's total assets and exceed member's equity. We review and test our indefinite lived assets for potential impairment at least annually and test our long-lived assets for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. This review requires assumptions and estimates of future cash flows to be generated by our stations, discount rates to be used in present value calculations, expected future benefits from network affiliation contracts, and other future

conditions. Changes in market conditions or our plans could change management's judgments regarding impairment of assets.

*Derivative financial instruments.* We invest in derivative financial instruments to limit our exposure to interest rate increases on our floating rate debt. We recognize at fair value all derivatives, whether designated in hedging relationships or not, in the balance sheet as either an asset or liability. 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 the derivative does not qualify as a hedge, its carrying value must be periodically adjusted to fair value, with any gain or loss recognized in operating results.

*Allowance for doubtful accounts.* We maintain an allowance for doubtful accounts for estimated losses resulting from extending credit to our customers who subsequently become unable to make required payments. If the economy or the financial condition of our customers were to deteriorate, resulting in their inability to make payments to us, additional allowances would be required.

### **Recent Issued Accounting Pronouncements**

Accounting Standard Codification, or ASC, Topic 805, "Business Combinations," or ASC 805, requires the acquirer to recognize and measure in the financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest and the goodwill acquired and essentially modifies the purchase method of accounting previously allowed. The pronouncement also requires acquisition costs to be expensed as incurred. The statement establishes disclosure requirements that enable users to evaluate the nature and financial effects of the business combination.

ASC Topic 810-10-65-1, "Consolidation," or ASC 810-10-65-1, requires a non-controlling interest in a consolidated subsidiary to be displayed as a separate component of stockholder's equity in the consolidated balance sheet as opposed to a "mezzanine" item between liabilities and equity. In addition, amounts that are attributed to the non-controlling interest should also be reported as part of consolidated net income and not as a separate component of income or expense. Disclosure of the attribution between controlling and non-controlling interests on the face of the income statement is also required.

The effect ASC 805 and ASC 810-10-65-1 will have our financial statements will depend on the significance of any future acquisitions subject to these pronouncements.

ASC Topic 855, "Subsequent Events," or ASC 855, requires additional disclosures relating to subsequent events. ASC 855 also modifies the naming of the types of subsequent events from Type I and II events to recognized subsequent events and unrecognized subsequent events, respectively. We adopted ASC 855 effective with our June 30, 2009 filing.

In June 2009, the FASB issued Statement No. 168 (codified in ASC 105,) "Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162", or SFAS No. 168. Under SFAS No. 168 the FASB Accounting Standards Codification, or ASC codification, is the source of authoritative United States generally accepted accounting principles to be applied to nongovernmental entities. Rules and interpretive releases of the SEC, under authority of federal securities laws are also sources of authoritative generally accepted accounting principles for SEC registrants. The ASC codification superseded all previously existing non-

SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the ASC codification also became non-authoritative. SFAS No. 168 was effective for us as of our September 30, 2009 filing and there was no financial impact of such adoption on our consolidated financial statements. We have updated the notes to the consolidated financial statements to appropriately reference the new ASC codification.

#### **ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We have no cash flow exposure due to changes in the interest rate on the notes because they bear interest at a fixed rate. However, borrowings under our credit facility bear interest at floating rates based on LIBOR. Accordingly, we are exposed to potential losses related to changes in interest rates. If there is a rise in interest rates, our debt service obligations on the borrowings under our credit facility would increase even though the amount borrowed remained the same, which would affect our results of operations, financial condition and liquidity. A 1% change in LIBOR would result in our interest expense under our credit facility fluctuating approximately \$1.7 million per year, without taking into account the effect of any hedging instruments.

We do not enter into derivatives or other financial instruments for trading or speculative purposes; however, in order to manage our interest rate risk, we have entered into interest rate cap agreements to effectively fix the interest rate on the borrowings under our credit facility.

We are party to two interest rate collar agreements, each effective as of February 12, 2007, which limit our exposure to fluctuation in short-term interest rates on a portion of our variable rate debt by locking in a range of interest rates. The notional amount of each interest rate collar agreement is \$40.0 million and both expire on February 12, 2011.

We are party to two additional interest rate collar agreements, each effective on August 14, 2007, which further limit the exposure to fluctuation in short-term interest rates on a portion of our variable rate debt by locking in a range of interest rates. The notional amount of each interest rate collar agreement is \$20.0 million. The agreements expire on August 16, 2010.

The collar agreements are designated as hedging instruments under ASC Topic 815 “Derivatives and Hedging,” or ASC 815. In accordance with ASC 815, unrealized changes in the fair value of these agreements are recorded in other comprehensive income. The interest rate collars consist of a purchased option and a sold option, which have been entered into simultaneously with the same counterparties.

The interest rate collar agreements provide that we will receive payment when the three-month LIBOR rises above 5.5% and requires payment when the three-month LIBOR falls below 4.84% on the first \$80.0 million and 4.845% on the subsequent \$40.0 million. During the year ended December 31, 2009, payments made under these agreements totaled \$4.4 million. For the year ended December 31, 2008, payments made under these agreements totaled \$1.8 million. As of December 31, 2009 and 2008, the value of the interest rate collar agreements was reflected as a liability in our statements of financial position in the amount of \$4.6 million and \$5.7 million, respectively, based on the fair value of the collars as of those dates. With the adoption of ASC Topic 820 “Fair Value Measurements and Disclosures,” the consideration of changes in credit risk reduced the fair value of the interest rate collars and resulted in an adjustment of \$0.3 million to the interest rate collar liability as of December 31, 2009. In the event that interest rate expectations change, the effect of the change in the valuation of the interest rate collars to maturity will be reflected through other comprehensive income or loss.

**ITEM 8. Consolidated Financial Statements and Supplementary Data.**

**BARRINGTON BROADCASTING GROUP LLC**

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## **REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Member  
Barrington Broadcasting Group LLC

We have audited the accompanying consolidated balance sheets of Barrington Broadcasting Group LLC, (the “Company”) as of December 31, 2009 and 2008 and the related consolidated statements of operations, cash flows and member’s equity (deficit) for each of the three years in the period ended December 31, 2009. 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 Group LLC at December 31, 2009 and 2008 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As of January 1, 2009, the Company adopted the Financial Accounting Standards Board Accounting Standard Codification 810-10-65-1 “Consolidation”.

/s/ Ernst & Young, LLP  
Milwaukee, Wisconsin  
March 31, 2010

**BARRINGTON BROADCASTING GROUP LLC**  
**Consolidated Balance Sheets**

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
	(in thousands)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 23,410	\$ 28,839
Trade receivables, less allowance for doubtful accounts of \$768 and \$509, respectively	19,146	19,576
Current portion of program broadcast rights	3,368	3,333
Prepaid expenses and other current assets	1,124	1,452
Total current assets	47,048	53,200
Program broadcast rights	841	1,157
Debt issuance costs	8,384	10,133
Investment in joint ventures and joint sales agreement	1,401	1,329
Other	674	175
Property and equipment, net	48,726	59,289
Goodwill	9,730	9,585
Other intangibles, net	174,719	188,017
<b>TOTAL ASSETS</b>	<b>\$ 291,523</b>	<b>\$ 322,885</b>
<b>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,980	\$ 2,323
Current portion of program broadcast payable	5,724	4,933
Revolving credit facility	21,000	21,000
Current maturities of long-term debt	3,489	1,570
Current portion of contracts payable	123	127
Current portion of interest rate collars	3,926	4,435
Accrued interest	3,724	6,263
Accrued expenses and other liabilities	4,043	3,923
Deferred revenue - current	211	161
Total current liabilities	44,220	44,735
Long-term debt, including related party loan of \$3,524 as of December 31, 2008	203,405	280,478
Contracts payable	1,324	1,298
Program broadcast payable	1,043	1,533
Interest rate collars	642	1,291
Deferred revenue	1,119	1,275
Total liabilities	251,753	330,610
<b>BARRINGTON MEMBER'S EQUITY (DEFICIT)</b>		
Member's equity (deficit)	40,766	(1,999)
Other comprehensive loss	(4,568)	(5,726)
Total Barrington member's equity (deficit)	36,198	(7,725)
Noncontrolling interest of subsidiary	3,572	-
Total member's equity (deficit)	39,770	(7,725)
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>	<b>\$ 291,523</b>	<b>\$ 322,885</b>

See accompanying notes to the consolidated financial statements

**BARRINGTON BROADCASTING GROUP LLC**  
**Consolidated Statements of Operations**

	<b>Year Ended December 31</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
		(in thousands)	
NET REVENUES	\$ 99,019	\$ 119,377	\$ 112,539
OPERATING EXPENSES			
Selling, technical and program expenses	51,919	58,940	58,089
General and administrative	17,779	20,947	19,440
Depreciation and amortization	20,862	29,629	29,459
Impairment of intangible assets	10,560	84,298	-
Corporate	5,369	5,319	4,663
Total operating expenses	<u>106,489</u>	<u>199,133</u>	<u>111,651</u>
INCOME (LOSS) FROM OPERATIONS	(7,470)	(79,756)	888
INTEREST (EXPENSE) INCOME			
Interest expense	(20,704)	(24,412)	(24,924)
Amortization of debt issuance costs	(2,100)	(1,938)	(1,693)
Interest income	13	69	80
Total net interest expense	<u>(22,791)</u>	<u>(26,281)</u>	<u>(26,537)</u>
OTHER NON-OPERATING INCOME			
Gain on extinguishment of debt	55,081	-	-
Non-cash gain from exchange of assets	2,423	1,185	256
Total non-operating income	<u>57,504</u>	<u>1,185</u>	<u>256</u>
INCOME (LOSS) BEFORE INCOME TAXES	27,243	(104,852)	(25,393)
INCOME TAX (EXPENSE) BENEFIT	(510)	(307)	64
NET INCOME (LOSS)	<u>\$ 26,733</u>	<u>\$ (105,159)</u>	<u>\$ (25,329)</u>

See accompanying notes to the consolidated financial statements

**BARRINGTON BROADCASTING GROUP LLC**  
**Consolidated Statement of Member's Equity (Deficit)**  
**For the Years Ended December 31, 2009, 2008 and 2007**

	<u>Member's Equity (Deficit)</u> (in thousands)	<u>Other Comprehensive (Loss ) Income</u>	<u>Barrington Member's Equity (Deficit)</u>	<u>Non-controlling Interest of Subsidiary</u>	<u>Total Member's Equity (Deficit)</u>
Balance at December 31, 2006	\$ 128,489	\$ -	\$ 128,489	\$ -	\$ 128,489
Net loss	(25,329)	-	(25,329)	-	(25,329)
Other comprehensive loss - change in fair market value of interest rate collars	-	(3,673)	(3,673)	-	(3,673)
Balance at December 31, 2007	<u>\$ 103,160</u>	<u>\$ (3,673)</u>	<u>\$ 99,487</u>	<u>\$ -</u>	<u>\$ 99,487</u>
Net loss	(105,159)	-	(105,159)	-	(105,159)
Other comprehensive loss - change in fair market value of interest rate collars	-	(2,053)	(2,053)	-	(2,053)
Balance at December 31, 2008	<u>\$ (1,999)</u>	<u>\$ (5,726)</u>	<u>\$ (7,725)</u>	<u>\$ -</u>	<u>\$ (7,725)</u>
Contributed capital	16,032	-	16,032	-	16,032
Net income	26,733	-	26,733	-	26,733
Other comprehensive loss - change in fair market value of interest rate collars	-	1,158	1,158	-	1,158
Non-controlling interest of subsidiary	-	-	-	3,572	3,572
Balance at December 31, 2009	<u><u>\$ 40,766</u></u>	<u><u>\$ (4,568)</u></u>	<u><u>\$ 36,198</u></u>	<u><u>\$ 3,572</u></u>	<u><u>\$ 39,770</u></u>

See accompanying notes to the consolidated financial statements

**BARRINGTON BROADCASTING GROUP LLC**  
**Consolidated Statements of Cash Flows**

	<b>Year Ended December 31</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	(in thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 26,733	\$ (105,159)	\$ (25,329)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	17,749	26,334	24,164
Amortization of program broadcast rights	4,885	4,948	5,153
Payments of program broadcast payable	(4,303)	(4,724)	(4,709)
Barter revenue net of expenses	(27)	(7)	(352)
Amortization of intangibles, including debt issuance costs and joint sales fees	5,065	4,951	6,171
Impairment of intangible assets	10,560	84,298	-
Gain on extinguishment of debt	(55,081)	-	-
Loss on non-hedge interest rate caps	-	-	83
Gain on disposal and exchange of property and equipment	(2,291)	(917)	565
Imputed interest and accretion on convertible subordinated debt	117	286	15
Equity in loss of joint ventures	105	103	85
Changes in assets and liabilities that relate to operations, net of effect of acquisitions:			
Trade receivables	430	3,464	392
Prepaid expenses and other	(309)	272	(386)
Accounts payable	(427)	886	(235)
Accrued interest	(2,539)	(51)	592
Accrued expenses	120	(807)	(267)
Deferred revenue	(106)	(137)	135
Net cash provided by operating activities	<u>681</u>	<u>13,740</u>	<u>6,077</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property and equipment	(4,939)	(3,625)	(6,175)
Proceeds from disposition of assets	68	34	43
Acquisition of television stations, net of cash acquired	(58)	(10,762)	(831)
Investment in joint ventures and joint sales agreement	(177)	8	(27)
Net cash used in investing activities	<u>(5,106)</u>	<u>(14,345)</u>	<u>(6,990)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repurchase of senior subordinated notes	(12,910)	-	-
Proceeds from convertible subordinated debt to parent	-	3,300	-
Proceeds from guaranteed loans	-	7,000	-
Principal payments on long-term debt	(1,570)	(1,552)	(1,500)
Borrowings on revolving loan facility, net of payments	-	21,000	-
Proceeds from related party loan	-	-	503
Repayment of related party loan	-	(503)	-
Payments of contracts payable	(136)	(150)	(215)
Proceeds from contributed capital	16,032	-	-
Payment of debt issuance costs	(2,420)	(1,919)	(527)
Net cash (used in) provided by financing activities	<u>(1,004)</u>	<u>27,176</u>	<u>(1,739)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,429)</b>	<b>26,571</b>	<b>(2,652)</b>
Cash and cash equivalents, beginning of year	28,839	2,268	4,920
Cash and cash equivalents, end of year	<u>\$ 23,410</u>	<u>\$ 28,839</u>	<u>\$ 2,268</u>

*Continued*

See accompanying notes to the consolidated financial statements

**BARRINGTON BROADCASTING GROUP LLC**  
**Consolidated Statements of Cash Flows (continued)**

	<b>Year Ended December 31</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
		(in thousands)	
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash payments of interest	\$ 23,126	\$ 24,178	\$ 24,234
Cash payments of income taxes	\$ 510	\$ 307	\$ (64)
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Acquisition of program broadcast rights	\$ (4,604)	\$ (4,885)	\$ (4,894)
Equipment acquired by barter transactions	\$ (111)	\$ (101)	\$ (184)
Fair market value of equipment acquired in exchange, net of disposals	\$ 2,423	\$ 1,185	\$ 258
Issuance of subsidiary preferred stock in exchange for long-term debt of subsidiary	\$ 3,572	\$ -	\$ -
<b>ACQUISITION OF TELEVISION STATIONS</b>			
Current assets acquired	\$ -	\$ 221	\$ -
Property and equipment acquired	(87)	3,435	-
Intangible assets and goodwill acquired	145	7,150	644
Current liabilities assumed	-	(60)	-
Program broadcast rights acquired	-	235	(90)
Program broadcast liabilities assumed	-	(219)	(18)
Other long term liabilities assumed	-	-	295
Cash used for acquisition of television stations, net	58	10,762	831
Amounts paid in 2009 pertaining to 2008 acquisitions	(58)	58	-
Amounts paid in 2007 pertaining to 2006 acquisitions	-	-	(831)
Total cost of acquisitions of television stations	\$ -	\$ 10,820	\$ -

See accompanying notes to the consolidated financial statements

## **Barrington Broadcasting Group LLC**

### **Notes to the Consolidated Financial Statements**

#### **(Note A) – Basis of Presentation and Accounting Policies**

*Nature of Business* – Barrington Broadcasting Group LLC, or Barrington Group, owns, operates and/or provides support services to 24 television stations located in 15 markets in the United States. Barrington Group’s revenues are derived primarily from the sale of advertising time and, to a lesser extent, internet advertising, rental of tower space, retransmission consent fees and barter transactions for goods and services. In addition, Barrington Group also receives fees for services it provides pursuant to various joint sales agreements and shared services agreements. The stations sell commercial time during programs to national, regional and local advertisers. The stations’ affiliated networks also sell commercial time to national advertisers during the programs they supply to Barrington Group’s stations.

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. Advertising revenue also tends to be higher in even-numbered years, when national, state and local political advertising is a significant element of advertising revenue. Additionally, advertising revenue in even-numbered years can benefit from demand for advertising time during Olympic broadcasts. Advertising credit arrangements are determined on an individual customer basis. Segment information is not presented because all of Barrington Group’s revenue is attributed to a single reportable segment.

*Basis of Presentation* –The consolidated financial statements include the accounts of Barrington Group and its television stations, consisting of WEYI, Flint, Michigan; WBSF, Bay City, Michigan; WNWO, Toledo, Ohio; WSTM and WSTQ, Syracuse, New York; WACH, Columbia, South Carolina; KGBT, Harlingen, Texas; KXRM and KXTU, Colorado Springs, Colorado; WPDE, Myrtle Beach, South Carolina; WPBN and WTOM, Traverse City, Michigan; WHOI, Peoria, Illinois; KVII and KVIH, Amarillo, Texas; KRCG, Jefferson City, Missouri; WFXL, Albany, Georgia; KHQA, Quincy, Illinois; WLUC, Marquette, Michigan; and KTVO, Kirksville, Missouri, all of which are wholly-owned.

Barrington Group also programs WWMB, owned by SagamoreHill of Carolina, LLC or SagamoreHill, in South Carolina, under a local marketing agreement and WGTU and WGTQ, owned by Tucker Broadcasting of Traverse City, Inc., or Tucker, in Traverse City, Michigan, under the terms of a joint sales agreement. Barrington Group also provides other support services to WGTU and WGTQ through a share services agreement. Barrington Group exercises significant influence over the programming and operations of both SagamoreHill and Tucker. Barrington Group pays fees to the owners in conjunction with the local marketing agreement, joint sales agreement and shared services agreement. Barrington is also entitled to fees from SagamoreHill and Tucker. As such, Barrington Group consolidates SagamoreHill and Tucker as variable interest entities in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 810-10-05 “Variable Interest Entities” or ASC 810-10-05.

In addition, Barrington Group provides advertising sales and certain other technical and support services to WTVH in Syracuse, New York, which is owned by Granite Broadcasting Corporation, or Granite, under the terms of a joint sales agreement and a shared services agreement. All significant intercompany accounts and transactions have been eliminated.

Barrington Group, through its ownership of KGBT and WFXL, also owns 50% interests in each of Tall Tower LLC, a joint venture formed to operate a television tower in Harlingen, Texas, and Albany Tower LLC, a joint venture formed to operate a television tower in Albany, Georgia. Barrington does not exercise control over Tall Tower LLC or Albany Tower LLC and Barrington is not exposed to undue risk associated with the joint ventures. As such, Barrington Group’s interests in Tall Tower LLC and Albany Tower LLC have been consolidated using the equity method of accounting.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

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 Group's actual results could differ from those estimates.

(2) Cash equivalents and concentration

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

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

(3) Accounts receivable and allowance for doubtful accounts

Barrington Group'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 Group has no interest provision for customer accounts that are past due. Barrington Group maintains an allowance for estimated losses resulting from the inability of customers to make required payments. Barrington Group 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 receivable are charged to the allowance when the company determines that the receivable will not be collectible. Barrington Group recorded bad debt expense of \$689,000, \$847,000 and \$403,000 for the years ended December 31, 2009, 2008 and 2007, respectively, which are included in general and administrative expenses in Barrington Group's consolidated statements of operations.

The following table summarizes the changes in the allowance for doubtful accounts for the years ended December 31, 2009, 2008 and 2007 (in thousands):

	<b>December 31</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Allowance for doubtful accounts			
Balance at beginning of year	\$ 509	\$ 553	\$ 744
Additions charged to expense	689	847	403
Balances written off, net of fees and recoveries	(430)	(891)	(594)
Balance at end of year	<u>\$ 768</u>	<u>\$ 509</u>	<u>\$ 553</u>

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

(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.

Advertising revenue tends to be higher in even-numbered years, when national, state and local political advertising is a significant element of advertising revenue. Historically, in odd-numbered years, far less revenue is obtained from political advertising. For the years ended December 31, 2009, 2008 and 2007, gross political advertising revenue totaled \$2,397,000, \$14,763,000 and \$1,711,000, respectively.

Approximately 18%, 22%, and 25% of gross advertising revenues for the years ended December 31, 2009, 2008 and 2007, respectively, consisted of automotive advertising revenues (excluding revenue attributable to automotive revenue for WHOI and WTVH.) During the year ended December 31, 2009, as compared to the year ended December 31, 2008, automotive advertising revenues decreased from \$26,815,000 to \$17,275,000 or 35.6%.

(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, 2009, barter revenue and expenses totaled \$4,565,000 and \$4,538,000, respectively. For the period ended December 31, 2008, barter revenue and expenses totaled \$5,232,000 and \$5,225,000, respectively. Barter revenue and expense for the year ended December 31, 2007 totaled \$5,300,000 and \$4,954,000, respectively.

(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 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 Group incurred advertising costs in the amounts of \$661,000, \$1,226,000 and \$1,451,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

(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 the straight line method over the terms of the related debt which approximates the effective interest method. 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 are expensed as incurred. Prior to December 31, 2008, acquisition costs related to successful acquisitions had been treated as part of the purchase price and 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:

	<u>Years</u>
Building and improvements	5 - 40
Towers	5 - 10
Transmission equipment	3 - 10
Other equipment	1 - 5
Furniture and fixtures	4 - 10
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.

The Federal Communications Commission, or FCC has granted to Sprint Nextel Corporation, or Nextel, the right to reclaim a portion of the spectrum in the 2 GHz band from broadcasters across the country. In order to claim this spectrum, Nextel must exchange all of the broadcasters' electronic newsgathering equipment currently using this spectrum with digital equipment capable of operating in the reformatted portion of the 2 GHz band retained by the broadcasters. As the equipment is exchanged into service in each of Barrington Group's markets, a gain or loss will be recorded to the extent that the fair market value of the equipment received exceeds or is less than the book value of the analog equipment exchanged.

As of December 31, 2009, ten of Barrington Group's stations had completed the exchange of equipment with Nextel. The fair market value of the equipment received and placed into service during the years ended December 31, 2009, 2008 and 2007 was \$2,473,000, \$1,223,000 and \$258,000, respectively. The excess of fair market value as compared to the carrying value of equipment exchanged of \$2,423,000, \$1,185,000 and \$256,000 for the years ended December 31, 2009, 2008 and 2007, respectively, was recorded as a non-cash gain on exchange of assets in other, non-operating income in the accompanying consolidated statement of operations.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

- (b) Intangible assets and goodwill totaled \$184,449,000 and \$197,602,000 at December 31, 2009 and 2008, respectively. Intangible assets are principally comprised of network affiliation agreements and FCC licenses. FCC licenses 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.
- (c) As required by Accounting Standard Codification, or ASC Topic 350, “Intangibles – Goodwill and Other,” or ASC 350, Barrington Group conducts an evaluation of goodwill and FCC broadcast licenses for possible impairment annually, as of October 1, or more frequently if indicators of impairment exist. The analysis of potential impairment requires a two-step process. The first step is the estimation of fair value of the applicable reporting units. Reporting units are defined as operating segments or one level below an operating segment when that component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. Barrington Group has identified its individual markets as reporting units. Estimated fair value is based on management judgments and assumptions and those fair values are compared with the aggregate carrying values of the reporting units. If the fair value of the reporting unit is greater than its carrying amount, there is no impairment. If the reporting unit carrying amount is greater than the estimated fair value, then the second step must be completed to measure the amount of impairment, if any.

The second step calculates the implied fair value of the goodwill which is compared to its carrying value. If the implied fair value is less than the carrying value, an impairment loss is recognized equal to the difference.

For purposes of testing the carrying value of its FCC broadcast licenses and goodwill for impairment, the fair value estimates of FCC broadcast licenses and goodwill contain significant assumptions, incorporating variables that are based on past experiences and judgments about future performance. These assumptions include estimates of the growth rate of advertising expenditures in each market, each station’s projected share of the revenues in its market, the profit margin of an average station within a particular market, certain risk-adjusted discount rates and each station’s expected growth rates in perpetuity (to estimate terminal values). If the carrying amount of the FCC broadcast licenses and goodwill is greater than estimated fair value in a given market, the company is required to perform the step two analysis to determine the level of impairment. Based on the results of the step two analysis, the carrying amount of the FCC broadcast license and goodwill relating to that market is reduced to its estimated fair value. Such reductions may have a material impact on Barrington Group’s consolidated financial condition and results of operations.

During 2009, certain events and changes in circumstances indicated that such intangible assets and goodwill may have become impaired. Barrington Group believes that unfavorable business conditions, the reduction in the valuation of certain television stations (especially those whose only assets are their FCC broadcast license and their transmission facilities) and the decline in advertising revenues, which has directly affected Barrington Group’s stations, are indicators of a sustained impact on the value of Barrington Group’s intangible assets.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

Based on indicators of impairment, Barrington Group performed impairment tests at June 30, 2009 and October 1, 2009, and determined a step two analysis was required. With the assistance of an independent third party valuation advisor, Barrington Group performed the step two analysis and recorded an aggregate non-cash impairment charge of \$10,560,000 for the FCC license at three of its stations for the year ended December 31, 2009. For the year ended December 31, 2008, Barrington Group recorded an aggregate non-cash impairment charge of \$82,968,000 for FCC broadcast licenses at nine of its television stations and a non-cash impairment charge of \$1,330,000 for goodwill at two of its television stations. These impairment charges are included in the accompanying consolidated statement of operations. (See Note B)

(d) In accordance with ASC Topic 360-10, "Property, Plant and Equipment," 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

Barrington Group is not subject to federal income taxes, as it is a limited liability company and passes all taxable profits or losses directly to its member, in a manner similar to a partnership. Accordingly, no federal tax provision was recorded for the year ended December 31, 2009 and 2008.

Tucker, of which the results of operations have been consolidated with those of Barrington Group, is organized as a C-corporation for income tax purposes. As such, deferred taxes are provided for based on the liability method. The net deferred tax asset at December 31, 2009 and 2008 were fully reserved by a valuation allowance. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

(11) Employee benefits

Barrington Group has a defined contribution plan covering all eligible employees. Barrington Group's contribution is at the discretion of the Board of Directors.

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

(12) Derivative Financial Instruments

Barrington Group accounts for derivative financial instruments under the provisions of ASC Topic 815, "Derivatives and Hedging," or ASC 815. ASC 815 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 J).

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

(13) Financial Instruments

Barrington Group's financial instruments consist of cash, trade receivables and accounts payable. Barrington Group's estimate of fair value of these instruments approximates their carrying amount at December 31, 2009 and 2008.

**(Note B) – Impairment of Intangibles**

Based on indicators of impairment, Barrington Group performed impairment tests at June 30, 2009 and October 1, 2009 and determined a step two analysis was required. With the assistance of an independent third party valuation advisor, Barrington Group performed the step two analysis and recorded non-cash impairment charges of \$1,416,000 and \$9,144,000 for the FCC license at three of its stations for the three months ended June 30, 2009 and the three months ended December 31, 2009, respectively. For the three months ended September 30, 2008 and the three months ended December 31, 2008, respectively, Barrington Group recorded non-cash impairment charges of \$18,016,000 and \$64,952,000 for FCC broadcast licenses at nine of its television stations and non-cash impairment charges of \$507,000 and \$823,000 for goodwill at two of its television stations. These impairment charges are included in the accompanying consolidated statement of operations.

**(Note C) – Joint Sales and Shared Services Agreements with Granite Broadcasting Corporation**

On March 2, 2009, Barrington Group entered into joint sales and shared services agreements with Granite, relating to Granite's and Barrington Group's respective station operations in the Peoria, Illinois market, or the Peoria Granite agreements, and the Syracuse, New York market, or the Syracuse Granite agreements. The Peoria Granite agreements together with the Syracuse Granite agreements are collectively referred to as the Granite agreements.

The Peoria Granite agreements provide that in Peoria, Granite will conduct advertising sales and provide certain other technical and support services to Barrington Group's station, WHOI. In addition, Granite will have the right to provide up to 15% of the weekly programming for WHOI. The Peoria Granite agreements have initial four-year terms and automatically renew for two additional four-year terms, unless either party delivers written notice of an intention not to renew. The Peoria Granite agreements are designed to permit Barrington Group to substantially reduce its local operating costs while continuing to share in the revenues produced by WHOI.

The Syracuse Granite agreements provide that in Syracuse, Barrington Group will provide advertising sales and certain other technical and support services to Granite's station, WTVH. In addition, Barrington Group will have the right to program up to 15% of the weekly programming for WTVH. The Syracuse Granite agreements have initial four-year terms and automatically renew for two additional four-year terms, unless either party delivers written notice of an intention not to renew. The Syracuse Granite agreements are designed to create a significant economy of scale for Barrington Group across those stations in the Syracuse market, while also allowing Barrington Group to realize a portion of the revenues generated through its advertising sales efforts and related support services provided to WTVH.

In connection with the execution of the Granite agreements, Barrington Group will pay Granite monthly amounts over approximately one year to equalize transitional costs incurred by Barrington Group and Granite, which amount is estimated at \$661,000 in the aggregate. These costs have been capitalized and included in other assets in the consolidated balance sheets and will be amortized ratably over the life of the initial agreements. For the year ended December 31, 2009, net payments made to Granite for the

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

transition costs totaled \$574,000. As of December 31, 2009, the unamortized balance of the transitional costs was \$523,000.

**(Note D) – Acquisition of Television Stations**

On August 31, 2007, Barrington Traverse City LLC, or Barrington Traverse City, a wholly owned subsidiary of Barrington Group, entered into an Asset Purchase Agreement, or the WGTU APA, with Max Media of Traverse City LLC and MTC License LLC, to acquire television station WGTU and its satellite WGTQ, which serve the Traverse City-Cadillac, Michigan market. Barrington Group refers to this acquisition herein as the WGTU/WGTQ acquisition. Simultaneously with entering into the WGTU APA, Barrington Traverse City assigned its rights under the WGTU APA to Tucker, an unrelated third party. On April 1, 2008, Tucker completed its acquisition of WGTU/WGTQ.

The total purchase price for the WGTU/WGTQ acquisition by Tucker was \$10,820,000, which consisted of the fair market value of the assets of \$10,000,000 and \$820,000 of transaction fees and costs, of which, \$58,000 of these fees and costs were paid during the first quarter of 2009. The purchase price was allocated to Tucker's acquired assets and liabilities assumed at fair value based on an appraisal of the acquired assets.

The purchase price was partially funded with \$7,000,000 of borrowings by Tucker under a new credit facility consisting of a term loan A facility of \$4,000,000 and a term loan B facility of \$3,000,000, referred to together as the Tucker term loans, which Tucker entered into in connection with the WGTU/WGTQ acquisition. The remainder of the purchase price was funded with \$3,300,000 borrowed from Pilot Group LP, or Pilot Group, Barrington Group's equity sponsor, in exchange for a convertible subordinated note due October 1, 2011, or the convertible note. A portion of the proceeds of the convertible note was used to refinance a loan totaling \$503,000, which was originally issued by Pilot Group to Barrington Traverse City and subsequently assigned by Barrington Traverse City to Tucker. The \$503,000 loan was used to finance the deposit for the purchase price of the WGTU/WGTQ acquisition.

In connection with the WGTU/WGTQ acquisition, Barrington Group and all of Barrington Group's direct and indirect subsidiaries entered into a guarantee, or the Tucker guarantee, pursuant to which they agreed to guarantee \$3,000,000 of Tucker's debt obligations under the Tucker term loan B facility. In addition, Barrington Group is providing credit support for the Tucker term loan A facility in the form of a \$4,000,000 letter of credit issued under Barrington Group's revolving facility (as defined herein.)

Barrington Traverse City and Tucker entered into a shared services agreement, pursuant to which Barrington Traverse City provides technical, engineering and certain other support services to WGTU/WGTQ for a fee. In addition, Barrington Traverse City and Tucker entered into a joint sales agreement, pursuant to which Barrington Traverse City has the right to provide up to 15% of WGTU/WGTQ's weekly programming and to sell WGTU/WGTQ's local advertising on a commissioned basis.

Tucker is considered a variable interest entity and, in accordance with ASC 810-10-05, Barrington Group's interest in Tucker is included in its consolidated financial statements beginning April 1, 2008.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

The purchase price for the WGTU/WGTQ acquisition has been allocated as follows (in thousands):

	<b>WGTU/WGTQ Acquisition</b>
Current assets	\$ 221
Program broadcast rights	235
Total property and equipment	3,348
Intangible Assets	
FCC licenses	4,197
Goodwill	1,138
Other intangibles, subject to amortization	1,960
Total intangible assets acquired	7,295
Total assets	11,099
Current liabilities	60
Program broadcast payables	219
Total liabilities	279
Total purchase price, including costs	\$ 10,820

The acquisition has been recorded using the purchase method of accounting and is included in the operating results from the acquisition date forward. The FCC license 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 five years.

In connection with the WGTU/WGTQ acquisition, Barrington Traverse City acquired an option to purchase all of the equity of Tucker or the assets of WGTU/WGTQ, subject to certain conditions. The base value of the option is \$7,000,000, and will increase annually by an amount ranging between \$87,000 and \$114,000, as specified in the option agreement, until the agreement expires in 2016. The option period will be automatically extended if the WGTU/WGTQ joint sales agreement is renewed, and thereafter shall continue until the WGTU/WGTQ joint sales agreement is terminated.

**(Note E) – Related Party Loan and Convertible Subordinated Note from Parent**

In connection with the WGTU/WGTQ acquisition, on August 31, 2007, Barrington Traverse City borrowed \$503,000 from Pilot Group. The loan was unsecured and payable upon demand. The loan was subject to interest annually at a rate equal to the rate of the interest applicable to borrowings under Barrington Group’s revolving credit facility. In connection with the WGTU/WGTQ acquisition, this loan was assigned to Tucker on April 1, 2008 and subsequently refinanced. Total interest accrued on the loan was \$21,000.

On April 1, 2008, Tucker borrowed \$3,300,000 from Pilot Group and issued to Pilot Group a convertible note. On February 28, 2009, Pilot Group converted the convertible note and received 3,572 shares of non-voting Series A preferred stock of Tucker, at a par value of \$0.01. The convertible note was due to mature on October 1, 2011. The principal amount of the convertible note bore interest at 9% annually in the form of pay-in-kind interest, or PIK interest. At the time of the conversion, PIK interest on the note totaled \$272,000, which was capitalized and added to the \$3,300,000 principal amount of the convertible note. The non-voting Series A preferred stock represent a non-controlling interest in Tucker.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

**(Note F) – Property and Equipment**

Property and equipment consists of the following (in thousands):

	December 31,	
	2009	2008
Land	\$ 6,587	\$ 6,675
Building and improvements	15,575	15,279
Towers	11,990	11,965
Transmission equipment	31,325	31,104
Studio technical equipment	61,154	57,409
Office equipment	8,060	7,734
Automotive equipment	1,629	1,654
Construction in progress	1,684	1,365
Total property and equipment	138,004	133,185
Less accumulated depreciation	(89,278)	(73,896)
Property and equipment - net	\$ 48,726	\$ 59,289

Barrington Group recorded depreciation expense of \$17,749,000, \$26,334,000 and \$24,164,000 for the years ended December 31, 2009, 2008 and 2007, respectively. In addition, depreciation recorded in equity in loss of joint ventures of \$105,000, \$103,000, \$85,000 for the years ended December 31, 2009, 2008 and 2007, respectively, has been included in depreciation and amortization expenses in the consolidated statements of operations.

Barrington Group recorded \$1,093,000 in additional depreciation for the six months ended June 30, 2009, related to analog transmission equipment that was taken out of service in June of 2009, when Barrington Group was required by the FCC, to discontinue broadcasting in the analog format. By June 30, 2009, the analog transmission equipment had been fully depreciated and was taken out of service. For the year ended December 31, 2008, Barrington Group recorded \$4,410,000 in additional depreciation related to this analog transmission equipment. In addition, for the year ended December 31, 2009, Barrington Group recorded \$642,000 in additional depreciation related to its building in Peoria, in order to reduce the value of the building to its estimated fair market value upon the termination of the production of newscasts in the facilities in August 2009.

Total loss on the disposal and impairment of property and equipment for the years ended December 31, 2009, 2008 and 2007 was \$132,000, \$268,000 and \$821,000, respectively. Loss on the disposal and impairment of property and equipment is included in the consolidated statements of operations in depreciation and amortization expense. Additionally, gains recognized related to the exchange of equipment with Sprint Nextel, or Nextel, totaled \$2,423,000, \$1,185,000 and \$256,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The Nextel gains are recorded in the consolidated statements of operations in other non-operating income as non-cash gain on exchange of assets.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

**(Note G) –Intangible Assets**

The following table summarizes the carrying amount of each major classification of intangible assets (in thousands):

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
<i>Indefinite-Lived Intangible Assets</i>		
FCC licenses	\$ 162,590	\$ 173,150
Other intangibles	2,183	2,183
<i>Definite-Lived Intangible Assets</i>		
Network affiliation agreements	17,612	17,612
Other intangibles	7,709	7,709
Accumulated amortization	(15,375)	(12,637)
	\$ 174,719	\$ 188,017

Amortization of intangible assets was \$2,738,000, \$2,924,000 and \$4,389,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The weighted average amortization period at December 31, 2009 was approximately four years. Also included in amortization for the year ended December 31, 2009 is \$138,000 related to the costs incurred associated with the Granite agreements and \$89,000 for various network contracts. For the year ended December 31, 2008 amortization also includes \$89,000 for amortization of various network contracts.

For the three months ended June 30, 2009 and the three months ended December 31, 2009, Barrington Group recorded non-cash impairment charges of \$1,416,000 and \$9,144,000, respectively, for the FCC licenses at three of its stations. For the three months ended September 30, 2008 and December 31, 2008, Barrington Group recorded non-cash impairment charges of \$18,016,000 and \$64,952,000, respectively, for the FCC licenses at nine of its stations and non-cash impairment charges of \$507,000 and \$823,000, respectively, for goodwill at two of its television stations. (See Note B)

The change in the carrying amount of FCC licenses for the years ended December 31, 2009 and 2008 was as follows (in thousands):

	<b>2009</b>			<b>2008</b>		
	<b>Gross Book Value</b>	<b>Accumulated Impairment</b>	<b>Total</b>	<b>Gross Book Value</b>	<b>Accumulated Impairment</b>	<b>Total</b>
FCC Licenses						
Beginning Balance	\$ 256,118	\$ (82,968)	\$ 173,150	\$ 251,921	\$ -	\$ 251,921
Acquisitions	-	-	-	4,197	-	4,197
Impairment charges	-	(10,560)	(10,560)	-	(82,968)	(82,968)
Ending Balance	\$ 256,118	\$ (93,528)	\$ 162,590	\$ 256,118	\$ (82,968)	\$ 173,150

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

The change in the carrying amount of goodwill for the years ended December 31, 2009 and 2008 was as follows (in thousands):

	2009			2008		
	Gross Book Value	Accumulated Impairment	Total	Gross Book Value	Accumulated Impairment	Total
Goodwill						
Beginning Balance	\$ 10,915	\$ (1,330)	\$ 9,585	\$ 9,922	\$ -	\$ 9,922
Acquisitions	145	-	145	993	-	993
Impairment charges	-	-	-	-	(1,330)	(1,330)
Ending Balance	\$ 11,060	\$ (1,330)	\$ 9,730	\$ 10,915	\$ (1,330)	\$ 9,585

At December 31, 2009, the estimated future amortization of intangible assets was as follows (in thousands):

<u>Period Ending December 31,</u>	<u>Estimated Future Amortization</u>	
	<u>Network Affiliation</u>	<u>Other Intangibles</u>
2010	\$ 2,209	\$ 359
2011	2,100	338
2012	1,604	294
2013	1,550	289
2014	195	286
Thereafter	148	574
	\$ 7,806	\$ 2,140

**(Note H) –Restructuring Reserves**

In connection with the execution of the Peoria Granite agreements, Barrington Group has recorded certain liabilities related to employee severance costs. Additionally, beginning in the second quarter of 2008, Barrington Group initiated certain operating expense reductions to eliminate or reduce identified costs, including a reduction in Barrington Group’s workforce during 2008 of approximately 11%. During the first quarter of 2009, Barrington Group reduced its workforce by an additional 14%.

Barrington Group recorded expenses related to severance costs incurred in connection with its workforce reductions and the Peoria Granite agreements of \$1,186,000 and \$957,000 during the years ended December 31, 2009 and 2008, respectively. For the years ended December 31, 2009 and 2008, Barrington Group paid severance costs of \$1,166,000 and \$817,000, respectively. The severance expenses are included in general and administrative expense in the consolidated statements of operations. The remaining restructuring reserve as of December 31, 2009 of \$160,000 is included in accrued expenses and other liabilities in the consolidated balance sheet.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

The following table summarizes the activity associated with Barrington Group's severance reserves (in thousands):

	<u>Balance as of December 31, 2008</u>	<u>Additional Provision</u>	<u>Costs Settled</u>	<u>Balance as of December 31, 2009</u>
Peoria Granite agreements	\$ -	\$ 563	\$ (425)	\$ 138
Workforce reductions	140	623	(741)	22
	<u>\$ 140</u>	<u>\$ 1,186</u>	<u>\$ (1,166)</u>	<u>\$ 160</u>

**(Note I)– Long-Term Debt**

As of December 31, 2009, long-term debt consists of the following (in thousands):

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Senior secured term loan B	\$ 142,706	\$ 144,181
Revolving credit facility	21,000	21,000
Senior subordinated notes	54,940	125,000
Tucker term loans	6,878	6,948
SagamoreHill term loan	2,370	2,395
Related party loan	-	3,524
	<u>227,894</u>	<u>303,048</u>
Less current portion of debt	24,489	22,570
	<u>\$ 203,405</u>	<u>\$ 280,478</u>

Barrington Group's credit facility, which is governed by the Credit Agreement, dated as of August 11, 2006, by and among Barrington Group, as borrower, all of its subsidiaries and Barrington Broadcasting LLC, as guarantors, Bank of America, N.A., as administrative agent, and the lenders party thereto, as amended, referred to herein as the credit agreement, consists of a \$147,500,000 senior secured term loan B which matures in August 2013, referred to herein as the term loan facility, and a \$25,000,000 revolving credit facility which matures in August 2012, referred to herein as the revolving facility, and together with the term loan facility, referred to herein as the credit facility. The obligations under Barrington Group's credit facility are guaranteed by Barrington Broadcasting LLC, or Barrington LLC, the parent of Barrington Group, and all of Barrington Group's direct and indirect subsidiaries. Barrington Group's credit facility is secured by a first priority lien on substantially all of its existing and future assets and those of its direct and indirect subsidiaries. As of December 31, 2009, outstanding borrowings under Barrington Group's revolving credit facility totaled \$21,000,000. In addition, the letter of credit issued to Tucker in the amount of \$4,000,000 reduces the amount available to be drawn under Barrington Group's revolving credit facility.

Barrington Group would not have been in compliance with the total leverage ratio covenant contained in its credit agreement when measured for the quarter ended December 31, 2008. However, pursuant to the terms of the credit agreement, Pilot Group had the right, subject to certain limitations, to make one or more cash capital contributions to Barrington Group in order to prevent a default under its credit agreement. During the first quarter of 2009, Pilot Group made cash capital contributions to Barrington Group in an aggregate amount of \$16,032,000 to prevent a default under its credit agreement. As of December 31, 2009, Barrington Group was in compliance with the financial covenants contained in

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

its credit agreement.

On February 5, 2009, Barrington Group entered into Amendment No. 1 to its credit agreement, which became effective February 23, 2009, referred to herein as the amendment. The amendment allowed Barrington Group to use up to \$13,000,000 of cash for one year following the effective date of the amendment to purchase and retire a portion of its 10½ Senior Subordinated Notes due 2014, referred to herein as the notes. In addition, the amendment increased the applicable margin for both the term loan facility and the revolving facility to 4.25% for LIBOR based loans and 3.25% for base rate loans and also eliminated an uncommitted \$50,000,000 incremental term loan facility.

Under the provisions of ASC Topic 470-50, “Debt/Modifications and Extinguishments,” the amendment is not considered a substantial modification of Barrington Group’s debt. As such, none of the debt issuance costs associated with the original credit agreement were written off. For the year ended December 31, 2009, Barrington Group recorded \$2,809,000 of debt issuance costs related to the amendment, of which \$2,405,000 was capitalized.

Borrowings under the credit facility bear interest at a floating rate, which can be either LIBOR plus an applicable margin or a base rate plus an applicable margin, at Barrington Group’s option, payable at least quarterly. Base rate is defined as the higher of (i) the Bank of America prime rate or (ii) the federal funds effective rate plus 0.50%. Pursuant to the amendment, the applicable margin for borrowings under the term loan and revolving facility is 4.25% for LIBOR loans and 3.25% for base rate loans, subject to a pricing grid based on total leverage.

The interest rate payable under the credit facility will increase by 2.0% per annum during the continuance of an event of default. The unused portion of the revolving facility is subject to a commitment fee of 0.50%. The weighted average interest rate on the outstanding balances under the credit facility, excluding the effect of Barrington Group’s interest rate collars, was 4.99% as of December 31, 2009.

In August 2006, Barrington Group issued \$125,000,000 aggregate principal amount of the notes, of which \$54,940,000 aggregate principal amount was outstanding as of December 31, 2009. The notes mature on August 15, 2014. Interest is payable on the notes semi-annually in cash on February 15 and August 15 of each year. The notes are unconditionally guaranteed on an unsecured senior subordinated basis by all of Barrington Group’s current and future restricted subsidiaries (other than Barrington Capital) that guarantee Barrington Group’s and Barrington Group’s subsidiaries’ other indebtedness. The notes bear interest at a fixed rate of 10.5% and principal is due at maturity.

Subsequent to February 23, 2009, the effective date of the amendment, Barrington Group repurchased \$70,060,000 aggregate principal amount of the notes for an aggregate purchase price of \$12,910,000. During the year ended December 31, 2009, Barrington Group recorded gains on the extinguishment of debt of \$55,081,000, net of \$2,069,000 in fees and costs, which includes the write off of deferred financing costs associated with the repurchase of the notes.

The credit agreement and the indenture governing the notes limit Barrington Group’s ability to incur additional indebtedness and issue certain preferred stock; pay dividends on its capital stock or repurchase its capital stock or subordinated debt; make investments; create certain liens; sell certain assets or merge or consolidate with or into other companies; incur restriction on the ability of its subsidiaries to make distributions or transfer assets to it; and enter into transactions with affiliates. The agreement governing the credit facility contains certain financial covenants, including, but not limited to, covenants related to interest coverage and total leverage. As of December 31, 2009, Barrington Group was in compliance with these financial covenants.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

Although Barrington Group currently believes that it will be in compliance with the financial covenants contained in its credit agreement throughout 2010, a further deterioration in the economic or business environment could negatively impact Barrington Group's financial results and cause Barrington Group to fail to comply with one or more of such financial covenants. Barrington Group's failure to comply with the covenants contained in its credit agreement could result in an event of default thereunder. If an event of default occurs, the lenders would be permitted to accelerate the maturity of the loans outstanding under Barrington Group's credit facility, seek to foreclose upon any collateral securing such loans and terminate any commitments of the lenders to lend to Barrington Group, which could materially and adversely affect Barrington Group's operating results and its financial condition.

As part of the acquisition of WPDE/WWMB in February 2006, Barrington Group guaranteed full payment of all obligations incurred by SagamoreHill and SagamoreHill of Carolina Licenses, LLC, which owns WWMB's FCC license, under a \$2,450,000 senior credit facility with a seven-year maturity, or the SagamoreHill term loan, entered into by SagamoreHill and SagamoreHill of Carolina Licenses, LLC. The weighted average interest rate on the outstanding balance of the SagamoreHill term loan was 3.20% as of December 31, 2009.

In addition, Barrington Group guarantees the \$3,000,000 Tucker term loan B facility and is providing credit support for the \$4,000,000 Tucker term loan A facility in the form of a \$4,000,000 letter of credit issued under Barrington Group's revolving facility. The applicable margin for the Tucker term loan A facility is 2.0% in the case of LIBOR loans and 1.0% in the case of base rate loans. The applicable margin for the Tucker term loan B facility is 3.0% in the case of LIBOR loans and 2.0% for base rate loans. On April 1, 2010, the applicable margin on the Tucker term loan B facility will increase to 3.75%, in the case of LIBOR loans, and 2.75%, in the case of base rate loans, which margin will be in effect through September 30, 2010. Beginning October 1, 2010, the applicable margin will increase to 5.0%, in the case of LIBOR loans, and 4.0%, in the case of base rate loans. The Tucker term loans mature on March 31, 2011. The weighted average interest rate on the outstanding balances of the Tucker term loans was 3.38% as of December 31, 2009.

On March 19, 2008, Barrington Group received consents from 100% of the holders of its outstanding notes to adopt certain amendments to the reporting covenant under the indenture governing the notes. A supplemental indenture to effect the proposed amendments was executed on March 19, 2008. The supplemental indenture eliminated Barrington Group's obligation to file periodic and current reports with the Securities and Exchange Commission, or the SEC, and instead requires the type of information required to be reported on Forms 10-K, 10-Q and 8-K (other than the disclosures and the certifications required by Section 404 of the Sarbanes-Oxley Act of 2002, as amended) to be provided to the trustee for delivery to the holders of the notes, and made available via the internet.

Barrington Group paid each consenting holder of the notes 1.25% of the face value of the notes held as consideration for their acceptance of the amendments in the form of a consent fee, resulting in an aggregate of \$1,563,000, which was capitalized in debt issuance costs during the year ended December 31, 2008. During the year ended December 31, 2008, Barrington Group paid other fees and costs of \$697,000 in association with the solicitation, which fees and costs were expensed and recorded in Barrington Group's consolidated statements of operations in corporate expense.

During the year ended December 31, 2009 and 2008, respectively, Barrington Group incurred \$2,420,000 and \$1,919,000 of new debt issuance costs. For the year ended December 31, 2009 debt acquisition costs primarily related to the amendment of Barrington Group's credit agreement. For the year ended December 31, 2008 debt acquisition costs included related to the consent solicitation and to Tucker's acquisition of WGTU/WGTQ.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

At December 31, 2009, our outstanding long-term debt provided for annual payments as follows (in thousands):

<u>Year Ended December 31</u>	<b>Senior Secured Term Loan B</b>	<b>SagamoreHill</b>				<b>Total</b>
		<b>Notes</b>	<b>Loan</b>	<b>Tucker Loans</b>	<b>Revolver</b>	
2010	\$ 3,394	\$ -	\$ 25	\$ 70	\$ 21,000	\$ 24,489
2011	1,220	-	25	6,808	-	8,053
2012	1,220	-	25	-	-	1,245
2013	136,872	-	2,295	-	-	139,167
2014	-	54,940	-	-	-	54,940
	<u>\$ 142,706</u>	<u>\$ 54,940</u>	<u>\$ 2,370</u>	<u>\$ 6,878</u>	<u>\$ 21,000</u>	<u>\$ 227,894</u>

On March 10, 2010, Barrington Group discovered that it had made an inadvertent error in the calculation of the amount of the excess cash flow mandatory prepayment which was required to be made under its credit facility for fiscal 2008. Due to this error, Barrington Group originally determined in April 2009 that no excess cash flow mandatory prepayment was required under its credit facility for fiscal 2008, when in fact it actually owed \$1,329,000. This payment would have been due in April 2009 and the failure to make such payment constituted an event of default under Barrington Group's credit facility. In order to cure this payment event of default, on March 15, 2010, Barrington Group made a payment of \$1,365,000, which included default interest on the prepayment amount, to the lenders under its credit facility.

In addition, Barrington Group determined that an excess cash flow mandatory prepayment of \$785,000 was required under its credit facility for the year ended December 31, 2009. The aggregate excess cash flow mandatory prepayment of \$2,114,000 for 2008 and 2009 is included in current maturities of long term debt in Barrington Group's consolidated balance sheets as of December 31, 2009.

**(Note J) – Accounting for Derivative Instruments and Hedging Activities**

Under the provisions of ASC Topic 815, "Derivatives and Hedging," or ASC 815, Barrington Group recognizes all derivatives at fair value (see Note K), whether designated in hedging relationships or not, in the balance sheet as either an asset or liability. 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 or loss, or OCI and OCL, respectively, 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 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.

ASC 815 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 Group 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

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. Barrington Group's derivative activities, all of which are for purposes other than trading, are initiated within the guidelines of corporate risk-management policies. Management reviews the correlation and effectiveness of its derivatives on a periodic basis.

***Hedge Accounting Treatment***

Barrington Group entered into two interest rate collar agreements, each effective on February 12, 2007, to limit the exposure to fluctuation in short-term interest rates on a portion of its variable rate debt by locking in a range of interest rates. The notional amount of each of these interest rate collar agreements is \$40,000,000 and both agreements expire on February 12, 2011.

Barrington Group entered into two additional interest rate collar agreements, each effective on August 14, 2007, to further limit the exposure to fluctuation in short-term interest rates on a portion of its variable rate debt. The notional amount of each of these interest rate collar agreements is \$20,000,000 and both agreements expire on August 16, 2010.

All four of the interest rate collar agreements are designated as hedging instruments under ASC 815 and unrealized changes in the fair value of these agreements are recorded in other comprehensive income or loss. The interest rate collars consist of a purchased option and a sold option, which have been entered into simultaneously with the same counterparties. The interest rate collar agreements are designated as cash flow hedges and changes in the fair value of the interest rate collars are recorded in other comprehensive income or loss and are recognized in the consolidated statement of operations when the hedged item affects net income.

The following table summarizes the fair value of Barrington Group's derivative financial instruments as of December 31, 2009 and 2008 (in thousands):

<b>Derivatives Designated as Hedging Instruments Under SFAS No. 133</b>	<b>Balance Sheet</b>			
<b>Interest Rate Collars</b>	<b>Location</b>	<b>Notional Value</b>		<b>Fair Value</b>
December 31, 2009	Liabilities	\$ 4,847		\$ 4,568
December 31, 2008	Liabilities	7,875		5,726

Pursuant to the interest rate collar agreements, Barrington Group will receive payment when the three-month LIBOR rises above 5.5%, but must make payments when the three-month LIBOR falls below 4.84% on the first \$80,000,000 and 4.845% on the subsequent \$40,000,000. For the years ended December 31, 2009 and 2008, Barrington Group made total payments of \$4,435,000 and \$1,809,000, respectively, on the interest rate collars. Interest payable on the interest rate collars as of December 31, 2009 and 2008, respectively, was \$725,000 and \$425,000 and is included in accrued interest in our consolidated balance sheets. In the event that interest rate expectations change, the effect of the change in the valuation of the interest rate collars to maturity will be reflected through other comprehensive income or loss.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

The following table summarizes the loss (income) related to derivative financial instruments designated as cash flow hedges for the years ended December 31, 2009, 2008 and 2007 (in thousands):

<u>Cash Flow Hedges</u> <u>Rate Collars</u>	<u>Interest</u>	<u>Amount of Loss</u> <u>Recognized in</u> <u>OCL</u>	<u>Amount of Loss</u> <u>(income)</u> <u>reclassified from</u> <u>OCL to</u> <u>Statement of</u> <u>Operations</u>	<u>Amount of Loss</u> <u>expected to be</u> <u>reclassified from</u> <u>OCL to</u> <u>Statement of</u> <u>Operations Over</u> <u>Next 12 Months</u>
Year ended December 31, 2009		\$ 4,568	\$ 4,734	\$ 3,926
Year ended December 31, 2008		5,726	2,234	na
Year ended December 31, 2007		3,673	(8)	na

**(Note K) – Fair Value Measurement**

Under the provisions of ASC Topic 820, “Fair Value Measurements and Disclosures,” or ASC 820, Barrington Group is required to consider its credit risk in the measurement of the fair value of the derivative contract. ASC 820 establishes a framework for the measurement of fair value and requires additional disclosure about such measurement. ASC 820 uses three categories for classifying the measurement of fair value.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets and liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The following table presents information about Barrington Group’s liabilities measured at fair value on a recurring basis as of December 31, 2009 and 2008, and indicates the fair value hierarchy of the valuation techniques utilized by Barrington Group to determine such fair value (in thousands):

<u>Liabilities</u>	<u>Balance</u>	<u>Quoted Prices in</u> <u>Active Markets</u> <u>for Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
December 31, 2009	\$ 4,568	\$ -	\$ 4,568	\$ -
December 31, 2008	5,726	-	5,726	-

As of December 31, 2009, Barrington Group held interest rate collars that are required to be measured at fair value on a recurring basis. (See Note J.) Barrington Group determined that the interest rate collars are defined as Level 2 in the fair value hierarchy. The consideration of changes in credit risk resulted in an adjustment to the interest rate collars of \$279,000 and \$2,149,000 at December 31, 2009

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

and 2008, respectively, which reduced the fair value of Barrington Group's interest rate collar liability in the consolidated balance sheets. The value of the of the interest rate collars as of December 31, 2009 and 2008, respectively, without taking into account the changes in credit risk, was \$4,847,000 and \$7,875,000.

**(Note L) – Program Broadcast Rights and Liabilities**

Program broadcast rights and program broadcast liabilities consist of the following (in thousands):

	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Program Rights</u>	<u>Program Liabilities</u>	<u>Program Rights</u>	<u>Program Liabilities</u>
Beginning balance	\$ 4,490	\$ 6,466	\$ 4,318	\$ 6,086
Station acquisitions	-	-	235	219
Contracts acquired	4,604	4,604	4,885	4,885
Amortization	(4,885)	-	(4,948)	-
Amounts paid	-	(4,303)	-	(4,724)
Total film contracts	<u>4,209</u>	<u>6,767</u>	<u>4,490</u>	<u>6,466</u>
Less long term maturities	(841)	(1,043)	(1,157)	(1,533)
Current contracts as of December 31	<u>\$ 3,368</u>	<u>\$ 5,724</u>	<u>\$ 3,333</u>	<u>\$ 4,933</u>

The maturities of the contracts in progress are as follows at December 31, 2009 (in thousands):

**Year Ending December 31**

2010	\$ 5,724
2011	480
2012	337
2013	218
2014	8
Thereafter	-
	<u>\$ 6,767</u>

In addition, the Company has entered into non-cancelable commitments for future program broadcast rights aggregating \$8,932,000 as of December 31, 2009, with total future payments as follows (in thousands):

**Year Ending December 31**

2010	\$ 21
2011	4,183
2012	2,734
2013	1,494
2014	492
Thereafter	8
	<u>\$ 8,932</u>

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

**(Note M) – Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities consist of the following (in thousands):

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Compensation and benefits	\$ 2,121	\$ 2,001
Other	1,922	1,922
	\$ 4,043	\$ 3,923

**(Note N) – Comprehensive Income (Loss)**

Comprehensive income (loss) includes net income (loss) and changes in member's equity from non-owner sources. For Barrington Group, the difference between net income (loss) and comprehensive income (loss) is due to the impact of changes in the fair market value of the interest rate collars.

Comprehensive income (loss) consists of the following (in thousands):

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Net (loss) income	\$ 26,733	\$ (105,159)
Interest rate collar gains (losses)	1,158	(2,053)
Comprehensive income (loss)	\$ 27,891	\$ (107,212)

**(Note O) – Leases**

Barrington Group leases certain land, office facilities, and office and transportation equipment under non-cancelable operating lease arrangements expiring through March 2022. The leases also require payment of the normal maintenance, real estate taxes and insurance on the properties.

Future minimum lease payments for the operating leases at December 31, 2009 are as follows (in thousands):

<b><u>Year Ending December 31</u></b>	
2010	\$ 983
2011	735
2012	629
2013	630
2014	632
Thereafter	3,204
	\$ 6,813

Charges to operations for these leases totaled \$1,399,000, \$1,433,000 and \$1,164,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

Barrington Group leases certain portions of its facilities to various organizations. Total rental income under these agreements was \$724,000 for the year ended December 31, 2009; \$624,000 for the year ended December 31, 2008 and \$463,000 for the year ended December 31, 2007.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

**(Note P) – Employee Benefit Plan**

Barrington Group has a qualified 401(k) profit sharing plan in which substantially all of the employees of the Company meeting certain service requirements are eligible to participate. Barrington Group declared matching contributions for the years ended December 31, 2009, 2008 and 2007 of \$43,000, \$53,000 and \$119,000, respectively. For the years ended December 31, 2009, 2008 and 2007, employee contributions were \$1,382,000, \$1,858,000 and \$2,040,000, respectively.

**(Note Q) – Management Agreement and Contingent Interest**

On December 30, 2003, Barrington Broadcasting LLC, the member of Barrington Group, entered into a Management Agreement with BBCLC, which is owned by Barrington Group's executive management team. Pursuant to the Management Agreement, BBCLC was retained as the exclusive manager of the television stations owned by and acquired by Barrington Group. The term of the Management Agreement expired on December 31, 2007. In connection with the expiration of the Management Agreement, as of January 1, 2008, Barrington Group entered into employment agreements with each of K. James Yager, its Chief Executive Officer, Chris Cornelius, its Chief Operating Officer, Warren Spector, its Chief Financial Officer, Keith Bland, its Vice President and Mary Flodin, its Vice President.

In addition, on January 1, 2008, the member of Barrington LLC and BBCLC entered into the First Amendment to the Amended and Restated Limited Liability Company Operating Agreement (as amended, the Parent Operating Agreement) of Barrington LLC. Pursuant to the Parent Operating Agreement, BBCLC's contingent profits interest in Barrington was amended. Upon the occurrence of a sale of broadcast assets or similar liquidity events, BBCLC is entitled to proceeds, if distributed, after the member of Barrington Group receives the return of its cumulative capital contributions. BBCLC's contingent profits interest is limited to 11% of total profits.

**(Note R) – Income Taxes**

Barrington Group is not subject to federal income taxes, as it is a limited liability company and passes all taxable profits or losses directly to its member, in a manner similar to a partnership. Accordingly, no federal tax provision was recorded for the year ended December 31, 2009, 2008 and 2007. Income tax expense for Barrington Group consists of various state taxes.

Tucker is organized as a C corporation for income tax purposes. As such, 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. For years ended December 31, 2009 and 2008, Barrington Group provided a valuation allowance for all of Tucker's deferred income tax assets because Barrington Group believes that they may not be realized through future taxable earnings.

For the year ended December 31, 2009, income tax expense totaled \$510,000. The increase in income tax expense for the year ended December 31, 2009 is attributable to the gain on the repurchase of a portion of Barrington Group's outstanding notes. For the year ended December 31, 2008, income tax expense of \$331,000 was offset by state tax refunds received of \$24,000 related to Barrington Corporation and each of its subsidiaries being merged into newly formed limited liability companies in 2006, referred to herein as the LLC conversion. For the year ended December 31, 2007, income tax refunds in the amount of \$304,000 related to the LLC conversion offset state income tax provisions totaling \$240,000, resulting in a \$64,000 net income tax benefit.

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

The provision for income tax consists of the following (in thousands):

	Years Ended December 31		
	2009	2008	2007
<b>Current income tax:</b>			
Federal	\$ -	\$ -	\$ (45)
State	510	307	(19)
	510	307	(64)
<b>Deferred income tax:</b>			
Federal	(1,005)	(526)	-
	(1,005)	(526)	-
Less valuation allowance	1,005	526	-
Net tax expense (benefit)	\$ 510	\$ 307	\$ (64)

Tucker's deferred tax assets and liabilities for the year ended December 31, 2009 consisted of the following components (in thousands):

	Year Ended December 31	
	2009	2008
<b>Deferred tax assets:</b>		
Net operating losses and credit carryforwards	\$ 970	\$ 420
	970	420
<b>Deferred tax assets (liabilities):</b>		
Intangibles	(57)	(11)
Depreciation	92	117
	35	106
	1,005	526
Less: valuation allowance	(1,005)	(526)
Net deferred tax asset	\$ -	\$ -

Under the provisions of the Internal Revenue Code, Tucker has approximately \$1,022,000 of net operating loss carryforwards, which will begin to expire in the year 2028. A reconciliation of the amount of Tucker's statutory federal income taxes to its income tax expense is not provided because no individual reconciling amount exceeds 5% after computing the tax at the federal statutory rate.

**(Note S) – New Accounting Pronouncements**

ASC Topic 805, "Business Combinations," or ASC 805, requires the acquirer to recognize and measure in the financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest and the goodwill acquired and essentially modifies the purchase method of accounting previously allowed. The pronouncement also requires acquisition costs to be expensed as incurred. The statement establishes disclosure requirements that enable users to evaluate the nature and financial effects of the business combination.

ASC Topic 810-10-65-1, "Consolidation," or ASC 810-10-65-1, requires a non-controlling interest in a consolidated subsidiary to be displayed as a separate component of stockholder's equity in the consolidated balance sheet as opposed to a "mezzanine" item between liabilities and equity. In addition, amounts that are attributed to the non-controlling interest should also be reported as part of consolidated net income and not as a separate component of income or expense. Disclosure of the

**Barrington Broadcasting Group LLC**  
**Notes to the Consolidated Financial Statements – (continued)**

attribution between controlling and non-controlling interests on the face of the income statement is also required.

The effect ASC 805 and ASC 810-10-65-1 will have on Barrington Group's financial statements will depend on the significance of any future acquisitions subject to these pronouncements.

ASC Topic 855, "Subsequent Events," or ASC 855, requires additional disclosures relating to subsequent events. ASC 855 also modifies the naming of the types of subsequent events from Type I and II events to recognized subsequent events and unrecognized subsequent events, respectively. Barrington Group adopted ASC 855 effective with its June 30, 2009 filing.

In June 2009, the FASB issued Statement No. 168 (as codified in ASC 105,) "Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162", or SFAS No. 168. Under SFAS No. 168 the FASB Accounting Standards Codification, or ASC codification, is the source of authoritative United States generally accepted accounting principles to be applied to nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative generally accepted accounting principles for SEC registrants. The ASC codification superseded all previously existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the AASC codification also became non-authoritative. SFAS No. 168 was effective for Barrington Group with its September 30, 2009 filing and there was no financial impact on such adoption on Barrington Group's consolidated financial statements. Barrington Group has updated the notes to the consolidated financial statements to appropriately reference the new ASC codification.

**ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**ITEM 9A(T). Controls and Procedures.**

Pursuant to Section 4.3(a) of the indenture governing the notes, no certifications or attestations concerning our financial statements or disclosure controls and procedures or internal controls that would otherwise be required pursuant to the Sarbanes-Oxley Act of 2002, as amended, are required to be included in or accompany this Annual Report.

**ITEM 9B. Other Information.**

None.

### PART III

#### ITEM 10. Directors, Executive Officers and Corporate Governance.

As of January 1, 2008, Barrington Group entered into employment agreements with each of K. James Yager, Chris Cornelius, Warren Spector, Keith Bland and Mary Flodin. Prior to January 1, 2008, our executive officers were employed by Barrington Broadcasting Company, LLC, or Barrington Company, and provided services to us pursuant to a management agreement which expired on December 31, 2007. The following table sets forth the names and positions of our current directors and executive officers and their ages.

<u>Name</u>	<u>Age</u>	<u>Position</u>
K. James Yager	74	President and Chief Executive Officer of Barrington Group; Director of Barrington Group
Warren Spector	51	Chief Financial Officer of Barrington Group; Director of Barrington Group
Chris Cornelius	50	Chief Operating Officer of Barrington Group; Director of Barrington Group
Keith Bland	54	Vice President of Barrington Group
Mary Flodin	54	Vice President of Barrington Group
Robert B. Sherman	67	Director of Barrington Group
Mayo S. Stuntz, Jr.	60	Director of Barrington Group
Paul M. McNicol	53	Director of Barrington Group
Andrew Russell	38	Director of Barrington Group

*K. James Yager.* Mr. Yager co-founded Barrington Corporation (prior to its merger with Barrington Group) in May 2003 and has served as Chief Executive Officer and a director since its formation and President since January 2004. In addition, Mr. Yager serves as Chief Executive Officer of Barrington Company and became a director of Barrington Group in May 2006. Previously, Mr. Yager served as President and Chief Operating Officer of Benedek Broadcasting Corporation where, from 1986 to October 2002, he helped grow the company from four to twenty-eight network-affiliated television stations and led the company's \$503 million merger with Gray Television, Inc. From 1980 to 1986, Mr. Yager held the position of Executive Vice President and Chief Operating Officer of Spartan Communications Corporation. Prior to joining Spartan Communications Corporation, Mr. Yager served as General Manager and then Senior Vice President for Cosmos Broadcasting Corporation from 1960 to 1980, managing affiliates in Columbia, South Carolina, Montgomery, Alabama and New Orleans, Louisiana. Mr. Yager is currently a member of the board of directors of the Television Operators Caucus and the Maximum Service for Television. In addition, Mr. Yager serves on the executive committee, the compensation committee and is the chairman of the nominating/public responsibility committee of the board of directors of Broadcast Music Incorporated, and also serves on the audit committee of the board of directors of the National Association of Broadcasters. In 2005, Mr. Yager received the National Association of Broadcasters' Chuck Sherman award for Television Leadership. Mr. Yager holds a bachelor's degree from Colgate University and is a U.S. Army veteran.

*Chris Cornelius.* Mr. Cornelius co-founded Barrington Corporation (prior to its merger with Barrington Group) in May 2003 and has served as Chief Operating Officer and a director since its formation. In addition, Mr. Cornelius serves as President and Chief Operating Officer of Barrington Company and became a director of Barrington Group in May 2006. Prior to the formation of Barrington Corporation, Mr. Cornelius served as Senior Vice President of Benedek Broadcasting Corporation since 1999, after having served as the Vice President and General Manager of WILX-TV, Benedek's NBC affiliate in Lansing, Michigan, since 1997. In his capacity as Senior Vice President of Benedek Broadcasting Group, Mr. Cornelius successfully improved the market rank of five of the six stations involved in the merger with Gray Television, Inc. in 2002 to the number one position in their respective

markets. From 1989 to 1997, Mr. Cornelius served as an account executive and General Sales Manager for Gillette Broadcasting Company and helped transition the CBS affiliate WWMT-TV to the ownership of Granite Broadcasting Corporation. Mr. Cornelius was elected to the NBC Affiliates Board in the spring of 2006 and is currently a member of the Television Bureau of Advertising. In addition, Mr. Cornelius serves on the Small Market Television Exchange committee on behalf of the National Association of Broadcasters. Mr. Cornelius holds a B.A. in Marketing and Advertising from Western Michigan University.

*Warren Spector.* Mr. Spector has served as Chief Financial Officer of Barrington Corporation (prior to its merger with Barrington Group) since May 2006. He has served as a director of Barrington Group since August 2006. Prior to joining Barrington Group, Mr. Spector served as Managing Director of Lydian Wealth Management from 2004 to July 2005. From 1999 to 2003, Mr. Spector was Executive Vice President and Chief Operating Officer of Fisher Communications, Inc. Mr. Spector also served as the Chief Financial Officer of Retlaw Enterprises, Inc. from 1992 to 1999, where he secured over \$130 million in financing for acquisitions and negotiated the sale of broadcasting assets for \$215 million. In 1991, Mr. Spector was a financial consultant for legal arbitration cases, and from 1986 to 1991, Mr. Spector served as the Senior Vice President of Finance and Administration for Act III Communications, Inc. From 1979 to 1986, Mr. Spector was employed by Price Waterhouse. Mr. Spector is a C.P.A. certified in the State of California and holds a B.A. in Economics and a M.B.A. from the University of California at Los Angeles. Mr. Spector is a member of the board of directors of Liqcrytech, LLC and a member of the investment committee of a Disney family private foundation. Mr. Spector served on the compensation committee of the board of directors of Broadstream Communications, Inc. from 2004 through 2006 and was also a member of the board of directors of Communications Corporation of America until October 2007.

*Keith Bland.* Mr. Bland co-founded Barrington Corporation (prior to its merger with Barrington Group) in May 2003 and has served as Vice President, Acquisitions and Development, since its formation. In addition, Mr. Bland serves as Senior Vice President, Acquisitions and Development of Barrington Company. From 1987 to 2002, Mr. Bland was employed by Benedek Broadcasting Corporation as Sales Manager, Vice President and General Manager and then Senior Vice President for Planning and Technical Operations of Benedek Broadcasting Corporation, in which capacity he designed and oversaw the construction of five digital television studios and guided the company through the transition to new digital transmission systems. Before joining Benedek, Mr. Bland worked as a Sales Manager for Gilmore Broadcasting Corporation in Rockford, Illinois from 1986 to 1987.

*Mary Flodin.* Ms. Flodin co-founded Barrington Corporation (prior to its merger with Barrington Group) in May 2003 and has served as Vice President of Finance and Administration since its formation. In addition, Ms. Flodin serves as Senior Vice President, Finance and Administration of Barrington Company. Previously, Ms. Flodin served as Contoller, Vice President, and then Senior Vice President of Benedek Broadcasting Corporation since 1988. During her tenure at Benedek, Ms. Flodin provided financial leadership to a team that integrated seventeen television stations into a nine-station group in four months, implemented centralized payroll processing and implemented corporate processing of significant payments and oversight of station financial information. In 2000, Ms. Flodin managed the financial aspects of a tri-party swap of Benedek's station in Springfield, Massachusetts, WWLP-TV, for KAKE-TV in Wichita, Kansas and WOWT-TV in Omaha, Nebraska. Prior to 1988, Ms. Flodin worked for AMCORE Financial, Inc., a bank holding company, where she participated in merger and acquisition activity and secondary public stock offerings, and for Grant Thornton International in Chicago. Ms. Flodin earned a B.B.A. with an accounting emphasis in 1980 from the University of Wisconsin and is a member and former director of the Broadcast and Cable Financial Managers Association.

*Robert B. Sherman.* Mr. Sherman has served as a director of Barrington Corporation (prior to its merger with Barrington Group) since its formation and has served as a director of Barrington Group since May 2006. Mr. Sherman is a member of Pilot Group, the parent of Barrington Broadcasting. From

April 2001 to March 2005, Mr. Sherman served at AOL Time Warner as President of Interactive Marketing for America Online, President of Time Warner Cable Advertising Sales as well as Senior Advisor to the Chief Operating Officer. Mr. Sherman previously served as Executive Vice-President of NBC's owned and operated radio stations, Vice-President and General Manager of CBS's WCAU Philadelphia and Vice-President and General Manager of NBC's WNBC New York. In the early 1990s, Mr. Sherman set up the sponsorship sales organization of Six Flags Theme Parks and co-founded and served as Chief Executive Officer of the advertising agency, Della Femina Sherman. In addition, Mr. Sherman founded, operated and sold three radio station holding companies, including Roberts Radio, which was acquired by Clear Channel Communications in 2000.

*Mayo S. Stuntz, Jr.* Mr. Stuntz has served as a director of Barrington Corporation (prior to its merger with Barrington Group) since its formation and has served as a director of Barrington Group since May 2006. Mr. Stuntz is a member of Pilot Group, the parent of Barrington Broadcasting. Most recently at AOL Time Warner, Mr. Stuntz served as Executive Vice President from January 2001 to late 2002, as Chief Operating Officer of AOL's Interactive Services Group from 1999 to January 2001 and as President of CompuServe (an AOL subsidiary) from early 1998 to 1999. Prior to joining AOL Time Warner, Mr. Stuntz was the Chief Operating Officer of Century 21 Real Estate and Executive Vice President responsible for Operations at Six Flags Theme Parks. Mr. Stuntz also served as Executive Vice President of Business and Strategic Development at Time Warner Enterprises and was employed as Executive Vice President of Quantum Media. Mr. Stuntz started his career as Marketing Manager for American Airlines and went on to serve in management capacities at ABC and NBC and later served as Senior Vice President of Business Management and Development at MTV, where he was responsible for the company's new network development and international expansion. A graduate of Cornell University, Mr. Stuntz received his M.B.A. from Harvard Business School.

*Paul M. McNicol.* Mr. McNicol has served as a director of Barrington Corporation (prior to its merger with Barrington Group) since its formation and has served as a director of Barrington Group since May 2006. Mr. McNicol is a member of Pilot Group, the parent of Barrington Broadcasting. Most recently, Mr. McNicol served as Senior Vice President of the AOL Time Warner Global Marketing Solutions Group from April 2001 to November 2002 and as Senior Vice President of America Online's Interactive Marketing Division from March 2000 to April 2001. From 1997 to 2000, Mr. McNicol was Senior Vice President and General Counsel of the Real Estate Division of the Cendant Corporation. Previously, Mr. McNicol served as Senior Vice President and General Counsel of Six Flags Theme Parks, Inc., where he was also responsible for the oversight of the company's Human Resources functions. From 1982 to 1994, Mr. McNicol practiced corporate and securities law in New York City. Mr. McNicol is a graduate of Harvard University, and received his J.D. from Fordham University Law School.

*Andrew Russell.* Mr. Russell became a director of Barrington Group in May 2006 and is a member of Pilot Group, the parent of Barrington Broadcasting. Most recently, Mr. Russell was a partner at East River Ventures, a venture capital firm in New York focusing on early stage information technology companies, where he began working in 1999. Previously, Mr. Russell started Epinard LLC, a hospitality company, with the flagship restaurant MOOMBA and worked as an investment banker at Chemical Bank from 1993 to 1996. In 2004, Russell Restaurant Group, an entity of which Mr. Russell was a member, filed for bankruptcy. A graduate of Cornell University, Mr. Russell received his M.B.A. from Columbia University Business School.

### **Contingent Equity Plan**

On December 30, 2003, Pilot Group and Barrington Company entered into the Amended and Restated Limited Liability Company Operating Agreement of Barrington Broadcasting, as amended on January 1, 2008, which is referred to in this Annual Report as the parent operating agreement. Pursuant to the parent operating agreement, Barrington Company, which is owned by K. James Yager, Chris Cornelius, Warren Spector, Keith Bland and Mary Flodin, members of our executive management team,

has a contingent profits interest in Barrington Broadcasting and Barrington Broadcasting is required to make distributions upon the occurrence of certain capital events as follows:

- (i) first, to Pilot Group until it has received a return of all of its capital contributions to Barrington Broadcasting;
- (ii) second, 95% to Pilot Group and 5% to Barrington Company, until Pilot Group has received an amount, calculated like interest at a rate of 9% per annum, on all of its capital contributions to Barrington Broadcasting, which amount is calculated from the date of any such capital contribution;
- (iii) third, 100% to Barrington Company, until Barrington Company has received a cumulative distribution pursuant to clause (ii) above and this clause (iii) equal to 11% of the amounts distributed pursuant to clause (ii) above and this clause (iii); and
- (iv) fourth, 89% to Pilot Group and 11% to Barrington Company.

### **Committees of the Board of Directors**

We have two standing committees of the board of directors: an audit committee and a compensation committee.

Our audit committee consists of Robert B. Sherman, Mayo S. Stuntz, Jr., Paul M. McNicol and Andrew Russell. Among other functions, the principal duties of our audit committee are to appoint our independent auditors, oversee the quality and integrity of our financial reporting and the audit of our consolidated financial statements by our independent auditors and, in fulfilling its obligations, our audit committee will review with our management and independent auditors the scope and results of our annual audit, our auditors' independence and our accounting policies.

None of the members of our audit committee qualifies as an "audit committee financial expert" as defined in the rules of the SEC. Since we are not a "listed issuer" as defined in Rule 10A-3 under the Exchange Act, we are not required to have a financial expert serving on our audit committee.

Our compensation committee consists of Robert B. Sherman, Mayo S. Stuntz, Jr., Paul M. McNicol and Andrew Russell. Among other functions, the principal duty of our compensation committee is to oversee the compensation of our Chief Executive Officer and other executive officers, including plans and programs relating to cash compensation, incentive compensation and other benefits.

### **Code of Ethics**

We have adopted a Code of Ethics for Financial Professionals that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted our Code of Ethics for Financial Professionals on our website ([www.barringtontv.com](http://www.barringtontv.com)). We intend to post any amendments to or any waivers from a provision of our Code of Ethics for Financial Professionals on our website.

## ITEM 11. Executive Compensation.

As of January 1, 2008, we entered into employment agreements with each of K. James Yager, our Chief Executive Officer, Chris Cornelius, our Chief Operating Officer, Warren Spector, our Chief Financial Officer, Keith Bland, our Vice President, and Mary Flodin, our Vice President. During the year ended December 31, 2007, our executive officers were employed by Barrington Company and provided services to us pursuant to a management agreement, or the Management Agreement which expired on December 31, 2008. The following table sets forth information regarding the compensation that we paid to our Chief Executive Officer, Chief Financial Officer and each of our three other most highly compensated executive officers for the years ended December 31, 2009, 2008 and 2007. We refer to these officers in this Annual Report as the named executive officers, or the NEOs.

### Summary Compensation Table

The table below summarizes the total compensation paid to or earned by each of the NEOs for the fiscal years ended December 31, 2009, 2008 and 2007.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u> <sup>(1)</sup>	<u>Bonus</u> <sup>(2)</sup>	<u>Non-Equity Incentive Plan Compensation</u> <sup>(3)</sup>	<u>All Other Compensation</u> <sup>(4)</sup>	<u>Total</u>
K. James Yager President and Chief Executive Officer	2009	\$408,653	\$ -	\$ -	\$16,858	\$425,511
	2008	425,000	-	-	19,331	444,331
	2007	425,000	-	-	43,018	468,018
Chris Cornelius Chief Operating Officer	2009	\$360,577	\$ -	\$ -	\$10,804	\$371,381
	2008	375,000	-	-	16,498	391,498
	2007	375,000	-	-	40,290	415,290
Warren Spector Chief Financial Officer	2009	\$336,538	\$ -	\$ -	\$32,675	\$369,213
	2008	350,000	-	-	35,419	385,419
	2007	328,077 <sup>##</sup>	-	-	29,267	357,344
Keith Bland Vice President	2009	\$158,654	\$ -	\$ -	\$10,461	\$169,115
	2008	165,000	-	-	16,467	181,467
	2007	165,000	-	-	39,524	204,524
Mary Flodin Vice President	2009	\$149,039	\$ -	\$ -	\$10,445	\$159,484
	2008	155,000	-	-	16,447	171,447
	2007	155,000	-	-	26,766	181,766

- (1) Officers' salaries were reduced in 2009, as a cost saving measure, by an amount equal to one days pay per month from March through December.
- (2) NEOs did not receive discretionary bonuses in 2009, 2008 or 2007.
- (3) NEOs did not earn performance-based bonuses in 2009, 2008 or 2007. Performance based bonus awards are based on Barrington Group's achievement of certain performance goals and financial targets. The financial targets are submitted to the Board by the NEOs in the annual budget in December of the preceding year.
- (4) Other compensation for the year ended December 31, 2009 includes amounts for country club membership fees for Mr. Yager of \$8,100, automobile allowances for Mr. Yager, Mr. Cornelius, Mr. Spector, Mr. Bland, and Ms. Flodin in the amount of \$6,600, medical, dental and life insurance premiums paid on behalf of the officers totaled \$2,158, \$4,204, \$5,649, \$3,861 and \$3,845 for Mr. Yager, Mr. Cornelius, Mr. Spector, Mr. Bland and Ms. Flodin, respectively. Remaining amounts include \$20,426 of reimbursed travel expenses paid on behalf of Mr. Spector.

- (5) Mr. Spector's annual base salary was increased to \$350,000 in June 2007.

## **Compensation Discussion and Analysis**

### ***General Principles and Procedures***

The objectives of our executive compensation program are to attract and retain highly qualified individuals at all levels. Our success depends on developing, motivating and retaining individuals who have the skills and expertise to lead us. The compensation program is designed to reflect our performance. It is comprised of the following components: (1) salary, (2) bonuses and (3) other employee benefits. Our NEOs do not currently receive long-term incentives in the form of stock awards and option awards because our NEOs share in a contingent profits interest in Barrington Broadcasting. We believe that the current salary and bonus structure, coupled with the contingent profits interest, adequately protects us and our investors against incentives for excessive risk taking by the NEOs in that the contingent profits interest encourages the application of proper judgment in the consideration of long-term goals, thereby offsetting over-emphasis on short-term profitability.

### ***Specific Principles for Determining Executive Compensation***

The amount of each NEOs salary is based on his or her responsibilities, experience, expertise and position and is designed to reward the NEOs on a day-to-day basis for the time they spend and the services they perform. Additionally, salaries for our NEOs are designed to be competitive with comparable companies in the broadcasting business, which is consistent with our goal to retain the highly qualified individuals for their skill and expertise.

*Salary.* The amount of each of our NEOs salary in 2009 was based on the recommendations of Mr. Yager and approved by the Board of Directors. Mr. Yager's salary was based on the recommendation of the compensation committee and approved by the Board of Directors. Salary recommendations are made to the Board of Directors during the fall of each year for the following year. In 2007, we increased the base salaries of our NEOs to more closely reflect salaries earned by similarly-qualified executives within comparable publicly held broadcasting companies of like size and to compensate our NEOs for expanded responsibilities related to our growth. Our CEO reviewed the salaries of executive officers who held comparable positions with like experience as our NEOs and made recommendations to the Compensation Committee. The Compensation Committee also compared the base salaries of executives from comparable publicly held broadcasting companies using published compensation reports and publicly available executive compensation disclosures. Based on such salary reviews by our CEO and the Compensation Committee, salaries are currently slightly below the average compensation paid to similarly-qualified executives. However, we feel that the contingent equity interest held by our NEOs offsets the salary disparity. We did not use an independent compensation consultant or advisor in 2009. Due to the economic climate and its impact on our company and the broadcast industry as a whole, none of our NEOs received increases in their annual base salaries from those that were in effect at December 31, 2007 for the years ended December 31, 2008 or 2009.

*Bonus.* Consistent with our objective of motivating and rewarding our NEOs for achievement of our financial performance objectives, each officer is eligible to receive annual incentive cash compensation based on financial performance objectives established in the annual financial plan, approved by the Board of Directors at the beginning of each year. Annual bonuses are based on a percentage of the NEOs salaries and are paid in cash.

Our executive officers submit an annual financial plan with recommended performance targets each fall for the upcoming year. In 2009, 2008 and 2007, the recommendations made by the NEOs were approved, without revision by the Compensation Committee and the Board of Directors. Our

performance targets are based on achieving a certain targeted cash flow from operations. After the close of each fiscal year, the Compensation Committee determines whether the performance target was met. We have determined that disclosing the specific performance target would result in competitive harm by revealing to our competitors our cash flow targets, which are based on confidential, competitively sensitive business plans and financial information. The fiscal year 2009 payout threshold was considered challenging when established. We believe the performance goals were difficult to achieve based on the limited economic growth in smaller television markets. In the absence of our attainment of our threshold performance in 2009, bonus maximums were never set and the NEOs did not receive bonuses in 2009.

*Other Employee Benefits.* All of our NEOs are eligible to receive group health, dental and life insurance benefits without charge under our employee benefit plans. Our NEOs can participate in our 401(k) plan on the same basis as all of our employees.

In 2009, 2008 and 2007, Mr. Yager received reimbursement of his country club membership fees and Mr. Spector received reimbursements for his weekly travel expenses to and from his home to our office. In addition, when employed by the management company in 2007, certain NEOs received tax gross-ups in connection with the NEOs' additional tax liabilities caused by the method of taxation applied to members of a limited liability company.

*Interrelationship of Elements.* The amount of each NEO's salary is not based on the level of potential bonus the NEO may receive. The amount of the bonus each NEO may receive is a certain percentage of his or her salary and is based on recommendations made by our Chief Executive Officer and approved by the compensation committee.

*Tax Considerations.* In 2007, our executive officers were paid by Barrington Company. Because Barrington Company operates as a limited liability company, members were compensated in the form of guaranteed payments and each member was therefore personally responsible for certain taxes consisting primarily of self-employment taxes. We reimbursed Mr. Yager, Mr. Cornelius, Mr. Bland and Ms. Flodin as members of Barrington Company for their incremental tax liability in the form of tax gross-ups.

As of January 1, 2008, we entered into employment agreements with each of our NEOs. As such, no tax reimbursements were made to the NEOs for the year ended December 31, 2009 or 2008. Effective January 1, 2008, we amended the provisions of the NEOs employment agreements in order to reduce the risk of potential adverse tax consequences to the NEOs under Section 409A of the Internal Revenue Code of 1986, as amended, or the Code.

Section 162(m) of the Code generally disallows a tax deduction for compensation in excess of \$1.0 million paid to the NEOs of most public companies. All compensation paid to our NEOs has not approached the Section 162(m) limitation.

Going forward, the Compensation Committee remains aware of Section 162(m) and 409A limitations and the available exemptions and special rules, and will address the issue of Section 162(m) deductibility and 409A compliance when and if circumstances warrant the use of such exemptions or other considerations.

*Policy Regarding Release of Information.* We do not time, or plan to time, our release of non-public information for the purpose of affecting the value of executive compensation.

*Policy Regarding Recovering Awards.* We do not currently have a policy to adjust or recover awards or payments if our consolidated financial statements are restated.

## **Employment Agreements**

In connection with the expiration of the Management Agreement, as of January 1, 2008, we entered into employment agreements with each of the NEOs. The material terms of these employment agreements is summarized below and further below is a table, which provides an estimate of the value of the benefits that would be provided to the NEOs upon termination of employment.

### ***K. James Yager***

Mr. Yager's employment agreement provides for the employment of Mr. Yager as our Chief Executive Officer through December 31, 2010, unless sooner terminated pursuant to the terms thereof. The employment agreement provides that Mr. Yager will receive an annual base salary of \$425,000, subject to annual review by the compensation committee, and he will be eligible for an annual bonus if we meet certain annual financial targets. If Mr. Yager's employment is terminated without cause (defined below) or Mr. Yager leaves for good reason (defined below) during the term of his employment agreement or during the one year period following a change of control (defined below), he is entitled to receive a lump sum payment equal to the greater of (x) \$550,000 or (y) his then current annual salary. In the event of Mr. Yager's permanent incapacity (defined below) or death, he, or his estate, is entitled to receive (a) all compensation accrued but unpaid through the date of such event, (b) an amount equal to his annual bonus for the year in which such event occurred, prorated for the partial fiscal year during which Mr. Yager worked, (c) six months of his then current annual salary and (d) the amounts specified in any benefit and insurance plans applicable to Mr. Yager as being payable in the event of the permanent incapacity, disability or death of Mr. Yager. The employment agreement also restricts Mr. Yager for a period of eighteen months from the termination date of the employment agreement, subject to certain limited exceptions, from: (a) performing managerial or employee services for any person that directly or indirectly competes with our business within the television markets then operated by us, (b) having any interest in any business that competes with the us, (c) soliciting our employees to leave us, or (d) soliciting our customers or clients or our prospective customers or clients on behalf of any person in connection with any business that competes with us.

### ***Chris Cornelius***

Mr. Cornelius' employment agreement provides for the employment of Mr. Cornelius as our Chief Operating Officer through December 31, 2010, unless sooner terminated pursuant to the terms thereof. The employment agreement provides that Mr. Cornelius will receive an annual base salary of \$375,000, subject to annual review by the compensation committee, and he will be eligible for an annual bonus if we meet certain annual financial targets. If Mr. Cornelius's employment is terminated without cause (defined below) or Mr. Cornelius leaves for good reason (defined below) during the term of his employment agreement or during the one year period following a change of control (defined below), he is entitled to receive a lump sum payment equal to his then current annual salary. In the event of Mr. Cornelius's permanent incapacity (defined below) or death, he, or his estate, is entitled to receive (a) all compensation accrued but unpaid through the date of such event, (b) an amount equal to his annual bonus for the year in which such event occurred, prorated for the partial fiscal year during which Mr. Cornelius worked and (c) the amounts specified in any benefit and insurance plans applicable to Mr. Cornelius as being payable in the event of the permanent incapacity, disability or death of Mr. Cornelius. The employment agreement also restricts Mr. Cornelius for a period of eighteen months from the termination date of the employment agreement, subject to certain limited exceptions, from: (a) performing managerial or employee services for any person that directly or indirectly competes with our business within the television markets then operated by us, (b) having any interest in any business that competes with the us, (c) soliciting our employees to leave us, or (d) soliciting our customers or clients or our prospective customers or clients on behalf of any person in connection with any business that competes with us.

### ***Warren Spector***

Mr. Spector's employment agreement provides for the employment of Mr. Spector as our Chief Financial Officer through December 31, 2010, unless sooner terminated pursuant to the terms thereof. The employment agreement provides that Mr. Spector will receive an annual base salary of \$350,000, subject to annual review by the compensation committee, and he will be eligible for an annual bonus if we meet certain annual financial targets. If Mr. Spector's employment is terminated without cause (defined below) or Mr. Spector leaves for good reason (defined below) during the term of his employment agreement or during the one year period following a change of control defined below), he is entitled to receive a lump sum payment equal to his then current annual salary. In the event of Mr. Spector's permanent incapacity (defined below) or death, he, or his estate, is entitled to receive (a) all compensation accrued but unpaid through the date of such event, (b) an amount equal to his annual bonus for the year in which such event occurred, prorated for the partial fiscal year during which Mr. Spector worked and (c) the amounts specified in any benefit and insurance plans applicable to Mr. Spector as being payable in the event of the permanent incapacity, disability or death of Mr. Spector. The employment agreement also restricts Mr. Spector for a period of eighteen months from the termination date of the employment agreement, subject to certain limited exceptions, from: (a) performing managerial or employee services for any person that directly or indirectly competes with our business within the television markets then operated by us, (b) having any interest in any business that competes with the us, (c) soliciting our employees to leave us, or (d) soliciting our customers or clients or our prospective customers or clients on behalf of any person in connection with any business that competes with us.

### ***Keith Bland***

Mr. Bland's employment agreement provides for the employment of Mr. Bland as our Vice President through December 31, 2010, unless sooner terminated pursuant to the terms thereof. The employment agreement provides that Mr. Bland will receive an annual base salary of \$165,000, subject to annual review by the compensation committee, and he will be eligible for an annual bonus if we meet certain annual financial targets. If Mr. Bland's employment is terminated without cause (defined below) or Mr. Bland leaves for good reason (defined below) during the term of his employment agreement or during the one year period following a change of control (defined below), he is entitled to receive a lump sum payment equal to his then current annual salary. In the event of Mr. Bland's permanent incapacity (defined below) or death, he, or his estate, is entitled to receive (a) all compensation accrued but unpaid through the date of such event, (b) an amount equal to his annual bonus for the year in which such event occurred, prorated for the partial fiscal year during which Mr. Bland worked and (c) the amounts specified in any benefit and insurance plans applicable to Mr. Bland as being payable in the event of the permanent incapacity, disability or death of Mr. Bland. The employment agreement also restricts Mr. Bland for a period of eighteen months from the termination date of the employment agreement, subject to certain limited exceptions, from: (a) performing managerial or employee services for any person that directly or indirectly competes with our business within the television markets then operated by us, (b) having any interest in any business that competes with the us, (c) soliciting our employees to leave us, or (d) soliciting our customers or clients or our prospective customers or clients on behalf of any person in connection with any business that competes with us.

### ***Mary Flodin***

Ms. Flodin's employment agreement provides for the employment of Ms. Flodin as our Vice President through December 31, 2010, unless sooner terminated pursuant to the terms thereof. The employment agreement provides that Ms. Flodin will receive an annual base salary of \$155,000, subject to annual review by the compensation committee, and she will be eligible for an annual bonus if we meet certain annual financial targets. If Ms. Flodin's employment is terminated without cause (defined below) or Ms. Flodin leaves for good reason (defined below) during the term of her employment agreement or during the one year period following a change of control (defined below), she is entitled to receive a lump sum payment equal to her then current annual salary. In the event of Ms. Flodin's permanent incapacity

(defined below) or death, she, or her estate, is entitled to receive (a) all compensation accrued but unpaid through the date of such event, (b) an amount equal to her annual bonus for the year in which such event occurred, prorated for the partial fiscal year during which Ms. Flodin worked and (c) the amounts specified in any benefit and insurance plans applicable to Ms. Flodin as being payable in the event of the permanent incapacity, disability or death of Ms. Flodin. The employment agreement also restricts Ms. Flodin for a period of eighteen months from the termination date of the employment agreement, subject to certain limited exceptions, from: (a) performing managerial or employee services for any person that directly or indirectly competes with our business within the television markets then operated by us, (b) having any interest in any business that competes with the us, (c) soliciting our employees to leave us, or (d) soliciting our customers or clients or our prospective customers or clients on behalf of any person in connection with any business that competes with us.

### ***Defined Terms in Employment Agreements***

“Cause” is defined in each employment agreement as the executive officer’s (a) willful misconduct which is materially detrimental to Barrington Group and which continues for 30 days after notice thereof from the Board of Directors, (b) breach of fiduciary duty involving personal profit, (c) intentional failure to perform stated duties which is materially detrimental to the Company and which continues for 30 days after notice thereof from the Board of Directors, or (d) conviction for a felony.

“Change in Control” is defined in each employment agreement as the satisfaction of any one or more of the following conditions (and the “Change of Control” shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied):

(a) any person (as such term is used in paragraphs 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (hereinafter in this definition, “Person”), other than Pilot Group LP (the “Partnership”), or an affiliate of the Partnership, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Barrington Group or Barrington Group’s parent, representing more than 50% of the combined voting power of Barrington Group’s or such parent’s then outstanding securities;

(b) Barrington Group’s members or the members of its parent approve a merger, consolidation or other business combination (a “Business Combination”), other than a Business Combination in which the holders of the equity securities of Barrington Group or its parent immediately prior to the Business Combination have substantially the same proportionate ownership of the equity securities of the applicable surviving corporation immediately after the Business Combination;

(c) Barrington Group’s members or the members of its parent approve either (i) an agreement for the sale or disposition of all or substantially all of Barrington Group’s assets or the assets of its parent to any entity that is not an Affiliate of Barrington Group, or (ii) a plan of complete liquidation of Barrington Group or its parent; or

(d) the persons who were members of the Board immediately before a tender offer by any Person other than Barrington Group or an Affiliate of Barrington Group, or before a merger, consolidation or contested election, or before any combination of such transactions, cease to constitute a majority of the members of the Board as a result of such transaction or transaction.

"Good Reason" is defined in each employment agreement as any of the following events, which has not been either consented to in advance by the employee in writing or cured by Barrington Group within a reasonable period of time, not to exceed 30 days, after the employee provides written notice within 60 days of the initial existence of one or more of the following events: (i) the requirement that the employee’s principal employee function be performed more than 50 miles from the employee’s primary office as of January 1, 2008 hereof; (ii) a material reduction in the employee’s annual salary as the same may be increased from time to time; (iii) a material diminution or reduction in the employee’s

responsibilities, duties or authority, including reporting responsibilities in connection with his employment with Barrington Group; or (iv) any other action or inaction that constitutes a material breach by Barrington Group of this Agreement under which the employee provides services. Good Reason shall not exist unless the employee separates from service within 180 days following the initial existence of the condition or conditions that Barrington Group has failed to cure.

"Permanent Incapacity" is defined in each employment agreement as a physical or mental illness or injury of a permanent nature which prevents the employee from performing her essential duties and other services for which he is employed by Barrington Group under the employment agreement for a period of 90 or more continuous days or 90 or more non-continuous days within a 120 day period, as verified and confirmed by written medical evidence reasonably satisfactory to the Board of Directors.

### Potential Payments Payable Upon a December 31, 2009 Termination Event

The following table provides information with respect to potential severance benefits. Under the employment agreements, benefits are payable to an executive officer upon permanent incapacity, death, discharge without cause, resignation with good reason or within one year following a change in control. Post-termination benefits consist of:

	<u>K. James Yager</u>	<u>Chris Cornelius</u>	<u>Warren Spector</u>	<u>Keith Bland</u>	<u>Mary Flodin</u>
<b>Permanant Incapacity</b>					
Salary continuation <sup>(1)</sup>	\$212,500	\$ -	\$ -	\$ -	\$ -
Disability insurance <sup>(2)</sup>	108,000	108,000	108,000	99,000	93,000
<b>Death</b>					
Salary continuation <sup>(1)</sup>	\$212,500	\$ -	\$ -	\$ -	\$ -
Life insurance	276,000	375,000	350,000	165,000	155,000
Accidental death and dismemberment insurance	276,000	375,000	350,000	165,000	155,000
<b>Discharge Without Cause or Resignation With Good Reason or Within One Year Following a Change in Control</b>					
Lump sum cash payment	\$550,000	\$375,000	\$350,000	\$165,000	\$155,000

(1) All NEO's are entitled to receive all the compensation accrued but unpaid through the date of such event, and an amount equal to his annual bonus for the year in which such even occurred.

(2) Represents the amount to be paid in the event of long term disability and is an annual amount based on a monthly payment of 60% of current salary up to a maximum of \$9,000. The actual amount to be paid in the event of permanent incapacity or disability would be based on the NEO's age at the time the disability occurs. Mr. Yager's, Mr. Cornelius' and Mr. Spector's disability benefit would reach its maximum amount at 12 months.

### Director Compensation

Our directors are not compensated for their service on the board of directors.

### Compensation Committee Interlocks and Insider Participation

Our compensation committee consists of Paul M. McNicol, Andrew Russell, Robert B. Sherman and Mayo Stuntz. With the exception of Mr. McNicol, who serves as the Secretary of Barrington Group

and each of its subsidiaries, none of our officers, employees or former officers served as a member of our compensation committee during 2009. No committee member had any interlocking relationships requiring disclosure under applicable rules and regulations.

For a description of certain relationships and transactions with members of our board of directors or their affiliates, see "Item 13. Certain Relationships and Related Transactions, and Director Independence."

## **Compensation Committee Report**

The compensation committee has reviewed and discussed the "Compensation Discussion and Analysis" with management and the compensation committee has recommended to our Board of Directors that the "Compensation Discussion and Analysis" be included in this Annual Report. Among other functions, the principal duties of the compensation committee are to oversee the compensation of our chief executive officer and other executive officers, including plans and programs relating to cash compensation, incentive compensation and other benefits.

### **THE COMPENSATION COMMITTEE**

Paul M. McNicol  
Andrew Russell  
Robert B. Sherman  
Mayo Stuntz

## **ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Barrington Capital is a wholly owned subsidiary of Barrington Group. Barrington Group is a wholly owned subsidiary of Barrington Broadcasting. Pilot Group is the sole member of Barrington Broadcasting. The general partner of Pilot Group is Pilot Group GP LLC. Each of Robert B. Sherman, Mayo S. Stuntz, Jr., Paul M. McNicol and Andrew Russell, who serve as directors of Barrington Group, may be deemed to share beneficial ownership of limited liability company units owned of record by Barrington Broadcasting by virtue of their status as members of Pilot Group. Each of Mr. Sherman, Mr. Stuntz, Mr. McNicol and Mr. Russell disclaim beneficial ownership of such limited liability company units, except to the extent of their pecuniary interests.

Certain members of our executive management hold a contingent profits interest in Barrington Broadcasting, see "Item 10. Directors, Executive Officers and Corporate Governance—Contingent Equity Plan."

## **ITEM 13. Certain Relationships and Related Transactions, and Director Independence.**

Our Code of Ethics, which is posted on our website at [www.barringtontv.com](http://www.barringtontv.com), prohibits our senior officers from engaging in transactions on behalf of Barrington Group with a family member or significant other, or with a company with which they or any family member or significant other are a significant owner or associated or employed in a significant role or position. Our audit committee must review and approve in advance all material related party transactions or business or professional relationships. All instances involving potential related party transactions or business or professional relationships must be reported to our Chief Financial Officer, who is responsible for assessing the materiality of the transaction or relationship and elevating the matter to the audit committee as appropriate.

### ***Cash Capital Contributions by Pilot Group***

In March 2009, Pilot Group made cash capital contributions to us in an aggregate amount of \$16.0 million. We used these cash capital contributions in order to prevent a default under our credit facility. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facility and the Notes.”

### ***Contingent Equity Plan***

Barrington Company, owned by members of our executive management, is a member of Barrington Broadcasting. Pursuant to the parent operating agreement, Barrington Company is entitled to receive certain profit distributions from Barrington Broadcasting. No such distributions have been made. For additional information, see “Item 10. Directors, Executive Officers and Corporate Governance—Contingent Equity Plan” in this Annual Report.

### ***Director Independence***

None of our directors would be considered independent under the independence standards of the New York Stock Exchange.

## **ITEM 14. Principal Accounting Fees and Services.**

The following table presents fees for professional audit services rendered by Ernst & Young, LLP for the audit of our consolidated financial statements for the years ended December 31, 2009 and 2008, and fees billed for other services rendered by Ernst & Young, LLP during those periods (in thousands):

	<b>December 31</b>	
	<b>2009</b>	<b>2008</b>
Audit fees <sup>(1)</sup>	\$ 457	\$ 515
Tax fees <sup>(2)</sup>	73	60
	<u>\$ 530</u>	<u>\$ 575</u>

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(1) Audit fees represent the aggregate fees billed for the years ended December 31, 2009 and 2008 in connection with the audit of our annual consolidated financial statements and review of the consolidated financial statements included in our Quarterly Reports.

(2) Tax fees generally consist of tax compliance and tax return preparation including review of projected tax liabilities.

The audit committee was formed on August 11, 2006. Since its inception the audit committee has approved all audit and permissible non-audit services provided by the independent auditor. Prior to the inception of the audit committee, the Board of Directors was apprised of audit related fees. The audit committee approves the terms on which the independent auditor is engaged for the ensuing fiscal year and receives a projection of projected fees for the ensuing year.

## PART IV

### ITEM 15. Exhibits and Financial Statement Schedules.

#### (a) Documents filed as part of this report

##### (1) *Consolidated Financial Statements:*

The consolidated financial statements of Barrington Group filed as part of this Annual Report are listed in the index to consolidated financial statements under “Item 8. Financial Statements and Supplementary Data” in this Annual Report which index to the consolidated financial statements is incorporated herein by reference.

(2) *Exhibits:* The exhibits posted as part of this Annual Report are listed in the exhibit index, which index is incorporated herein by reference.

## SIGNATURES

Pursuant to Section 4.3(a) of the Indenture, the Issuers have duly caused this Annual Report to be signed on their behalf by the undersigned, thereunto duly authorized.

BARRINGTON BROADCASTING GROUP LLC  
BARRINGTON BROADCASTING CAPITAL CORPORATION

By:

Date: March 31, 2010

/s/ Warren Spector  
 Name: Warren Spector  
 Title: Chief Financial Officer  
 (Principal Financial Officer)

Pursuant to Section 4.3(a) of the Indenture, this Annual Report has been signed below by the following persons on behalf of the Issuers and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ K. James Yager</u> K. James Yager	President and Chief Executive Officer of Barrington Group; Director of Barrington Group (Principal Executive Officer)	March 31, 2010
<u>/s/ Warren Spector</u> Warren Spector	Chief Financial Officer of Barrington Group; Director of Barrington Group (Principal Financial Officer)	March 31, 2010
<u>/s/ Mary Flodin</u> Mary Flodin	Vice President of Barrington Group (Principal Accounting Officer)	March 31, 2010
<u>/s/ Chris Cornelius</u> Chris Cornelius	Chief Operating Officer of Barrington Group; Director of Barrington Group	March 31, 2010
<u>/s/ Robert B. Sherman</u> Robert B. Sherman	Director of Barrington Group	March 31, 2010
<u>/s/ Mayo S. Stuntz Jr.</u> Mayo S. Stuntz, Jr.	Director of Barrington Group	March 31, 2010
<u>/s/ Paul M. McNicol</u> Paul M. McNicol	Director of Barrington Group	March 31, 2010
<u>/s/ Andrew Russell</u> Andrew Russell	Director of Barrington Group	March 31, 2010

## EXHIBIT INDEX

The documents listed below are exhibits to this Annual Report and are available on the company website ([www.barringtontv.com](http://www.barringtontv.com)).

<b><u>Exhibit Number</u></b>	<b><u>Title</u></b>
2.1	Asset Purchase Agreement, dated as of March 24, 2006, by and among Raycom Media, Inc., certain subsidiaries thereof and Barrington Broadcasting Corporation
2.2	Amendment No. 1 to Asset Purchase Agreement, dated as of August 11, 2006, by and among Raycom Media, Inc., certain subsidiaries thereof and Barrington Broadcasting Corporation
2.3	Asset Purchase Agreement dated as of August 31, 2007, by and between Max Media of Traverse City LLC, MTC License LLC and Barrington Traverse City LLC
2.4	Assignment and Assumption Agreement dated August 31, 2007, by and between Tucker Broadcasting of Traverse City, Inc. and Barrington Traverse City LLC
3.1	Certificate of Formation of Barrington Broadcasting Group LLC
3.2	Certificate of Incorporation of Barrington Broadcasting Capital Corporation
3.3	Limited Liability Company Agreement of Barrington Broadcasting Group LLC
3.4	Bylaws of Barrington Broadcasting Capital Corporation
4.1	Indenture, dated as of August 11, 2006, by and among Barrington Broadcasting Group LLC, Barrington Broadcasting Capital Corporation and U.S. Bank National Association, as trustee
4.2	Form of 10½% Senior Subordinated Note due 2014 (included in Exhibit 4.1)
4.3	Registration Rights Agreement, dated as of August 11, 2006, by and among Barrington Broadcasting Group LLC, Barrington Broadcasting Capital Corporation and Banc of America Securities LLC and Wachovia Capital Markets, LLC, as initial purchasers
4.4	Supplemental Indenture dated as of March 19, 2008, by and among Barrington Broadcasting Group LLC, Barrington Broadcasting Capital Corporation, the guarantors and U.S. Bank National Association
4.5	Convertible Subordinated Note dated as of April 1, 2008, by and between Tucker Broadcasting of Traverse City, Inc. and Pilot Group LP
10.1	Credit Agreement, dated as of August 11, 2006, by and among Barrington Broadcasting Group LLC, as borrower, all subsidiaries thereof and Barrington Broadcasting LLC, as guarantors, Bank of America, N.A., as administrative agent, and lenders party thereto
10.2	Amendment No. 1 to the Credit Agreement, dated as of February 5, 2009, among Barrington Broadcasting Group LLC, Bank of America, N.A. as administrative agent and the Lenders to the Credit Agreement, dated as of August 11, 2006
10.3	Guaranty Agreement, dated as of August 11, 2006, by and among Barrington Broadcasting Group LLC, as borrower, all subsidiaries thereof and Barrington

- Broadcasting LLC, as guarantors, and Bank of America, N.A., as collateral agent
- 10.4 Security Agreement, dated as of August 11, 2006, by and among Barrington Broadcasting Group LLC, as borrower, all subsidiaries thereof and Barrington Broadcasting LLC, as guarantors, and Bank of America, N.A., as collateral agent
- 10.5 Credit Agreement, dated as of August 11, 2006, by and among SagamoreHill of Carolina, LLC, as borrower, Bank of America, N.A., as administrative agent, and lenders party thereto
- 10.6 Barrington Guaranty, dated as of August 11, 2006, by and among Barrington Broadcasting Group LLC, as borrower, all subsidiaries thereof and Barrington Broadcasting LLC, as guarantors, and Bank of America, N.A., as collateral agent
- 10.7 Amended and Restated Limited Liability Company Operating Agreement of Barrington Broadcasting LLC, dated December 30, 2003, by and between Pilot Group LP and Barrington Broadcasting Company, LLC
- 10.8 First Amendment to Amended and Restated Limited Liability Company Operating Agreement of Barrington Broadcasting LLC dated January 1, 2008, by and among Pilot Group LP and Barrington Broadcasting Company LLC
- 10.9 Management Agreement dated as of December 30, 2003, by and between Barrington Broadcasting LLC and Barrington Broadcasting Company, LLC, as amended
- 10.10 Time Brokerage Agreement dated as of April 28, 1994, as amended, by and between Atlantic Media Group, Inc. and Vision Communications, Inc.
- 10.11 Amendment to and Extension of Time Brokerage Agreement, dated as of December 9, 2003, by and between Atlantic Media Group, Inc. and Diversified Communications
- 10.12 Second Amendment to Time Brokerage Agreement, dated as of July 19, 2005, by and between Atlantic Media Group, Inc. and Diversified Communications
- 10.13 Third Amendment to Time Brokerage Agreement, dated as of July 19, 2005, by and between SagamoreHill of Carolina LLC and Barrington Broadcasting South Carolina Corporation
- 10.14 Fourth Amendment to Time Brokerage Agreement, dated as of February 6, 2006, by and between SagamoreHill of Carolina LLC and Barrington Broadcasting South Carolina Corporation
- 10.15 Option Agreement, dated as of July 19, 2005, by and among SagamoreHill of Carolina LLC, SagamoreHill of Carolina Licenses LLC and Barrington Broadcasting South Carolina Corporation
- 10.16 Joint Sales Agreement, dated as of August 31, 2007, by and among Barrington Traverse City LLC and Tucker Broadcasting of Traverse City, Inc.
- 10.17 Option Agreement, dated as of August 31, 2007, by and among Barrington Traverse City LLC, Tucker Broadcasting of Traverse City, Inc. and Tucker Media and Management Consulting LLC
- 10.18 Shared Services Agreement, dated as of August 31, 2007, by and among Barrington Traverse City LLC and Tucker Broadcasting of Traverse City, Inc.

- 10.19 Employment Agreement dated as of January 1, 2008, by and between Barrington Broadcasting Group LLC and K. James Yager
- 10.20 The First Amendment to the Employment Agreement dated as of January 1, 2009, by and between Barrington Broadcasting Group LLC and K. James Yager
- 10.21 Employment Agreement dated as of January 1, 2008, by and between Barrington Broadcasting Group LLC and Chris Cornelius
- 10.22 The First Amendment to the Employment Agreement dated as of January 1, 2009, by and between Barrington Broadcasting Group LLC and Chris Cornelius
- 10.23 Employment Agreement dated as of January 1, 2008, by and between Barrington Broadcasting Group LLC and Warren Spector
- 10.24 The First Amendment to the Employment Agreement dated as of January 1, 2009, by and between Barrington Broadcasting Group LLC and Warren Spector.
- 10.25 Employment Agreement dated as of January 1, 2008, by and between Barrington Broadcasting Group LLC and Keith Bland
- 10.26 The First Amendment to the Employment Agreement dated as of January 1, 2009, by and between Barrington Broadcasting Group LLC and Keith Bland
- 10.27 Employment Agreement dated as of January 1, 2008, by and between Barrington Broadcasting Group LLC and Mary Flodin
- 10.28 The First Amendment to the Employment Agreement dated as of January 1, 2009, by and between Barrington Broadcasting Group LLC and Mary Flodin
- 10.29 Credit Agreement dated as of April 1, 2008 among Tucker Broadcasting of Traverse City, Inc, as borrower, Bank of America, N.A., as administrative and collateral agent, Wachovia Bank, N.A., as syndication agent and CIT Lending Service Corp., as documentation agent
- 10.30 Barrington Guaranty, dated as of April 1, 2008 among Barrington Broadcasting Group LLC, as borrower, all subsidiaries thereof and Barrington Broadcasting LLC, as guarantors and Bank of America, N.A., as administrative agent
- 10.31 Convertible Subordinated Note Purchase Agreement, dated as of April 1, 2008, by and between Tucker Broadcasting of Traverse City, Inc. and Pilot Group LP
- 10.32 Joint Sales Agreement, dated as of March 2, 2009, by and among Barrington Syracuse LLC, Barrington Broadcasting Group LLC and Granite Broadcasting Corporation\*
- 10.33 Shared Services Agreement, dated as of March 2, 2009, by and among Barrington Syracuse LLC, Barrington Broadcasting Group LLC and Granite Broadcasting Corporation\*
- 10.34 Joint Sales Agreement, dated as of March 2, 2009, by and among Barrington Peoria LLC, Barrington Broadcasting Group LLC and Granite Broadcasting Corporation\*
- 10.35 Shared Services Agreement, dated as of March 2, 2009, by and among Barrington Peoria LLC, Barrington Broadcasting Group LLC and Granite Broadcasting Corporation\*
- 21 Subsidiaries of Barrington Broadcasting Group LLC

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\* Certain proprietary information has been omitted from this exhibit.