FORM 10-K405

YOUNG BROADCASTING INC /DE/ - YBTVA

Filed: March 17, 1999 (period: December 31, 1998)

Annual report. The Regulation S-K Item 405 box on the cover page is checked

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998   Commission file number: 0-25042

YOUNG BROADCASTING INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3339681
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

599 Lexington Avenue New York, New York	10022
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 754-7070

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, $.001 Par Value
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X   No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

The aggregate market value of the voting stock of registrant held by non-affiliates of the registrant as of February 28, 1999 was approximately $559,467,162.

Number of shares of Common Stock outstanding as of February 28, 1999: 11,430,557 shares of Class A Common Stock and 2,383,447 shares of Class B Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Location in Form 10-K in which incorporated
Registrant's Proxy Statement relating to the 1999 Annual Meeting of Stockholders	Part III

YOUNG BROADCASTING INC.

FORM 10-K

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Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

FORWARD-LOOKING STATEMENTS

THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS REPORT, CONCERNING, AMONG OTHER THINGS, INCREASES IN NET REVENUES AND BROADCAST CASH FLOW (AS DEFINED) AND REDUCTIONS IN OPERATING EXPENSES, INVOLVE RISKS AND UNCERTAINTIES, AND ARE SUBJECT TO CHANGE BASED ON VARIOUS IMPORTANT FACTORS, INCLUDING THE IMPACT OF CHANGES IN NATIONAL AND REGIONAL ECONOMIES, PRICING FLUCTUATIONS IN LOCAL AND NATIONAL ADVERTISING AND VOLATILITY IN PROGRAMMING COSTS.

PART I

Item 1. Business.

All market rank, rank in market, station audience rating and share, and television household data in this report are from the Nielsen Station Index Viewers and Profile dated November 1998, as prepared by A.C. Nielsen Company ("Nielsen"). Nielsen data provided herein refers solely to the United States television markets. As used herein, the "Company" means Young Broadcasting Inc. and, where the context requires, its subsidiaries (the "Subsidiaries").

General

The Company owns and operates twelve television stations in geographically diverse markets and a national television sales representation firm, Adam Young Inc. Six of the stations are affiliated with American Broadcasting Companies, Inc. ("ABC"), four are affiliated with CBS Inc. ("CBS"), one is affiliated with National Broadcasting Company, Inc. ("NBC"), and one is an independent station. Each of the Company's stations is owned and operated by a direct or indirect Subsidiary. The Company is presently the eighth largest ABC network affiliate group in terms of households reached. The Company's sole independent television station, KCAL, Los Angeles, California ("KCAL"), is the only independent VHF television station operating in the Los Angeles market, which is ranked as the second-largest television market in terms of population and the largest in terms of estimated television revenue.

The Company was founded in 1986 by Vincent Young and his father, Adam Young. Vincent Young, the Company's Chairman, has over 25 years of experience in the television broadcast industry, and Adam Young has over 50 years of experience in the industry. Ronald Kwasnick, the Company's President, has over 25 years of experience in the industry.

The Company is a Delaware corporation that was formed in 1986. The Company's principal offices are located at 599 Lexington Avenue, New York, New York 10022, and its telephone number is (212) 754-7070.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Recent Developments

Long-Term Sports Agreement. On June 16, 1998, the Company entered into a new long-term agreement with the Los Angeles Lakers ("Lakers") with broadcast rights through the 2004/2005 season. Under the terms of the seven year deal, KCAL-TV, Los Angeles, California, will broadcast 41 Lakers pre-season and regular season away games annually. Additionally, KCAL-TV has the broadcast rights to all post-season away games not subject to NBA/network commitments. KCAL-TV has also obtained the exclusive sales rights and control over broadcast, production and inventory activities. The Company paid an initial rights fee of $30 million on August 14, 1998 and will pay an additional $18.0 million per season. In the event that all 41 games are not made available to KCAL-TV or are canceled, the Company will receive a per game credit.

Stock Repurchase. During September and October 1998, the Company repurchased 552,800 shares of its Class A Common Stock in open market purchases pursuant to a stock repurchase program for an aggregate price of approximately $19.5 million. The Company is authorized, subject to certain limitations, to effect up to an aggregate of $70.0 million of such purchases.

Adam Young Inc. Merger. On February 5, 1998, the Company entered into an Agreement and Plan of Merger with Adam Young Inc. ("AYI") and AYI Acquisition Corporation, a wholly-owned subsidiary of the Company ("Sub"), pursuant to which AYI was merged with and into Sub and became a wholly-owned subsidiary of the Company.

The acquisition of AYI has been accounted for as a combination of companies under common control similar to a pooling-of-interests. The Company issued 526,757 shares of the Company's Class A Common Stock and repurchased from AYI and cancelled 50,450 shares of Class B Common Stock, together having an approximate value of $19.3 million, to Vincent Young, the Company's Chairman and Adam Young, the Company's Treasurer, and his wife, in exchange for all of the outstanding stock of AYI which was held by these persons.

Historical information related to this acquisition was not included in the Company's historical results as the impact of this acquisition was to deemed to be material.

Operating Strategy

The Company continually seeks to increase its revenues and broadcast cash flow (as defined). The Company's operating strategy focuses on increasing the cash flow of its stations through advertising revenue growth and strict control of programming and operating costs. The components of this strategy include the following:

Targeted Marketing. The Company seeks to increase its revenues and broadcast cash flow by expanding existing relationships with local and national advertisers and attracting new advertisers through targeted marketing techniques and carefully tailored programming. The Company works closely with advertisers to develop campaigns that match specifically targeted audience segments with the advertisers' overall marketing strategies. With this information, the Company regularly refines its programming mix among network, syndicated and locally-produced shows in a focused effort to attract audiences with demographic characteristics desirable to advertisers. The Company's success in increasing local advertising revenues is also attributable, in part, to the upgrading of its local sales staff, performance-based compensation arrangements and the implementation of systems of performance accountability. Each station also benefits from the ongoing exchange of ideas and experiences with the other stations.

The Company's stations utilize a variety of marketing techniques to increase advertising revenues, including the following:

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

- Vendor Marketing. The Company's "vendor marketing" program has experienced a great deal of success in the Company's markets. Under this program, a station will contact the vendors of a particular store chain and arrange for the vendors to purchase advertising for the store chain in exchange for the store's commitment to purchase additional products from the vendors. The result is that both the vendors' products and the store chain are advertised, with the vendors collectively bearing the cost of the advertisement.

- Live Remotes. Stations obtain premium advertising dollars by utilizing live remotes on location at the offices or facilities of an advertiser. The station will use its own staff and broadcasting equipment and, as a result, the expense to the station is relatively low. Live advertisements are broadcast continually over the course of a period of the day and tend to show immediate results with viewers being attracted to the live television event taking place within their community.

- Research. Each station designates personnel to research the amount of advertising dollars expended in other media (such as radio, newspapers and magazines) by advertisers within its market. The station will then target individual advertisers seeking the same demographic groups sought by the station for particular dayparts and will illustrate to the advertisers the advantages of television advertising over other media which do not target specific demographic groups.

An important element in determining advertising rates is the station's rating and share among a particular demographic group which the advertiser may be targeting. The Company believes that its success is attributable to its ability to reach desirable demographic groups with the programs it broadcasts.

Strong Local Presence. Each station seeks to achieve a distinct local identity principally through the quality of its local news programming and by targeting specific audience groups with special programs and marketing events. Each station's local news franchise is the foundation of the Company's strategy to strengthen audience loyalty and increase revenues and broadcast cash flow for each station. Strong local news generates high viewership and results in higher ratings both for programs preceding and following the news.

Strong local news product helps differentiate local broadcast stations from cable system competitors, which generally do not provide this service. The cost of producing local news programming generally is lower than other sources of programming and the amount of local news programming can be increased for very modest incremental increases in cost. Moreover, such programming can be increased or decreased on very short notice, providing the Company with greater programming flexibility.

In each of its markets, the Company develops additional information-oriented programming designed to expand the Company's hours of commercially valuable local news and other news programming with relatively small increases in operating expenses. In addition to local news, each station utilizes special programming and marketing events, such as prime time programming of local interest or sponsored community events, to strengthen community relations and increase advertising revenues. The Company places a special emphasis on developing and training its local sales staff to promote involvement in community affairs and stimulate the growth of local advertising sales.

Programming. The Company continually reviews its existing programming inventory and seeks to purchase the most profitable and cost-effective syndicated programs available for each time period. In developing its selection of syndicated programming, management balances the cost of available syndicated programs, their potential to increase advertising revenue and the risk of reduced popularity during the term of the program contract. The Company seeks to purchase only those programs with contractual periods that permit programming flexibility and which complement a station's overall programming strategy and counter competitive programming. Programs that can perform successfully in more than one time period are more attractive due to the long lead time and multi-year commitments inherent in program purchasing.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Cost Controls. Each station emphasizes strict control of its programming and operating costs as an essential factor in increasing broadcast cash flow.

The Company relies primarily on its in-house production capabilities and seeks to minimize its use of outside firms and consultants. The Company's size benefits each station in negotiating favorable terms with programming suppliers and other vendors. In addition, each station reduces its overhead costs by utilizing the group benefits provided by the Company for all of the stations, such as insurance and other employee group benefit plans. Through its strategic planning and annual budget processes, the Company continually seeks to identify and implement cost savings opportunities at each of its stations. The Company closely monitors the expenses incurred by each of the stations and continually reviews the performance and productivity of station personnel. The Company has been successful in controlling its costs without sacrificing revenues through efficient use of its available resources.

Acquisition Strategy

The Company believes that its ability to manage costs effectively while enhancing the quality provided to station viewers gives the Company an important advantage in acquiring and operating new stations. In assessing acquisitions, the Company targets stations for which it has identified line item expense reductions that can be implemented upon acquisition. The Company emphasizes strict controls over operating expenses as it expands a station's revenue base with the goal of improving a station's broadcast cash flow. Typical cost savings arise from reducing staffing levels, substituting more cost-effective employee benefit programs, reducing dependence on outside consultants and research firms and reducing travel and other non-essential expenses. The Company also develops specific proposals for revenue enhancement utilizing management's significant experience in local and national advertising.

The Company plans to pursue favorable acquisition opportunities as they become available. The Company is regularly presented with opportunities to acquire television stations which it evaluates on the basis of its acquisition strategy. The Company does not presently have any agreements to acquire or sell any television stations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

The Stations

The Company's stations are geographically diverse, which minimizes the impact of regional economic downturns. One station is located in the west region (KCAL-Los Angeles, California), six stations are located in the Midwest region (WBAY-Green Bay, Wisconsin, KWQC-Quad Cities, KELO-Sioux Falls, South Dakota, WLNS-Lansing, Michigan, WKBT-La Crosse-Eau Claire, Wisconsin, and WTVO-Rockford, Illinois), four stations are in the southeast region (WKRN-Nashville, Tennessee, WRIC-Richmond, Virginia, WATE-Knoxville, Tennessee, and KLFY-Lafayette, Louisiana), and one station is in the northeast region (WTEN-Albany, New York).

Six of the Company's twelve stations are affiliated with ABC, four are affiliated with CBS and one is affiliated with NBC. The Company believes that this network diversity reduces the potential impact of a ratings decline experienced by a particular network. KCAL is the only independent VHF television station operating in the Los Angeles market. The following table sets forth general information for each of the Company's stations:

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

	Market Rank(1)	Television Households(2)	Channel	Network Affiliation	Commercial Stations in DMA(3)	Station Rank In Market(4)	In-Market Share(5)	Year Acquired
KCAL (Los Angeles, CA)	2	5,135,140	9	IND	11	6	10	1996
WKRN (Nashville, TN)	30	811,870	2	ABC	7	3	19	1989
WTEN (Albany, NY)	53	507,680	10(6)	ABC	4	3	26	1989
WRIC (Richmond, VA)	61	467,730	8	ABC	5	3	28	1994
WATE (Knoxville, TN)	63	446,510	6	ABC	5	3	22	1994
WBAY (Green Bay, WI)	69	384,860	2	ABC	6	2	29	1994
KWQC (Quad Cities)	90	300,490	6	NBC	4	1	44	1996
WLNS (Lansing, MI)	106	237,130	6	CBS	4	1	40	1986
KELO (Sioux Falls, SD)	109	231,180	11(7)	CBS	4	1	50	1996
KLFY (Lafayette, LA)	123	200,010	10	CBS	4	1	52	1988
WKBT (La Crosse-Eau Claire, WI)	129	179,460	8	CBS	4	2	23	1986
WTVO (Rockford, IL)	134	167,170	17	ABC	4	3	25	1988

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(1) Refers to the size of the television market or Designated Market Area ("DMA") as used by Nielsen.

(2) Refers to the number of television households in the DMA as estimated by Nielsen.

(3) Represents the number of television stations ("reportable stations") designated by Nielsen as "local" to the DMA, excluding public television stations and stations which do not meet minimum Nielsen reporting standards (weekly cumulative audience of less than 2.5%) for reporting in the Sunday through Saturday, 7:00 a.m. to 1:00 a.m. period ("sign-on to sign-off"). Does not include national cable channels. The number of reportable stations may change for each reporting period. "Weekly cumulative audience" measures the total number of different households tuned to a station at a particular time during the week. "Share" references used elsewhere herein measure the total daily households tuned to a station at a particular time during the week.

(4) Station's rank relative to other reportable stations, based upon the DMA rating as reported by Nielsen sign-on to sign-off during November 1998.

(5) Represents an estimate of the share of DMA households viewing television received by a local commercial station in comparison to other local commercial stations in the market ("in-market share"), as measured sign-on to sign-off.

(6) WTEN has a satellite station, WCDC (Adams, Massachusetts), Channel 19, operating under a separate license from the FCC.

(7) KELO has three satellite stations, KDLO (Florence, South Dakota), Channel 3, KPLO (Reliance, South Dakota), Channel 6, and KCLO (Rapid City, South Dakota), Channel 15, each of which operates under a separate license from the FCC. KCLO operates in a separate DMA from that of KELO and the other two satellites, wherein it ranks 172.

The following is a description of each of the Company's stations:

KCAL, Los Angeles, California. The Company acquired KCAL from KCAL Broadcasting, Inc., a subsidiary of the Walt Disney Company ("Disney") on November 22, 1996. KCAL has the distinction of being one of the first commercial stations in the country. KCAL's first broadcast was on December 23, 1931. It is now the only independent VHF station in the Los Angeles market. Los Angeles is the second largest DMA with an estimated 5,135,140 television households and the country's largest television market in terms of estimated advertising dollars spent on the medium. There are eleven reportable stations in the DMA. For the November 1998 ratings period, KCAL was ranked sixth after the local ABC, NBC, CBS, WB and Fox affiliates, with an overall sign-on to sign-off in-market share of 10%. KCAL ranked fifth in in-market revenue share in the fourth quarter of 1998.

KCAL is a prominent news provider in the market, presenting 27 1/2 hours of such programming each week and up to 25 special one hour reports each year. In 1995, the station won the prestigious Edward R. Murrow Award as the "Best Local Newscast in the Country." In 1996, KCAL was honored with nine Golden Mikes, including Best 30 Minute Newscast and Best Daytime Newscast, ten Emmys, five Radio Television News Directors awards, ten New York Film Festival Awards, 17 Associated Press Awards and 31 Los Angeles Press Club Awards. In 1997, KCAL won five Golden Mikes. Since 1991, KCAL has been the most honored local station in Los Angeles for news. In 1998, KCAL won 8 Emmys and 4 Golden Mikes.

KCAL is also the broadcast station of choice for premier local sports franchises with over 160 major televised sporting events each year. KCAL currently has long term agreements with the Los Angeles Lakers (7 years remaining), Anaheim Angels (2 years remaining), Mighty Ducks of Anaheim (5 years remaining),

Los Angeles Clippers (2 years remaining) and Los Angeles Kings (1 year remaining). The station also has agreements to broadcast PAC 10 Football and certain boxing events. These contracts enable KCAL to offer advertisers year-round sports packages aimed at very attractive audience categories.

As the largest market in the country's largest state, Los Angeles enjoys a diverse industry makeup ranging from entertainment and manufacturing to international trade and financial services. In addition to Los Angeles County, KCAL reaches Orange, Santa Barbara and other counties in Southern California. Orange County alone has ranked fifth, nationally, in both population and population growth over the last five years. According to Investing in Television Market Report '98 (4th Edition), published by BIA Publications, Inc. (the "BIA Guide"), the average household income in the Los Angeles market in 1996 was $44,015, with an effective buying income projected to grow at an annual rate of 3.1% through 2001. Historically, there has been a close correlation between retail sales and expenditures on broadcast television advertising in a given market. According to the BIA Guide, retail sales growth for the Los Angeles market is projected to average 2.0% annually through 2001.

WKRN, Nashville, Tennessee. WKRN, acquired by the Company from Knight-Ridder Broadcasting, Inc. in June 1989, began operations in 1953 and is affiliated with ABC. The Nashville market is the 30th largest DMA, with an estimated 811,870 television households. There are seven reportable stations in the DMA. For the November 1998 ratings period, WKRN was rated third after the CBS and NBC affiliates, with an overall sign-on to sign-off in-market share of 19%. The station's syndicated programs include Live with Regis and Kathie Lee, Donnie & Marie, Rosie, Friends, Wheel of Fortune, ER and NYPD Blue.

The quality of the station's newscasts has been regularly recognized by its broadcasting peers, and was recently awarded a mid-south regional Emmy for News Excellence, the first Nashville station to win the award in four years. The station is also a recipient of the prestigious Peabody Award for investigative journalism. During the last three years, the station won a combined 39 regional Emmy Awards. The Tennessee Associated Press awarded the station first place for Investigative, Feature and Sport News reporting. The station has also won a number of regional awards from the Radio and Television News Directors Association, including 1994 awards for Best Feature, Best News Operation and Best Investigative Reporting.

Nashville is the capital of Tennessee and the center of local, state and federal government with three of its five largest employers being government related. Prominent corporations located in the area include Bridgestone-Firestone, Nissan, Saturn, Columbia/HCA, Shoney's, Service Merchandise, First American National Bank, Northern Telecom, Aladdin Industries and Willis Corroon plc. Nashville is the home of several universities, including Vanderbilt and Tennessee State. According to the BIA Guide, the average household income in the Nashville market in 1996 was $41,340, with effective buying income projected to grow at an annual rate of 6.3% through 2001. Historically, there has been a close correlation between retail sales and expenditures on broadcast television advertising in a given market. According to the BIA Guide, retail sales growth for the Nashville market is projected to average 5.7% annually through 2001.

WKRN is a prime example of the Company's strategy to achieve a strong local presence. Its community activities range from raising food for the hungry of Middle Tennessee to focusing on the issues and concerns of children through its "Kids 2 Kids" campaign and "Schools Now" half million dollar fund raising effort.

ABC affiliates in Bowling Green, Kentucky and Jackson, Tennessee have overlapping signals with WKRN on the north and west edges of the DMA, resulting in some loss of viewers in those areas. The Company believes this overlap is responsible for the lower station share compared to the NBC and CBS affiliates.

WTEN, Albany, New York. WTEN, acquired by the Company from Knight-Ridder Broadcasting, Inc. in October 1989, began operations in 1953 and is affiliated with ABC. WTEN added a satellite station,

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

WCDC-TV Channel 19, in Adams, Massachusetts in 1963 to serve more adequately the eastern edge of the market. WCDC-TV was acquired concurrently with WTEN. (All references to WTEN include WCDC-TV.)

The Albany market (which includes Schenectady and Troy) is the 53rd largest DMA, with an estimated 507,680 television households. There are four reportable stations in the DMA, three of which broadcast in the VHF spectrum. During the November 1998 ratings period, WTEN was third in the ratings, with a sign-on to sign-off in-market share of 26%, compared to 32% for WNYT, the NBC affiliate, and 32% for WRGB, the CBS affiliate, and 12% for WXXA, the Fox affiliate. The station's syndicated programs include Wheel of Fortune, Jeopardy, Rosie, and Jenny Jones. WTEN has won numerous awards in recent years for both local news and public affairs programming.

Albany is the capital of New York. The largest employers are the New York State government, the State University of New York and the General Electric Company. Other prominent corporations located in the area include Lockheed Martin, Fleet Financial Group, State Farm Insurance, Metropolitan Life Insurance and Quad Graphics. These employers, which are dependent upon a well-educated and skilled labor force to remain competitive in their industries, are able to draw upon the nation's largest concentration per capita of professionals with doctoral and post-doctoral degrees. According to the BIA Guide, the average household income in the Albany market in 1996 was $39,089, with effective buying income projected to grow at an annual rate of 2.8% through 2001. Retail sales growth in this market is also projected by the BIA Guide to average 2.9% annually during the same period.

The station has focused on its local newscasts, selective syndicated program acquisitions and client marketing programs to maximize revenues. Selective use of client incentive programs has generated over $2.1 million of new revenue in 1998. In the key 4 pm to 8 pm time period, WTEN consistently achieves an overall first place performance in both households and the primary W25-54 selling demographic.

WRIC, Richmond, Virginia. WRIC, acquired by the Company in November 1994 from Nationwide Communications Inc. ("Nationwide"), began operations in 1955 and is affiliated with ABC. The Richmond market (which also includes Petersburg, Virginia) is the 61st largest DMA, with an estimated 467,730 television households. There are five reportable commercial television stations in the DMA, three of which are VHF stations. For the November 1998 ratings period, WRIC was in third place in the ratings, one point behind WTVR and WWBT, the CBS and NBC affiliates. In actual audience share, WRIC was slightly behind WTVR and WWBT, with a sign-on to sign-off in-market share of 28%, compared to 29% for WTVR and 31% for WWBT. The station's syndicated programming includes Wheel of Fortune, Jeopardy, Rosie and Jerry Springer. WRIC has won numerous awards in recent years from state journalism organizations for its news operations.

Richmond is the capital of Virginia and home to numerous colleges and universities, including the University of Richmond, Virginia Commonwealth University (VCU) and the Medical College of Virginia. Philip Morris is the largest employer in the market, employing approximately 11,000 area residents. According to the BIA Guide, the average household income in the Richmond market in 1996 was $39,959 with effective buying income projected to grow at an annual rate of 4.2% through 2001. Retail sales growth is also projected by the BIA Guide to average 4.4% annually during the same period.

WATE, Knoxville, Tennessee. WATE, also acquired by the Company in November 1994 from Nationwide, began operations in 1953 and is also affiliated with ABC. The Knoxville, Tennessee market is the 63rd largest DMA, with an estimated 446,510 television households. There are five reportable stations in the DMA, three of which are VHF stations. During the November 1998 ratings period, WATE ranked third, with a sign-on to sign-off in-market share of 22%. The station's syndicated programming includes Home Improvement, People's Court, Extra and Rosie. WATE has won numerous awards in recent years from state journalism organizations for its news operations. It also recently received its second Emmy Award for sports programming.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

According to the BIA Guide, the average household income in the Knoxville market in 1996 was $35,651 with effective buying income projected to grow at an annual rate of 5.4% through 2001. Retail sales growth is also projected by the BIA Guide to average 6.1% annually during the same period.

WBAY, Green Bay, Wisconsin. WBAY, the third station acquired by the Company in November 1994 from Nationwide, began operations in 1953 and is also affiliated with ABC. The Green Bay market (which also includes Appleton, Wisconsin) is the 69th largest DMA, with an estimated 384,860 television households. There are six reportable stations in the DMA, four of which are VHF stations. For the November 1998 ratings period, WBAY was tied in the ratings with WFRV, the CBS affiliate. In audience share, WFRV tied WBAY in the November 1998 ratings period, with a sign-on to sign-off in-market share of 29%. The station's syndicated programming includes Home Improvement, Seinfeld, Friends, Inside Edition, Hard Copy and Martha Stewart. WBAY has won numerous awards in recent years from state journalism organizations for its news operations.

According to the BIA Guide, the average household income in the Green Bay market in 1996 was $39,216, with effective buying income projected to grow at an annual rate of 4.2% through 2001. Retail sales growth is also projected by the BIA Guide to average 4.6% annually during the same period.

KWQC, Quad Cities. The Company acquired KWQC from Broad Street Television, L.P. on April 15, 1996. The station began operations in 1949 and is affiliated with NBC. The Davenport market, referred to as the Quad Cities Market, is the 90th largest DMA serving an estimated 300,490 television households in eastern Iowa and western Illinois. There are four reportable stations in the DMA, three of which are VHF. During the November 1998 ratings period, KWQC retained its number one position in the market with a sign-on to sign-off in-market share of 44%. The station has retained the number one position for over thirteen years and continues to expand news programming and increase market share. The station's syndicated programming includes Oprah, Jeopardy, Wheel of Fortune, Martha Stewart and Cheers.

KWQC places a strong emphasis on local news and community related events and broadcasts. The station annually produces several news specials in addition to providing 25 1/2 hours of local news and information programming per week. KWQC is involved in a variety of community events including Race For The Cure, Toys For Tots, Festival of Trees, The Student Hunger Drive, the United Way Drive, Bix 7 Race and Women's Lifestyle Fair.

John Deere Corporation and Eagle Country Markets are both headquartered in the Quad Cities. Other major employers include the Rock Island Arsenal, Alcoa, Trinity Medical Center, Oscar Mayer, J.I. Case and Modern Woodman. Riverboat gambling has brought three boats to the market that have increased the tourism business. The market has also experienced an increase in convention business.

According to the BIA Guide, the average household income in the Quad Cities market in 1996 was $38,475, with effective buying income projected to grow at an annual rate of 3.1% through 2001. Retail sales growth is also projected by the BIA Guide to average 2.8% annually during the same period.

WLNS, Lansing, Michigan. WLNS, acquired by the Company from Backe Communications, Inc. in September 1986, began operations in 1950 and is affiliated with CBS. The Lansing market is the 106th largest DMA, with an estimated 237,130 television households. WLNS is one of only two VHF network affiliates in the DMA. During the November 1998 ratings period, WLNS was the highest-rated station out of four reportable stations in its DMA, with a sign-on to sign-off in-market share of 40%. The station has consistently held the highest rating for several ratings periods. The station's syndicated programming includes Rosie, Entertainment Tonight, Hollywood Squares, NYPD Blue, The X-Files and Montel Williams.

The station attributes its success to a strong commitment to local news and community involvement. WLNS is the longtime news leader in the Lansing market, programming 24 hours per week of local news and enjoying the highest viewership of all local stations. The station has won numerous awards over the years for its news operations including recognition from The Associated Press for General Excellence, The

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Michigan Association of Broadcasters for Best Sportscast, and the University Press Club of Michigan for Best Newscast. Several years ago, WLNS formed a market exclusive relationship with CrimeStoppers. The station airs hundreds of PSA's per year which have led to several major crimes being solved and the apprehension of many felons who were profiled in the spots. The Crime Prevention Association of Michigan recognized WLNS for its CrimeStoppers effort by making the station the recipient of its Outstanding Media Award, four years in a row. WLNS is also noted for its production of news and sports specials including town hall meetings on gang problems, a jobs telethon, political debates and live broadcasts of the area's minor league baseball team, the Lansing Lugnuts.

The economy of Lansing is dominated by three employers, the State of Michigan, General Motor's Buick-Oldsmobile-Cadillac Division ("B.O.C.") and Michigan State University, giving Lansing an advantage over other Michigan cities whose economies rely more heavily on, and are more prone to the cyclical nature of, the domestic automobile industry. Lansing is the capital of Michigan and its various government agencies employ an aggregate of approximately 15,500 people. B.O.C. has approximately 14,000 employees. Michigan State University has over 12,000 employees with a student enrollment of over 42,000. Other significant industry sectors in the area are plastics, non-electrical machinery, fabricated metal products, food processing and printing. Companies represented in these groups include Owens-Brockway, John Henry Co. and Dart Container. According to the BIA Guide, the average household income in the Lansing market in 1996 was $40,439, with effective buying income projected to grow at an annual rate of 3.3% through 2001. Retail sales growth in this market is also projected by the BIA Guide to average 3.7% annually during the same period.

KELO, Sioux Falls, South Dakota. On May 31, 1996, the Company acquired KELO from a subsidiary of Midcontinent Media, Inc. The station began operations in 1953 and is affiliated with CBS. KELO added satellite station KDLO, Channel 3, in Florence, South Dakota in 1955 to serve the northern South Dakota area, and added satellite station KPLO, Channel 6, in Reliance, South Dakota in 1957 to serve the central South Dakota area. In 1988, KCLO, Channel 15, then operating as a translator facility, was added as a satellite station of KELO in Rapid City, South Dakota. KELO-TV fully serves two DMAs, as Rapid City is a separate contiguous market. (All references to KELO include KDLO and KPLO. The following information pertains only to the Sioux Falls DMA.)

The Sioux Falls market is the 109th largest DMA serving an estimated 231,180 television households encompassing counties in Minnesota, Iowa and Nebraska, as well as 52 counties within South Dakota. There are four reportable stations in the DMA, two of which are VHF. During the November 1998 ratings period, KELO was first in the market with a sign-on to sign-off in-market share of 50%, significantly ahead of the ABC, NBC and FOX/UPN affiliates, who had 26%, 15% and 9%, respectively. KELO-TV finished first in every news time period, sometimes more than doubling the combined audience of its competitors. The station's syndicated programming includes Rosie, Entertainment Tonight, Maury, Martha Stewart and Stargate SG-1.

The largest employers in the market are Citibank and John Morrell. Sioux Falls is the largest city in South Dakota, with a population of 112,000. According to the BIA Guide, the average household income in the Sioux Falls market in 1996 was $38,539, with effective buying income projected to grow at an annual rate of 4.6% through 2001. Retail sales growth is also projected by the BIA Guide to average 5.7% annually during the same period.

KLFY, Lafayette, Louisiana. KLFY, acquired by the Company from Texoma Broadcasters, Inc. in May 1988, began operations in 1955 as the market's first television station and is affiliated with CBS. KLFY is one of only two network-affiliated VHF stations serving the Lafayette market. The third commercial station in the market is a Fox affiliate operating on a UHF channel and a fourth Station, KLAF, is a lower power station affiliated with the UPN and Warner Brothers Network. The market is dominated by KLFY and the local ABC affiliate. The signals from the NBC affiliates in Lake Charles, Baton Rouge and Alexandria, Louisiana are available to households in the DMA. Since 1994, the NBC affiliate in Lake Charles is selling advertising in the Lafayette market with minimal success.

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The Lafayette market is the 123rd largest DMA, with an estimated 200,010 television households. KLFY ranks first in the November 1998 ratings period with an overall sign-on to sign-off in-market share of 52%, and has ranked first in those viewership measurements consistently for prior ratings periods. KLFY leads its competition in audience share in 28 of 30 major Nielsen dayparts. KLFY is ranked number one during prime-time (7:00 p.m.-10:00 p.m., Monday-Saturday and 6:00 p.m.-10:00 p.m., Sunday), the most sought after advertiser demographic time period, with an in-market share of 44%. The station's syndicated programs include The Maury Povich Show, Home Improvement, The Nanny, Coach, Rosie, Sally Jessy Raphael, Hercules and Zena.

Historically, KLFY has placed a strong emphasis on local news and community-related broadcasts. Each weekday begins with a 90-minute live production of "Passe Partout," a family-oriented program offering early morning news, weather, sports and interviews on subjects relevant to local residents. For the November 1998 ratings period, this program received a 6:00 - 7:00 a.m. in-market share of 63%. The first 30 minutes of "Passe Partout" are broadcast in French for the large French-speaking Cajun population in the area; the balance is in English. KLFY also has won numerous awards in recent years from state journalism organizations, including the 1995 and 1997 "Station of the Year" award from the Louisiana Broadcasters Association.

KLFY has made community involvement an important part of its operations. The 12:00 noon news show is called "Meet Your Neighbor" and, in addition to an emphasis on local news reporting, is a platform for community service segments. In addition to ongoing commitments to blood drives, food and clothing drives, a big brother/big sister program and animal adoptions, the station has been the motivating force behind some unusual projects. "Wednesday's Child" is a nationally recognized weekly segment featuring a child in need of adoption, and the effort has had a significant success rate in placing children. The station has over the past eleven years raised over a thousand tons of food for the hungry with its annual "Food for Families" all-day live remote from 17 locations in the DMA. It has an annual "Coats for Kids" campaign to clothe needy children and has raised over $7.5 million for the Muscular Dystrophy Association's ("MDA") annual telethon. For its efforts, the station has received awards from state and national service organizations, including the MDA's special recognition award and Media of the Year awards from the Louisiana Special Olympics and the Black Advisory Adoption Committee.

According to the BIA Guide, the average household income in the Lafayette market in 1996 was $32,049, with effective buying income projected to grow at an annual rate of 4.2% through 2001. Retail sales growth in this market is also projected by the BIA Guide to average 4.9% annually during the same period.

WKBT, La Crosse, Wisconsin. WKBT, acquired (together with WLNS) by the Company from Backe Communications Inc. in September 1986, began operations in 1954 and is affiliated with CBS. Although 90 miles apart, the cities of La Crosse and Eau Claire are considered a single market by Nielsen, and WKBT's signal covers both cities, reaching an twelve-county area that includes two Minnesota counties and most of western Wisconsin. There are four reportable stations in the DMA, but WKBT is one of only two local VHF stations.

The La Crosse-Eau Claire market is the 129th largest DMA, with an estimated 179,460 television households. The highest-rated local stations in the DMA are WKBT and WEAU, the NBC affiliate. For the November 1998 ratings period, WKBT had a sign-on to sign-off in-market share of 23%, which places WKBT second to WEAU, which had a 38% share. The station's syndicated programming includes Sally Jessy Raphael, Baywatch, Montel Williams, Hollywood Squares and VIP.

The station's newscasts, collectively broadcast as NewsChannel 8, focuses on local coverage of news, weather and sports events. NewsChannel 8 offers 3 1/2 hours of local news each weekday.

Over the past several years, WKBT has won awards for news coverage from state journalism organizations. Currently, WKBT is the only station in La Crosse to provide closed-captioning of its local

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newscasts for its hearing impaired viewers. The station is also an active sponsor of many other local community events and programs, including Toys for Tots, CrimeStoppers, Salvation Army Operation Food Basket, Red Cross Disaster Relief and Operation Firesafe. WKBT regularly contributes public service announcements and hundreds of hours of volunteer labor to the community throughout the year.

The economy in the La Crosse-Eau Claire region is centered on skilled industry, medical services, agriculture and education. Prominent corporations located in the area include The Trane Company, the area's largest employer with approximately 2,600 employees, Fleming Foods, Stroh Brewing Company and La Crosse Footwear. Lutheran Hospital, Franciscan Health Systems and Gunderson Clinic have made La Crosse a health care hub for the entire western Wisconsin region and, combined, employ approximately 4,400 area residents. Local educational institutions draw a large student base to the market and include branches of the University of Wisconsin in La Crosse and Eau Claire, as well as Viterbo College and Western Wisconsin Technical College. According to the BIA Guide, the average household income in the La Crosse-Eau Claire market in 1996 was $34,150, with effective buying income projected to grow at an annual rate of 3.6% through 2001. Retail sales growth in this market is also projected by the BIA Guide to average 4.6% annually during the same period.

WTVO, Rockford, Illinois. WTVO, the ABC affiliate in Rockford, Illinois began operations in 1953 under the ownership of Winnebago Television Corporation. The Company purchased Winnebago Television Corporation in September 1988. WTVO switched its affiliation from NBC to ABC, effective as of August 14, 1995.

The Rockford market is the 134th largest DMA, with an estimated 167,170 television households. There are four reportable stations in the DMA, of which one is a VHF station and the others, including WTVO, are UHF stations. In the November 1998 ratings period, WTVO was number three in the market, with a sign-on to sign-off in-market share of 25%, compared to 31% for both the CBS and NBC affiliates. The station's syndicated programs include Sally Jessy Raphael, Rosie, Hollywood Squares and News Radio. The station produces local interest programs such as Spotlight 17.

Each year, the Northern Illinois Council of Advertising recognizes the production creativity of local advertising agencies and television stations by awarding "Raddys." Since 1990, WTVO has been the recipient of 18 Raddy awards which span the categories of broadcast division, original footage, and promotional (news) campaign.

WTVO's DMA encompasses a five-county area of northern Illinois, northwest of Chicago. Rockford is the second largest city in Illinois. Over 1,000 manufacturing firms employ a total of over 50,000 persons in the Rockford area, specializing in machine tool, automotive, aerospace, and consumer product industries. Prominent manufacturers in the area include Sundstrand Corporation, the area's largest employer, Ingersoll Milling Machine Company and Chrysler Corporation's new Neon subcompact facility. UPS has constructed a new $60.0 million Midwestern freight hub at Rockford, and Motorola has a cellular phone plant in nearby Harvard, Illinois. According to the BIA Guide, the average household income in the Rockford market in 1996 was $40,611, with effective buying income projected to grow at an annual rate of 3.6% through 2001. Retail sales growth in this market is also projected by the BIA Guide to average 2.4% annually during the same period.

Industry Background

General. Commercial television broadcasting began in the United States on a regular basis in the 1940s. Currently there are a limited number of channels available for broadcasting in any one geographic area. Television stations can be distinguished by the frequency on which they broadcast. Television stations broadcast over the very high frequency ("VHF") band (channels 2-13) of the spectrum generally have some competitive advantage over television stations which broadcast over the ultra-high frequency ("UHF") band (channels above 13) of the spectrum because the former usually have better signal coverage and operate at a lower transmission cost. However, the improvement of UHF transmitters and receivers, the complete

elimination from the marketplace of VHF-only receivers and the expansion of cable television systems have reduced the VHF signal advantage. Any disparity between VHF and UHF is likely to diminish even further in the coming era of digital television. See "Federal Regulation of Television Broadcasting" below.

The Market for Television Programming. Television station revenues are primarily derived from local, regional and national advertising and, to a lesser extent, from network compensation and revenues from studio rental and commercial production activities. Advertising rates are based upon a variety of factors, including a program's popularity among the viewers an advertiser wishes to attract, the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station, and the availability of alternative advertising media in the market area. Rates are also determined by a station's overall ratings and share in its market, as well as the station's ratings and share among particular demographic groups which an advertiser may be targeting. Because broadcast television stations rely on advertising revenues, declines in advertising budgets, particularly in recessionary periods, adversely affect the broadcast industry, and as a result may contribute to a decrease in the revenues of broadcast television stations.

All television stations in the country are grouped by Nielsen, a national audience measuring service, into approximately 210 generally recognized television markets that are ranked in size according to various formulae based upon actual or potential audience. Each DMA is determined as an exclusive geographic area consisting of all counties in which the home-market commercial stations receive the greatest percentage of total viewing hours. Nielsen periodically publishes data on estimated audiences for the television stations in the various television markets throughout the country. The estimates are expressed in terms of the percentage of the total potential audience in the market viewing a station (the station's "rating") and of the percentage of the audience actually watching television (the station's "share"). Nielsen provides such data on the basis of total television households and selected demographic groupings in the market. Nielsen uses two methods of determining a station's ability to attract viewers. In larger geographic markets, ratings are determined by a combination of meters connected directly to selected television sets and weekly diaries of television viewing, while in smaller markets only weekly diaries are completed. The Los Angeles and Nashville markets are metered.

Whether or not a station is affiliated with one of the three major networks (NBC, ABC or CBS) has a significant impact on the composition of the station's revenues, expenses and operations. A typical network affiliate receives the majority of its programming each day from the network. This programming, along with cash payments ("network compensation"), is provided to the affiliate by the network in exchange for a substantial majority of the advertising time during network programs. The network then sells this advertising time and retains the revenues. The affiliate retains the revenues from time sold during breaks in and between network programs and programs the affiliate produces or purchases from non-network sources. The Fox Broadcasting Company ("Fox") has established a network of independent stations whose operating characteristics are similar to the major network affiliate stations although the number of hours of network programming for Fox affiliates is less than that of the three major networks. In recent years, Fox has effectively evolved into the fourth network.

A fully independent station such as KCAL purchases or produces all of the programming which it broadcasts, resulting in generally higher programming costs than those of major-network affiliates in the same market. However, under increasingly popular barter arrangements, a national program distributor may receive advertising time in exchange for programming it supplies, with the station paying a reduced fee or no cash fee at all for such programming. Because the major networks regularly provide first-run programming during prime time viewing hours, their affiliates generally (but do not always) achieve higher audience shares, but have substantially less inventory of advertising time to sell during those hours than independent stations, since the major networks use almost all of their affiliates' prime time inventory for network shows. The independent station is, in theory, able to retain its entire inventory of advertising and all of the revenue obtained therefrom. The independent stations' smaller audiences and greater inventory during prime time hours generally result in lower advertising rates charged and more advertising time sold during those hours, as compared with major affiliates' larger audiences and limited inventory, which generally allow the major-network affiliates to charge higher advertising rates for prime time programming. By selling more

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advertising time, the independent station typically achieves a share of advertising revenues in its market greater than its audience ratings.

Broadcast television stations compete for advertising revenues primarily with other broadcast television stations, and to a lesser extent, with radio stations and cable system operators serving the same market. Traditional network programming, and recently Fox programming, generally achieve higher audience levels than syndicated programs aired by independent stations. However, since greater amounts of advertising time are available for sale by independent stations and Fox affiliates, they typically achieve a share of the television market advertising revenues greater than their share of the market's audience. Public broadcasting outlets in most communities compete with commercial broadcasters for viewers.

Developments in the Television Market. Through the 1970s, network television broadcasting enjoyed virtual dominance in viewership and television advertising revenue, because network-affiliated stations competed only with each other in most local markets. Beginning in the 1980s, however, this level of dominance began to change as more local stations were authorized by the Federal Communications Commission ("FCC") and marketplace choices expanded with the growth of independent stations and cable television services. See "-Federal Regulation of Television Broadcasting" below.

Cable television systems, which grew at a rapid rate beginning in the early 1970s, were initially used to retransmit broadcast television programming to paying subscribers in areas with poor broadcast signal reception. In the aggregate, cable-originated programming has emerged as a significant competitor for viewers of broadcast television programming, although no single cable programming network regularly attains audience levels amounting to more than any major broadcast network. With the increase in cable penetration in the 1980s, the advertising share of cable networks has increased. Notwithstanding such increases in cable viewership and advertising, over-the-air broadcasting remains the dominant distribution system for mass market television advertising. Basic cable penetration (the percentage of television households which are connected to a cable system) in the Company's television markets ranges from 60% to 74%.

In acquiring programming to supplement network programming, network affiliates compete with independent stations and Fox affiliates in their markets. Cable systems generally do not compete with local stations for programming. Although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations, such programs would not likely have been acquired by such stations in any event. In the past, the cost of programming increased dramatically, primarily because of an increase in the number of new independent stations and a shortage of desirable programming. Recently, however, program prices have stabilized as a result of increases in the supply of programming.

Competition

Competition in the television industry takes place on several levels: competition for audience, competition for programming (including news) and competition for advertisers. Additional factors that are material to a television station's competitive position include signal coverage and assigned frequency. The broadcasting industry is continually faced with technological change and innovation, the possible rise in popularity of competing entertainment and communications media, and governmental restrictions or actions of federal regulatory bodies, including the FCC and the Federal Trade Commission, any of which could have a material effect on the Company's operations.

Audience. Stations compete for audience on the basis of program popularity, which has a direct effect on advertising rates. A majority of the daily programming on the Company's stations is supplied by the network with which each station is affiliated. In those periods, the stations are totally dependent upon the performance of the network programs in attracting viewers. There can be no assurance that such programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by the station with a combination of self-produced news, public affairs and other

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entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only.

Independent stations, whose number has increased significantly over the past decade, have also emerged as viable competitors for television viewership share. Each of Time Warner, Inc. and Paramount Communications, Inc. has recently launched a new television network and have entered into affiliation agreements with certain independent commercial television stations. The programming made available by these new networks is presently limited. The Company is unable to predict the effect, if any, that such networks will have on the future results of the Company's operations.

In addition, the development of methods of television transmission of video programming other than over-the-air broadcasting, and in particular the growth of cable television, has significantly altered competition for audience in the television industry. These other transmission methods can increase competition for a broadcasting station by bringing into its market distant broadcasting signals not otherwise available to the station's audience and also by serving as a distribution system for non-broadcast programming originated on the cable system. Through the 1970s, network television broadcasting enjoyed virtual dominance in viewership and television advertising revenues because network-affiliated stations competed only with each other in most local markets. Although cable television systems were initially used to retransmit broadcast television programming to paid subscribers in areas with poor broadcast signal reception, significant increases in cable television penetration occurred throughout the 1970s and 1980s in areas that did not have signal reception problems. As the technology of satellite program delivery to cable systems advanced in the late 1970s, development of programming for cable television accelerated dramatically, resulting in the emergence of multiple, national-scale program alternatives and the rapid expansion of cable television and higher subscriber growth rates. Historically, cable operators have not sought to compete with broadcast stations for a share of the local news audience. Recently, however, certain cable operators have elected to compete for such audiences, and the increased competition could have an adverse effect on the Company's advertising revenues.

Other sources of competition include home entertainment systems (including video cassette recorder and playback systems, videodisks and television game devices), "wireless cable" service, satellite master antenna television systems, low power television stations, television translator stations and, most recently, direct broadcast satellite video distribution services which transmit programming directly to homes equipped with special receiving antennas.

Further advances in technology may increase competition for household audiences and advertisers. Video compression techniques, now under development for use with current cable channels or direct broadcast satellites, are expected to reduce the bandwidth required for television signal transmission. These compression techniques, as well as other technological developments, are applicable to all video delivery systems, including over-the-air broadcasting, and have the potential to provide vastly expanded programming to highly targeted audiences. Reduction in the cost of creating additional channel capacity could lower entry barriers for new channels and encourage the development of increasingly specialized "niche" programming. This ability to reach very narrowly defined audiences is expected to alter the competitive dynamics for advertising expenditures. The Company is unable to predict the effect that these or other technological changes will have on the broadcast television industry or the future results of the Company's operations.

Programming. Competition for programming involves negotiating with national program distributors or syndicators which sell first-run and rerun packages of programming. The stations compete against in-market broadcast station competitors for exclusive access to off-network reruns (such as Roseanne) and first-run product (such as Entertainment Tonight) in their respective markets. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. Competition for exclusive news stories and features is also endemic in the television industry.

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Time Warner, Inc. and Paramount Communications, Inc., each of which has recently launched a new television network, also own or control a major production studio. Outside production studios are the primary source of programming for the networks. It is uncertain whether in the future such programming, which is generally subject to short-term agreements between the studios and the networks, will be moved to the new networks.

Advertising. Advertising rates are based upon the size of the market in which the station operates, a program's popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, the demographic makeup of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces, and development of projects, features and programs that tie advertiser messages to programming. In addition to competing with other media outlets for audience share, the Company's stations also compete for advertising revenues, which comprise the primary source of revenues for the Subsidiaries. The Company's stations compete for such advertising revenues with other television stations in their respective markets, as well as with other advertising media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail and local cable systems. Competition for advertising dollars in the broadcasting industry occurs primarily within individual markets. Generally, a television broadcasting station in the market does not compete with stations in other market areas. The Company's television stations are located in highly competitive markets.

Network Affiliation Agreements

Each of the Company's network-affiliated stations is affiliated with its network pursuant to an affiliation agreement (an "Affiliation Agreement"). WKRN, WTEN, WRIC, WATE, WBAY and WTVO are affiliated with ABC. KELO, WLNS, KLFY and WKBT are affiliated with CBS. The Quad Cities Station (KWQC) is affiliated with NBC.

In October 1994, the Company and ABC entered into new Affiliation Agreements for five of the Company's ABC-affiliated stations. Effective August 14, 1995, the Company switched the affiliation of its then sole NBC affiliate to ABC. In addition, in October 1994, the Company and CBS entered into new Affiliation Agreements for three of the Company's CBS-affiliated stations. Such Affiliation Agreements with ABC and CBS provide for contract terms of ten years. The Affiliation Agreement for the Quad Cities Station provides for a ten-year term, with an expiration date of November 1, 2004. On April 3, 1996, the Company and CBS entered into new affiliation agreements for KELO and each of its satellite stations which expire on October 2, 2000. Each Affiliation Agreement is automatically renewed for successive terms subject to either party's right to terminate at the end of any term after giving proper notice thereof. Under the Affiliation Agreements, the networks also possess, under certain circumstances (such as a transfer of control or adverse changes in signal, operating hours or other mode of operation), the right to terminate the Affiliation Agreement on prior written notice ranging between 15 and 45 days depending on the Affiliation Agreement. In addition, ABC has the right upon 60 days prior notice to terminate the Affiliation Agreement with respect to an ABC-affiliated station in a particular market if it acquires a different station within such market.

Each Affiliation Agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which it is affiliated. In exchange, the network has the right to sell a substantial majority of the advertising time during such broadcasts. In addition, for each hour that the station elects to broadcast network programming, the network pays the station a fee, specified in each Affiliation Agreement, which varies with the time of day. Typically, "prime-time" programming (Monday through Saturday from 8:00 p.m.-11:00 p.m., Eastern time, and Sunday from 7:00 p.m.-11:00 p.m., Eastern time) generates the highest hourly rates. Management believes that programming costs are generally lower for network affiliates than for independent television stations and prime-time network programs generally achieve higher ratings than non-network programs. Management believes that the Company's relationship with the networks is excellent and that all of its stations are highly valued affiliates.

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As an independent station, KCAL purchases all of its programming, resulting in proportionally higher programming costs for the station. In this regard, KCAL retains its entire inventory of advertising and all of the revenue obtained therefrom. Furthermore, KCAL enters into barter arrangements whereby program distributors may receive advertising time in exchange for the programming they provide.

Federal Regulation of Television Broadcasting

Existing Regulation. Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"), most recently amended in significant respects by the Telecommunications Act of 1996 (the "1996 Act"). The Communications Act empowers the FCC, among other things: to determine the frequencies, location and power of broadcast stations; to issue, modify, renew and revoke station licenses; to approve the assignment or transfer of control of broadcast licenses; to regulate the equipment used by stations; and to impose penalties for violations of the Communications Act or FCC regulations. The FCC has also adopted children's programming regulations for television broadcasters that effectively require most television broadcasters to air at least three hours per week of programming designed to meet the educational and informational needs of children age 16 and younger. Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures or, for particularly egregious violations, the revocation of a license. The Company's business will be dependent upon its continuing ability to hold television broadcasting licenses from the FCC.

License Grant and Renewal. As a result of the 1996 Act, broadcast licenses are now generally granted or renewed for terms of eight years, though licenses may be renewed for a shorter period upon a finding by the FCC that the "public interest, convenience and necessity" would be served thereby. The Company must apply for renewal of each broadcast license. At the time an application is made for renewal of a license, parties in interest may file petitions to deny, and such parties, as well as other members of the public, may comment upon the service the station has provided during the preceding license term and urge denial of the application. While broadcast licenses are typically renewed by the FCC, even when petitions to deny are filed against renewal applications, there can be no assurance that the licenses for the Company's television stations will be renewed at their expiration dates or, if renewed, that the renewal terms will be for the maximum eight-year period. The non-renewal or revocation of one or more of the Company's primary FCC licenses could have a material adverse effect on the Company's operations. The main station licenses for the Company's television stations expire on the following dates: WRIC, October 1, 2004; KLFY, June 1, 2005; WKRN, August 1, 2005, WATE, August 1, 2005; WLNS, October 1, 2005; WBAY, December 1, 2005; WKBT, December 1, 2005; WTVO, December 1, 2005; KWQC, February 1, 2006; KCLO, April 1, 2006; KELO, April 1, 2006; KDLO and KPLO (satellites of KELO), April 1, 2006; KCAL, December 1, 2006; WTEN, June 1, 1999; and WCDC, WTEN's satellite station, April 1, 1999. Applications for renewal of the licenses for WTEN and WCDC are now pending before the FCC; pursuant to Section 307(c)(3) of the Communications Act, a station's license continues in effect pending final action on the renewal application by the FCC.

Multiple Ownership Restrictions. FCC regulations and the 1996 Act govern the multiple ownership of radio and television broadcast stations and certain other media. These rules or statutory standards include limits on the number of radio and television stations that may be owned both on a national and local basis. The 1996 Act eliminates the FCC's national ownership limits in the form of caps on the number of television and radio broadcast stations that may be commonly owned. Additionally, it raises the national audience coverage restriction on television station ownership from 25% to 35% of the national audience.

On a local basis, FCC rules currently allow an entity to have an attributable interest (as defined below) in only one television station in a market (the so-called TV "duopoly" rule). In addition, FCC rules generally prohibit an individual or entity from having an attributable interest in a television station and a radio station, daily newspaper or cable television system that is located in the same local market area served by the television station. The 1996 Act leaves the television duopoly ban in place but directs the FCC to conduct a rulemaking to determine whether the restriction should be retained, modified, or

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eliminated. It also directs the FCC to modify its waiver policy with respect to the TV/radio cross-ownership restriction (the so-called "one-to-a-market" rule) by extending it to radio-television combinations in the top 50 markets. In a pending rulemaking proceeding, the FCC is considering, among other things (i) whether to extend the presumptive waiver of the one-to-a-market rule from the top 25 to the top 50 markets; (ii) whether to modify the television duopoly rule to allow common ownership of two television stations in separate DMAs as long as the stations do not have overlapping Grade A contours; and (iii) whether to permit some exceptions to the duopoly rule in given markets and under certain circumstances involving UHF/UHF and UHF/VHF stations. In that same proceeding, the FCC also is considering whether to grandfather existing television Local Marketing Agreements ("LMAs") if such agreements are deemed attributable in a companion proceeding (see below) proposing changes to the FCC's attribution rules.

The FCC has promulgated rules that limit the ability of individuals and entities to own or have an ownership interest above a certain level (known as an "attributable" interest) in broadcast television stations and certain other media entities. These rules include limits on the number of radio and television stations in which an entity may have an "attributable" interest both on a local and on a national basis. In the case of corporations holding broadcast licenses, all officers and directors of a licensee, and stockholders who, directly or indirectly, have the right to vote 5% or more of the outstanding voting stock of a licensee, are generally deemed to have an "attributable" interest. Certain institutional investors who exert no control or influence over a licensee may own up to 10% of such outstanding voting stock before attribution occurs. Under FCC regulations, debt instruments, non-voting stock and certain limited partnership interests (where the licensee certifies that the limited partners are not "materially involved" in the management or operation of the subject media property), as well as voting stock held by non-minority stockholders in situations where there is a single majority stockholder are generally not subject to attribution. In addition, the FCC's cross-interest policy, which precludes an individual or entity from having a "meaningful" but not "attributable" interest in one media property and an "attributable" interest in a broadcast, cable or newspaper property in the same area, may be invoked by the FCC in certain circumstances to reach interests not expressly covered by the multiple ownership rules.

In a rulemaking proceeding currently pending before the FCC regarding the attribution rules, the FCC is considering: (1) whether to make non-voting stock attributable in some instances; (2) whether to raise certain attribution thresholds; (3) whether to change the insulation standards for non-attribution of certain limited partnership interests or to develop new standards for certain members of limited liability companies; (4) whether a combination of debt and equity exceeding a certain threshold should be considered an attributable interest; and (5) the circumstances, if any, in which an LMA should be attributed to an entity holding the right to program more than 15% of the time of a television station.

Alien Ownership Restrictions. The Communications Act restricts the ability of foreign entities to own or hold interests in broadcast licensees. Foreign governments, representatives of foreign governments, non-citizens, representatives of non-citizens and corporations or partnerships organized under the laws of a foreign nation are barred from holding broadcast licenses. Non-citizens, collectively, may directly or indirectly own up to one-fifth of the capital stock of a licensee. In addition, a broadcast license may not be granted to or held by any corporation that is controlled, directly or indirectly, by any other corporation of which more than one-fourth of its capital stock is owned or voted by non-citizens or their representatives, by foreign governments or their representatives, or by non -U.S. corporations, if the FCC finds that the public interest will be served by the refusal or revocation of such license. Restrictions on alien ownership also apply, in modified form, to other types of business organizations, including partnerships.

Proposed Legislation and Regulation. The U.S. Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations and policies regarding a wide variety of matters which could, directly or indirectly, affect the operation and ownership of the Company's broadcast properties. In addition to the proposed changes noted above, such matters include, for example, the following: spectrum use fees; the reception of distant and/or local market signals directly by home

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

viewers via satellite providers; political advertising rates (including proposals for free time to some candidates); potential restrictions on the advertising of certain products (such as beer, wine and other alcoholic beverages); the rules and policies to be applied in enforcing the FCC's equal employment opportunity regulations; the standards to govern the evaluation of television programming and advertising directed toward children; and violent and indecent programming. The Company is unable to predict the outcome of future federal legislation or the impact of any such laws or regulations on the Company's operations.

The 1992 Cable Act. On October 5, 1992, Congress enacted the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"). Some of its provisions, such as signal carriage and retransmission consent, have a direct effect on television broadcasting. Other provisions, some of which have been changed or substantially modified by the 1996 Act, are focused exclusively on the regulation of cable television but can still have an indirect effect on the Company because of the competition between over-the-air television stations and cable systems.

The signal carriage, or "must-carry", provisions of the 1992 cable Act and FCC rules require cable operators to carry the signals of local commercial and non-commercial television stations and certain low power television stations. The 1992 Cable Act also includes a retransmission consent provision that prohibits cable operators and other multichannel video programming providers from carrying broadcast stations without obtaining their consent in certain circumstances. The must carry and retransmission consent provisions are related in that television broadcasters, on a cable system-by-system basis, must make a choice once every three years whether to proceed under the must carry rules or to waive that right to mandatory but uncompensated carriage and, instead, to negotiate a grant of retransmission consent to permit individual cable systems to carry their signals in exchange for some form of consideration. Under rules adopted to implement these must carry and retransmission consent provisions, local television stations were required to make their initial elections of must carry or retransmission consent by June 17, 1993. Elections for the new three year period commencing January 1, 1997 and ending December 31, 1999 were made on or before October 1, 1996. New elections, for the three-year period commencing January 1, 2000 and ending December 31, 2003, must be made on or before October 1, 1999.

On March 31, 1997, in a 5-4 decision, the U.S. Supreme court upheld the constitutionality of the must-carry provisions of the 1992 Cable Act. As a result, the regulatory scheme promulgated by the FCC to implement the must-carry provisions of the 1992 Cable Act will remain in effect. Whether and to what extent such must-carry rights will extend to the new digital television signals (see below) to be broadcast by licensed television stations (including those owned by the Company) over the next several years is still a matter to be determined in a pending FCC rulemaking proceeding.

The 1992 Cable Act was amended in several important respects by the 1996 Act. Most notably, the 1996 Act repeals the cross-ownership ban between cable and telephone entities and the FCC's former video dialtone rules (permitting telephone companies to enter the video distribution services market under several new regulatory options). The 1996 Act also (a) eliminates the broadcast network/cable cross-ownership limitation and (b) lifts the statutory ban on TV/cable cross-ownership (without, however, eliminating the separate FCC regulatory restriction on TV/cable cross-ownership, which remains in place).

Advanced Digital Television Service. On April 3, 1997, the FCC adopted new rules which will allow television broadcasters to provide advanced digital television ("DTV") service in the United States. Implementation of DTV will improve the technical quality of television signals receivable by viewers, and, if implemented as anticipated, will enable television broadcasters the flexibility to provide new services, including high-definition television ("HDTV") and data broadcasting. The FCC's action, affirmed and modified by several subsequent orders, includes a new table of allotments for DTV by which all eligible existing broadcasters are assigned a second channel on which to provide DTV service. The allotment plan is based on a so-called "core spectrum" for DTV service, consisting of channels 2-51.

However, because it was not technically feasible, at the outset, to assign DTV channels to all eligible stations within the "core spectrum", it will be necessary for some TV stations to initiate DTV service on a channel other than 2-51. Then, following the more complete implementation of DTV service (in the year 2006 or beyond, when the FCC reclaims TV channels outside the core spectrum for other uses), such stations will have to move their DTV service to another channel that is within the "core spectrum" (i.e., either the channel on which they are currently broadcasting analog service or a new channel assigned by the FCC). Four of the Company's stations fall into this category (see chart below).

Under the new service rules for DTV, television broadcasters will be allowed to use their DTV channels according to their best business judgment. Such uses can include multiple standard definition program channels, data transfer, subscription video, interactive materials and high-quality audio signals. Television broadcasters will, however, be required to provide a free digital video programming service that is at least comparable (in hours broadcast and in picture quality) to today's analog service. Broadcasters will not be required to air HDTV programming or, initially, to simulcast their analog programming on the digital channel. Affiliates of ABC, CBS, NBC and FOX in the top ten television markets will be required to be on the air with a digital signal by May 1, 1999 - - although certain television licensees in these large markets actually initiated DTV service before the end of 1998 pursuant to voluntary commitments. Affiliates of the four major networks in markets 11-30 will be required to be on the air with a digital signal by November 1, 1999. For all remaining commercial television stations, including all of the Company's stations, the FCC's new mandated timetable for the construction of DTV facilities is May 1, 2002.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Station (Market)	Analog Channel	DTV Channel	FCC Mandated Timetable for Construction of DTV Facilities
KCAL, Los Angeles, California	9	43	May 1, 2002
WKRN, Nashville, Tennessee	2	27	May 1, 2002
WTEN, Albany, New York	10	26	May 1, 2002
WCDC, Adams, Massachusetts (satellite of WTEN)	19	36	May 1, 2002
WRIC, Richmond, Virginia	8	22	May 1, 2002
WATE, Knoxville, Tennessee	6	26	May 1, 2002
WBAY, Green Bay, Wisconsin	2	23	May 1, 2002
KWQC, Quad Cities	6	56	May 1, 2002
WLNS, Lansing, Michigan	6	59	May 1, 2002
KELO, Sioux Falls, South Dakota	11	32	May 1, 2002
KDLO, Florence, South Dakota (satellite of KELO)	3	25	May 1, 2002
KPLO, Reliance, South Dakota (satellite of KELO)	6	14	May 1, 2002
KCLO, Rapid City, South Dakota (satellite of KELO)	15	16	May 1, 2002
KLFY, Lafayette, Louisiana	10	56	May 1, 2002
WKBT, La Crosse-Eau Claire, WI	8	53	May 1, 2002
WTVO, Rockford, Illinois	17	16	May 1, 2002

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Although the 1996 Act generally does not address the FCC's DTV transition plan, it does direct the FCC to limit eligibility for DTV licenses to existing television broadcast licensees (which it has done) and to adopt regulations to permit licensees to offer ancillary or supplementary services on designated frequencies. With respect to the latter, the FCC on November 19, 1998, adopted new rules requiring broadcasters to pay a fee of 5% of gross revenues received from "ancillary and supplementary" uses of the DTV spectrum. "Ancillary and supplementary" services include all subscription services, including subscription video services, as well as computer software distribution, data transmission, teletext, interactive materials, aural messages, paging services, and audio signals. No fees are required for commercial advertising revenues derived from traditional, free over-the-air broadcasting services. A still unresolved issue in this area is whether the public interest obligations of television licensees will be increased in some fashion with the advent of DTV. The FCC has raised this issue but not yet crafted any specific proposals.

In the meantime, these issues continue to draw the attention of Congress, in the form of recurring proposals to auction the analog channels once they have been returned by television broadcasters, setting the timetable for relinquishment of the analog channels, and, possibly, imposing some type of spectrum fee on television licensees for the use of the DTV channels. As the result of a budget law passed in 1997, the FCC is required to reclaim a television station's analog channel by December 31, 2006 unless fewer than 85% of the station's viewers can receive the broadcaster's digital service either off-air or through satellite or cable television. Most recently, the Clinton Administration's budget submitted to Congress in February 1999 included a plan to raise $200 million a year by assessing fees on television broadcasters for use of their analog channels (fees that would be paid until such channels were ultimately relinquished in favor of DTV channels). Even without such legislative actions, the Company will incur significant costs in the conversion to DTV. The Company is unable to predict the extent or timing of consumer demand for any DTV services or the overall effect the transition to DTV might have on the Company's business.

Non-FCC Regulation. Television broadcast stations may be subject to a number of other federal regulations, as well as numerous state and local laws, that can either directly or indirectly impact their operations. Included in this category are rules and regulations of the Federal Aviation Administration affecting tower height, location and marking, plus federal, state and local environmental and land use restrictions.

The foregoing does not purport to be a complete summary of all the provisions of the Communications Act, the 1996 Act, or the 1992 Cable Act, nor of the regulations and policies of the FCC thereunder. Proposals for additional or revised regulations and requirements are pending before and are being considered by Congress and federal regulatory agencies from time to time. Also, various of the foregoing matters are now, or may become, the subject of court litigation, and the Company cannot predict the outcome of any such litigation or the impact on its broadcast business.

Employees

Approximately 200 of the Company's employees are represented by collective localized bargaining agreements at various stations.

Item 2. Properties.

The Company's principal executive offices are located at 599 Lexington Avenue, New York, New York 10022. The Company leases approximately 9,546 square feet of space in New York (the "Master Lease"). The Master Lease expires in the year 2000 with respect to 7,600 square feet and in 2002 with respect to 1,946 square feet.

The types of properties required to support television stations include offices, studios, transmitter sites and antenna sites. A station's studios are generally housed with its offices in downtown or business

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

districts. The transmitter sites and antenna sites are generally located in elevated areas so as to provide maximum market coverage. The following table contains certain information describing the general character of the Company's properties.

	Metropolitan Area and Use	Owned or Leased	Approximate Size
KCAL	Los Angeles, California		
	Office and studio	Owned	33,000 sq. ft.
	Office and studio	Leased	16,198 sq. ft.
	Transmission tower site	Leased	60,000 sq. ft.
WKRN	Nashville, Tennessee		
	Office and studio	Owned	43,100 sq. ft.
	Land	Owned	2.72 acres
	Transmission tower site	Owned	49.33 acres
WTEN	Albany, NY		
	Office and studio	Owned	39,736 sq. ft.
	Land	Owned	2.56 acres
	New Scotland, NY		
	Transmission tower site -Land	Owned	5.38 acres
	Mt. Greylock, Adams, MA		
	Transmission tower site -Land	Leased	15,000 sq. ft.
WRIC	Richmond, VA		
	Office and studio	Owned	34,000 sq. ft.
	Land	Owned	4 acres
	Petersburg, VA		
	Transmission site	Lease of space on tower	--
	Chesterfield Co., VA(1)		
	Transmitter building	Owned	900 sq. ft.
WATE	Knoxville, TN		
	Office and studio	Owned	34,666 sq. ft.
	Land	Owned	2.65 acres
	Knox County, TN		
	Transmission tower site	Owned	9.57 acres
	House Mountain, TN	Owned	5 acres
	Prospective tower site		
WBAY	Green Bay, WI		
	Office and studio	Owned	90,000 sq. ft.
	Land	Owned	1.77 acres
	DePere, WI		
	Transmission tower site	Owned	3.54 acres
	Appleton, WI		
	Office	Leased	1,506 sq. ft.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

	Metropolitan Area and Use	Owned or Leased	Approximate Size
KWQC......................	Davenport, Iowa		
	Office and Studio	Owned	59,786 sq. ft.
	Land	Owned	86,978 sq. ft.
	Bettendorf,Iowa		
	Transmission tower site	Owned	37.323 acres
KELO......................	Sioux Falls, South Dakota		
	Land, office and studio	Owned	23,700 sq. ft.
	Transmission tower site	Owned	58.23 acres
	Auxiliary transmission tower site	Leased	26.42 acres
	Reliance, South Dakota		
	Transmission tower site	Owned	5.83 acres
	Rapid City, South Dakota		
	Office and studio	Leased	3,555 sq. ft.
	Transmission tower site	Owned	1 acre
	Murdo, South Dakota		
	Transmission tower site	Leased	1 acre
	Philip, South Dakota		
	Transmission tower site	Leased	8.23 acres
	Wall, South Dakota		
	Transmission tower site	Leased	4 acres
	Beresford, South Dakota		
	Transmission tower site	Leased	2.1 acres
	Doppler Radar tower site	Leased	0.02 acres
	Diamond Lake, South Dakota		
		Owned	1 acre
	Transmission tower site		
	DeSmet, South Dakota	Owned	0.55 acres
	Transmission tower site		
	Garden City, South Dakota		
	Transmission tower site	Owned	1 acre
	Auxiliary transmission tower site	Owned	1 acre
	Farmer, South Dakota		
	Transmission tower site	Owned	1 acre
	Mt. Vernon, South Dakota		
	Transmission tower site	Owned	1 acre
	White Lake, South Dakota	Owned	1 acre
	Transmission tower site	Leased	200 sq. ft.
	New Underwood, South Dakota		
	Transmission tower site		
	Huron, South Dakota		
	Doppler Radar tower site	Leased	480 sq. ft.
WLNS......................	Lansing, Michigan		
	Office and studio	Owned	19,000 sq. ft.
	Land	Owned	4.75 acres
	Meridian, Michigan		
	Transmission tower site	Owned	40 acres

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

	Metropolitan Area and Use	Owned or Leased	Approximate Size
KLFY.......................	Lafayette, Louisiana		
	Office and studio	Owned	24,800 sq.ft.
	Land	Owned	3.17 acres
	Maxie, Louisiana		
	Transmission tower site	Leased	8.25 acres
	Proposed transmission tower site	Owned	142 acres
WKBT.......................	La Crosse, Wisconsin		
	Office and studio	Owned	12,600 sq. ft.
	Gailesville, Wisconsin		
	Transmission tower site	Owned	133,600 sq. ft.
WTVO.......................	Rockford, Illinois		
	Office and studio	Owned	15,200 sq. ft.
	Land	Owned	14 acres

(1) Station owns tower structure and related with non-exclusive easement for access to underlying property, which is owned by a building.

Item 3. Legal Proceedings.

The Company currently and from time-to-time is involved in litigation incidental to the conduct of its business. There are no pending legal proceedings to which the Company or any of the Subsidiaries is a party, or to which any of their respective properties is subject, which, in the opinion of Company managgement, is likely to have a material adverse effect on the Company's business or financial condition.

Item 4. Submission of Matters to a Vote of Security-Holders.

None.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Executive Officers of the Registrant.

The executive officers of the Company are as follows:

Name	Age	Position
Vincent J. Young	51	Chairman and Director
Adam Young	85	Treasurer and Director
Ronald J. Kwasnick	52	President and Director
James A. Morgan	50	Executive Vice President Secretary and Director
Deborah A. McDermott	44	Executive Vice President- Operations

Vincent J. Young has been the Chairman and a director of the Company since its inception in 1986. Mr. Young is also a member of the Compensation and Audit Committees of the Company. Mr. Young co-founded the Company with Adam Young. Vincent Young is also a director and the Chairman of each of the corporate Subsidiaries. Prior to becoming the Chairman of the Company, he worked at Adam Young Inc. for ten years in various marketing and representative capacities, including Vice-President, General Sales Manager, Eastern Sales Manager and Manager of the Chicago office. Vincent Young is the son of Adam Young.

Adam Young has been the Treasurer and a director of the Company since its inception. Mr. Young is also a director and an executive officer of each of the corporate Subsidiaries. Mr. Young founded Adam Young Inc. in 1944 and has been active in television station representation since that time. Prior to the formation of the Company, Mr. Young owned minority interests in two radio stations, and a 30% interest in a television station in Youngstown, Ohio. Mr. Young served on the Board of Directors of the Television Advertising Bureau from 1977 to 1979 and has twice been President of the Station Representative Association, initially from 1955 through 1957, then from 1978 through 1980.

Ronald J. Kwasnick has been the President of the Company since its inception and became a director in December 1994. From 1986 to 1989, Mr. Kwasnick was also the General Manager of WLNS, the Company's station in the Lansing, Michigan market. Mr. Kwasnick joined the Company in 1986, after working as Executive Vice President/Television for Adams Communications since 1984, where he served as General Manager of a group of network-affiliated television stations. Previously, since 1980, he had been the General Manager and President of WILX in Lansing, Michigan. Prior to that, he spent ten years working in various television sales management positions.

James A. Morgan joined the Company as its Executive Vice President in March 1993, became the Secretary of the Company in September 1994 and became a director in May 1998. Mr. Morgan is also the Executive Vice President and Secretary of each of the corporate Subsidiaries. From 1984 until he joined the Company, he was a director and Senior Investment Officer at J.P. Morgan Capital Corporation involved in investing the firm's own capital in various leveraged and early growth stage companies.

Deborah A. McDermott became the Executive Vice President-Operations of the Company in May 1996, and has been General Manager of WKRN, the Company's ABC network affiliate serving the Nashville, Tennessee market, since 1990. From 1986 to 1989, when WKRN was acquired by the Company, and thereafter through February 1990, she was Station Manager of that station.

All executive officers serve at the discretion of the Board of Directors.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Company's Class A Common Stock is traded on the Nasdaq National Market ("Nasdaq") under the symbol YBTVA. The following table sets forth the range of the high and low closing sales prices of the Class A Common Stock for the periods indicated as reported by Nasdaq:

	High	Low
Quarters Ended		
March 31, 1997	$31.25	$22.13
June 30, 1997	34.63	24.00
September 30, 1997	38.50	30.50
December 31, 1997	41.25	32.00
March 31, 1998	$53.63	$39.00
June 30, 1998	65.00	46.50
September 30, 1998	69.00	33.38
December 31, 1998	43.13	22.63

At February 26, 1999, there were approximately 38 and 25 stockholders of record of the Company's Class A and Class B Common Stock, respectively. Such number does not include beneficial owners holding shares through nominee names.

Dividend Policy

The Company has never paid a dividend on its Common Stock and does not expect to pay dividends on its Common Stock in the foreseeable future. The terms of the Senior Credit Facility and the Indentures relating to the Company's outstanding Senior Subordinated Notes (the "Indentures") restrict the Company's ability to pay cash dividends on its Common Stock. Under the Senior Credit Facility, the Company's ability to pay dividends on its Common Stock is limited. See Management's Discussion and Analysis-Liquidity. Under the Indentures, the Company is not permitted to pay any dividends on its Common Stock unless at the time of, and immediately after giving effect to, the dividend no default would result under the Indentures and the Company would continue to have the ability to incur indebtedness. In addition, under the Indentures, the dividend may not exceed an amount equal to the Company's cash flow less a multiple of the Company's interest expense, plus the net proceeds of the sale by the Company of additional capital stock.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Item 6. Selected Financial Data.

The following table presents selected consolidated financial data of the Company for the five years ended December 31, 1998, which have been derived from the Company's audited consolidated financial statements.

The information in the following table should be read in conjunction with "Management's Discussion and Analysis" and the Consolidated Financial Statements and the notes thereto included elsewhere herein. The Company has not paid dividends on its capital stock during any of the periods presented below.

	Year Ended December 31,				
	1994	1995	1996	1997	1998
	(dollars in thousands, except per share amounts)				
Statement of Operations Data:					
Net revenues (1)........................	$ 78,788	$ 122,530	$ 154,343	$ 263,535	$ 277,052
Operating expenses, including selling, general and administrative expenses	33,800	51,614	64,689	106,708	116,712
Amortization of program license rights	4,400	6,418	11,034	38,279	33,014
Depreciation and amortization...........	15,280	24,572	30,946	46,941	49,472
Corporate overhead......................	2,052	3,348	4,344	7,150	7,860
Non-cash compensation paid in common stock (2)........................	6,497	1,167	848	967	1,146
Merger related costs......................	-	-	-	-	1,444
Operating income........................	16,759	35,411	42,482	63,490	67,404
Interest expense........................	19,105	32,644	42,838	64,103	62,617
Other expenses (income), net............	3	233	(1,261)	493	788
Net (loss) income before extraordinary item.................................... ...	(2,349)	2,534	905	(1,106)	3,999
Extraordinary loss on extinguishment of debt	(6,027)	(9,125)	-	(9,243)	-
Net (loss) income.......................	$ (8,376)	$ (6,591)	$ 905	$ (10,349)	$ 3,999
Basic net (loss) income per common share before extraordinary item.........	$(3.62)	$0.23	$0.08	$(0.08)	$0.28
Basic net (loss) income per common share	(5.42)	(0.61)	0.08	(0.74)	$0.28
Basic shares used in earnings per share Calculation.............................	3,339,794	10,838,972	11,379,298	13,989,969	14,147,522
Other Financial Data:					
Cash flow provided by operating activities..............................	$ 8,527	$ 22,231	$ 24,707	$ 41,025	$ 54,292
Payments for program license liabilities..............................	4,170	6,747	10,385	38,610	33,337
Broadcast cash flow (3).................	40,818	64,169	79,269	118,217	127,003
Broadcast cash flow margin..............	51.8%	52.4%	51.4%	44.9%	45.8%
Operating cash flow (4).................	38,766	60,821	74,926	111,067	119,143
Capital expenditures....................	$ 1,206	$ 4,484	$ 4,992	$ 9,034	$ 7,524
Balance Sheet Data (as of end of period):					
Total assets............................	$ 316,827	$ 296,098	$ 893,151	$ 845,966	$ 825,668
Long-term debt (including current portion)	305,050	297,993	678,927	657,672	658,224
Stockholders' (deficit) equity..........	$ (11,654)	$ (25,544)	$ 80,504	$ 59,846	$ 46,865

(1) Net revenues are total revenues net of agency and national representation commissions.

(2) Represents non-cash charges for the issuance to key employees in 1994, 1996, 1997 and 1998 of shares of Class A Common Stock and in 1995 of shares of Class A Common Stock and below-market options to purchase shares of Class A Common Stock.

(3) "Broadcast cash flow" is defined as operating income before income taxes and interest expense, plus depreciation and amortization (including amortization of program license rights), non-cash compensation, merger related costs and corporate overhead, less payments for program license liabilities. The Company has included broadcast cash flow data because such

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

data are commonly used as a measure of performance for broadcast companies and are also used by investors to measure a company's ability to service debt. Broadcast cash flow is not, and should not be used as, an indicator or alternative to operating income, net income or cash flow as reflected in the Consolidated Financial Statements, is not intended to represent funds available for debt service, dividends, reimbursement or other discretionary uses, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

(4) "Operating cash flow" is defined as operating income before income taxes and interest expense, plus depreciation and amortization (including amortization of program license rights) and non-cash compensation, less payments for program license liabilities. The Company has included operating cash flow data because such data are used by investors to measure a company's ability to service debt and are used in calculating the amount of additional indebtedness that the Company may incur in the future under the Indentures. Operating cash flow does not purport to represent cash provided by operating activities as reflected in the Consolidated Financial Statements, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The operating revenues of the Company's stations are derived primarily from advertising revenues and, to a much lesser extent, from compensation paid by the networks to the stations for broadcasting network programming. The stations' primary operating expenses are for employee compensation, news gathering, production, programming and promotion costs. A high proportion of the operating expenses of the stations are fixed.

Advertising is sold for placement within and adjoining a station's network and locally originated programming. Advertising is sold in time increments and is priced primarily on the basis of a program's popularity among the specific audience an advertiser desires to reach, as measured principally by periodic audience surveys. In addition, advertising rates are affected by the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability of alternative advertising media in the market area. Rates are highest during the most desirable viewing hours, with corresponding reductions during other hours. The ratings of a local station affiliated with a national television network can be affected by ratings of network programming.

Most advertising contracts are short-term, and generally run only for a few weeks. Approximately 62% of the 1998 annual gross revenue of the Company's stations was generated from local advertising, which is sold by a station's sales staff directly to local accounts. The remainder of the advertising revenue primarily represents national advertising, which is sold by Adam Young Inc. ("AYI"), a national advertising sales representative which was recently merged with the Company. The stations generally pay commissions to advertising agencies on local, regional and national advertising; on national advertising, the stations also pay commissions to AYI. Effective January 1, 1998, the commissions paid to AYI have been eliminated for consolidation purposes.

The advertising revenues of the Company's 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. In addition, advertising revenues are generally higher during even numbered election years due to spending by political candidates, which spending typically is heaviest during the fourth quarter.

"Broadcast cash flow" is defined as operating income before income taxes and interest income and expense, plus depreciation and amortization (including amortization of program license rights), non-cash compensation, merger related costs and corporate overhead, less payments for program license liabilities. The Company has included broadcast cash flow data because such data are commonly used as a measure of performance for broadcast companies and are also used by investors to measure a company's ability to service debt. Broadcast cash flow is not, and should not be used as, an indicator or alternative to operating income, net income or cash flow as reflected in the Consolidated Financial Statements, is not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

The following table sets forth certain operating data for the years ended December 31, 1996, 1997 and 1998:

	Year Ended December 31,		
	1996	1997	1998
	(dollars in thousands)		
Operating Income	$ 42,482	$ 63,490	$ 67,404
Add:			
Amortization of program license rights	11,034	38,279	33,014
Depreciation and amortization	30,946	46,941	49,472
Corporate overhead	4,344	7,150	7,860
Merger-related costs	-	-	1,444
Non-cash compensation paid in common stock	848	967	1,146
Less:			
Payments for program license liabilities	(10,385)	(38,610)	(33,337)
Broadcast Cash Flow	$ 79,269	$118,217	$127,003

Television Revenues

Set forth below are the principal types of television revenues received by the Company's stations for the periods indicated and the percentage contribution of each to the Company's total revenues, as well as agency and national sales representative commissions:

	Year Ended December 31,					
	1996		1997		1998	
	Amount	%	Amount	%	Amount	%
	(dollars in thousands)					
Revenues						
Local	$ 99,684	55.1%	$197,519	63.7%	$199,177	62.1%
National	57,298	31.6	95,106	30.6	90,281	28.2
Network compensation	11,335	6.3	12,600	4.1	12,610	3.9
Political	9,791	5.4	1,322	0.4	13,734	4.3
Production and other	2,849	1.6	3,725	1.2	4,848	1.5
Total	180,957	100.0	310,272	100.0	320,650	100.0
Agency and sales representative commissions	(26,614)	(14.7)	(46,737)	(15.1)	(43,598)(1)	(13.6)
Net Revenues	$154,343	85.3%	$263,535	84.9%	$277,052	86.4%

(1) National sales commission paid to AYI eliminated for consolidation purposes were $6.4 million for the year ended December 31, 1998.

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

The following historical information includes the results of Adam Young Inc. ("AYI") (merger agreement entered into on February 5, 1998), for all of 1998. The operating results for 1997 do not include AYI, as the results were not deemed to be material.

Net revenues for the year ended December 31, 1998 were $277.1 million, an increase of $13.6 million, or 5.2%, compared to $263.5 million for the year ended December 31, 1997. Improvement in various local market economies led to an increase in the Company's gross local revenues of 1%, while gross national was down 5.1% in 1998 compared to 1997. Political revenue for the year ended December 31, 1998 was $13.7 million, an increase of

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

$12.4 million from the year ended December 31, 1997. The increase was attributable to 1998 being a national election year with many state and local elections, while 1997 had only limited state and local elections.

Operating expenses, including selling, general and administrative expenses for the year ended December 31, 1998 were $116.7 million, compared to $106.7 million for the year ended December 31, 1997, an increase of $10.0 million, or 9.4%, with AYI accounting for $4.7 million of such increase. Additional news costs at several stations and higher sales expenses relating to the increased sales accounted for an additional $3.1 million and $857,000, respectively.

Amortization of program license rights for the year ended December 31, 1998 was $33.0 million, compared to $38.3 million for the year ended December 31, 1997, a decrease of $5.3 million, or 13.8%. The entire decrease is attributable to the Los Angeles Lakers and Clippers, two professional basketball teams, not playing games in the fourth quarter of 1998 as a result of the National Basketball Association ("NBA") lockout.

Depreciation of property and equipment and amortization of intangibles was $49.5 million for the year ended December 31, 1998, compared with $46.9 million for the comparable period in 1997, an increase of $2.6 million or 5.5%. The increase is primarily attributable to larger equipment purchases at the end of 1997 which were depreciated during 1998. AYI accounted for approximately $131,000 of this increase.

The Company made payments for program license liabilities of $33.3 million during the year ended December 31, 1998, compared to $38.6 million for the year ended December 31, 1997, a decrease of $5.3 million, or 13.7%. As stated above, in the amortization of program license rights, the entire decrease is attributable to the NBA lockout.

Corporate overhead for the year ended December 31, 1998 was $7.9 million, compared to $7.2 million for the comparable period in 1997, an increase of $710,000 or 9.9%. This increase was the result of increased occupancy and administrative costs.

Non-cash compensation paid in Class A Common Stock for the year ended December 31, 1998 was $1.1 million, compared to $1.0 million for the year ended December 31, 1997.

Net interest expense for the year ended December 31, 1998 was $62.6 million, compared to $64.1 million for the same period in 1997, a decrease of $1.5 million, or 2.3%. The decrease is primarily attributable to lower interest rates and lower debt levels.

As a result of the factors discussed above, the Company's net income was $4.0 million for the year ended December 31, 1998, compared with a net loss of $10.3 million for the same period in 1997, an increase of $14.3 million. The 1997 net loss included an extraordinary item of $9.2 million.

Broadcast cash flow for the year ended December 31, 1998 was $127.0 million, compared with $118.2 million for the year ended December 31, 1997, an increase of $8.8 million, or 7.5%. Broadcast cash flow margins (broadcast cash flow divided by net revenues) for the year ended December 31, 1998 increased to 45.8% from 44.9% for the same period in 1997. The increase in broadcast cash flow and broadcast cash flow margins was attributable to the increased local and political revenues, as well as the elimination of AYI commissions.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

The following historical financial information includes the results of KWQC-TV, KELO-TV and KCAL-TV (the "Acquired Stations") which were acquired on April 15, 1996, May 31, 1996, and November 23, 1996, respectively, for the periods commencing upon their respective acquisition dates by the Company.

Net revenues for the year ended December 31, 1997 were $263.5 million, an increase of $109.2 million, or 70.8% compared to $154.3 million for the year ended December 31, 1996, with the Acquired Stations accounting for $107.5 million of such increase. Local and national revenues were $197.5 million and $95.1 million for the year ended December 31, 1997, compared to $99.7 million and $57.3 million for the year ended December 31, 1996, increases of $97.8 million and $37.8 million, respectively. The Acquired Stations accounted for $93.0 million and

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

$34.6 million of the local and national increases, respectively. Political revenue for the year ended December 31, 1997 was $1.3 million, a decrease of $8.5 million from the year ended December 31, 1996. The decrease was attributable to 1996 being a national election year with more state and local elections, while 1997 had only limited state and local elections.

Operating expenses, including selling, general and administrative expenses for the year ended December 31, 1997 were $106.7 million, compared to $64.7 million for the year ended December 31, 1996, an increase of $42.0 million, or 64.9%. The Acquired Stations accounted for all of such increase.

Amortization of program license rights for the year ended December 31, 1997 was $38.3 million, compared to $11.0 million for the year ended December 31, 1996, an increase of $27.3 million, or 248.2% with the Acquired Stations accounting for all of such increase.

Depreciation of property and equipment and amortization of intangibles was $46.9 million for the year ended December 31, 1997, compared with $30.9 million for the comparable period in 1996, an increase of $16.0 million or 51.8%. The Acquired Stations accounted for all of such increase.

The Company made payments for program license liabilities of $38.6 million during the year ended December 31, 1997, compared to $10.4 million for the year ended December 31, 1996, an increase of $28.2 million, or 271.1%. The Acquired Stations accounted for $27.8 million of this increase.

Corporate overhead for the year ended December 31, 1997 was $7.2 million, compared to $4.3 million for the comparable period in 1996, an increase of $2.9 million, or 67.4%. This was the result of additional personnel, administrative costs and incentive compensation programs.

Non-cash compensation paid in Common Stock for the year ended December 31, 1997 was $1.0 million, compared to $848,000 for the year ended December 31, 1996.

Net interest expense for the year ended December 31, 1997 was $64.1 million, compared to $42.8 million for the comparable period in 1996, an increase of $21.3 million, or 49.8%. The increase is primarily attributable to the Company's higher debt level associated with the purchase of the Acquired Stations in 1996.

On June 23, 1997, the Company completed an offering (the "June 1997 Notes Offering") of $200.0 million principal amount of its 8 3/4% Senior Subordinated Notes due 2007. The Company used the net proceeds of the June 1997 Notes Offering (approximately $198.2 million) to repay certain outstanding indebtedness including accrued interest under the then outstanding senior credit facility.

On November 25, 1997, the Company amended and restated its then outstanding senior credit facility. Net deferred charges of $9.2 million were recorded as an extraordinary loss on early extinguishment of debt.

As a result of the factors discussed above, the net loss for the Company was $10.3 million for the year ended December 31, 1997, compared with net income of $905,000 for the same period in 1996, a decrease of $11.2 million. The 1997 net loss includes an extraordinary item of $9.2 million, as discussed above.

Broadcast cash flow for the year ended December 31, 1997 was $118.2 million, compared with $79.3 million for the year ended December 31, 1996, an increase of $38.9 million, or 49.1%. Broadcast cash flow margins (broadcast cash flow divided by net revenues) for the year ended December 31, 1997 decreased to 44.9% from 51.4% for the same period in 1996. The increase in broadcast cash flow was a direct result of the Acquired Stations and continued expense controls. The decrease in broadcast cash flow margins is attributable to the purchase of KCAL-TV, an independent station. Independent stations generally operate at lower margins than those associated with networks.

Liquidity and Capital Resources

Cash provided by operations for the year ended December 31, 1998 was $54.3 million as compared to cash provided by operations of $41.0 million in 1997. Changes in the Company's net cash flows from operating activities

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

are primarily the result of improvement in net income and the reduction of accounts receivable and payable during the year ended December 31, 1998 as compared to the year ended December 31, 1997.

The Company used cash in investing activities for the years ended December 31, 1998 and 1997 of $34.2 million and $11.8 million, respectively. The increase in 1998 was primarily attributable to the $30 million initial rights fee payment to the Los Angeles Lakers.

Cash used in financing activities for the years ended December 31, 1998 and 1997 was $21.1 million and $34.6 million, respectively. Financing activities for the year ended December 31, 1998 and 1997 include principal payments under the Company's senior credit facility (the "Senior Credit Facility") of $37.8 million and $220.7 million, respectively. In the third quarter of 1998, the Company borrowed $30.0 million under the working capital facility for the Los Angeles Lakers payment. In June 1997, the Company received $200.0 million in proceeds from the issuance of public subordinated debt and applied the net proceeds therefrom to repay principal under the Senior Credit Facility. In addition, in September and October of 1998 and the second quarter of 1997, the Company repurchased 552,800 shares for $19.5 million and 459,000 shares for $12.3 million, respectively, of Class A Common Stock.

It is anticipated that the Company will be able to meet the working capital needs of the stations, principal and interest payments under the Senior Credit Facility and the Company's senior subordinated notes (the "Senior Subordinated Notes"), and to a lesser extent, capital expenditures from cash on hand, cash flows from operations and funds available under the Senior Credit Facility.

On November 25, 1997, the Company's senior credit facility was amended and restated to provide the Company with the ability to borrow up to $300.0 million in the form of five year revolving credit facility (the "Senior Credit Facility"). As of December 31, 1998, there was $85.0 million outstanding under the Senior Credit Facility.

The Senior Credit Facility has a $285.0 million sublimit (the "Sublimit") for borrowings in connection with the acquisition of additional television stations (and businesses, if any, incidental thereto) pursuant to transactions which meet the following criteria: (i) each of the acquired stations will become a wholly-owned subsidiary of the Company and will become a part of the lenders' security package under the Senior Credit Facility, and (ii) the Company can demonstrate that after giving pro forma effect to each such acquisition (based upon assumptions, including identified cost savings, that the agents for the lenders find reasonable), the Company will be in compliance with all of the terms and conditions of the Senior Credit Facility.

Pursuant to the Senior Credit Facility, the Company is prohibited from making investments or advances to third parties exceeding $7.5 million in the aggregate unless the third party becomes a guarantor of the Company's obligations. However, the Company may utilize up to $70.0 million of its borrowing availability under the Sublimit for the purpose of repurchasing shares of Common Stock and for paying dividends, subject to the limitations set forth in the Indentures. In addition, the Company may utilize the undrawn amounts under the Sublimit to retire or prepay subordinated debt, subject to the limitations set forth in the Indentures. Undrawn amounts under the Senior Credit Facility are available to the Company for working capital requirements and general corporate purposes.

Interest under the Senior Credit Facility is payable at the LIBOR rate, "CD Rate" or "Base Rate." In addition to the index rates, the Company pays a floating percentage tied to the Company's ratio of total debt to operating cash flow; ranging, in the case of LIBOR rate loans, from 0.75% based upon a ratio under 4:1 to 2.00% based upon a 6:1 or greater ratio.

Each of the Subsidiaries has guaranteed the Company's obligations under the Senior Credit Facility. The Senior Credit Facility is secured by the pledge of all the stock of the Subsidiaries and a first priority lien on all of the assets of the Company and its Subsidiaries.

The Senior Credit Facility imposes restrictions on the Company's ability to incur additional indebtedness. The Company will be permitted to incur, subject to the terms of the Indentures and satisfaction of the financial covenants of the Senior Credit Facility, unsecured subordinated debt, provided that the subordination and mandatory redemption provisions and the maturity of such indebtedness are comparable to the Company's existing Senior Subordinated Notes and that the net proceeds in excess of any permitted acquisition are used to repay the

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

outstanding balance of the Senior Credit Facility by the amount of such excess. The Company is also restricted as to the amount of its capital lease obligations and guarantees. The Senior Credit Facility also restricts the ability of the Company to amend material terms of the Indentures.

The Senior Credit Facility requires the Company to maintain certain financial ratios. The Company is required to maintain a total debt/operating cash flow ratio ranging from 6.25x to 5.00x depending on senior debt leverages. The Company is also required to maintain a senior debt/operating cash flow ratio ranging from 2.75x to 2.25x depending on senior debt leverages. Additionally, the Company is required to maintain an operating cash flow/total interest expense ratio ranging from 1.75x to 2.25x depending on senior debt leverages. The Company is also required to maintain an operating cash flow minus capital expenditures to pro forma debt service ratio of no less than 1.10x at any time. Such ratios must be maintained as of the last day of the quarter for each of the periods.

The Company is required to apply the proceeds from permitted equity issuances and certain subordinated debt issuances, to the extent it exceeds the purchase price for permitted acquisitions or permitted redemptions of Senior Subordinated Debt, to reduce the Company's senior debt levels. The Senior Credit Facility also contains a number of customary covenants including, among others, limitations on investments and advances, mergers and sales of assets, liens on assets, affiliate transactions and changes in business. The Company may, subject to the financial covenants of the Senior Credit Facility, sell assets constituting less than 15% of its operating cash flow.

Interest on the Company's 11 3/4% Senior Subordinated Notes due 2004 (the "November 1994 Notes") is payable semi-annually on May 15 and November 15; interest on the June 1995 Notes is payable semi-annually on February 15 and August 15; interest on the January 1996 Notes is payable semi-annually on January 15 and July 15; and interest on the June 1997 Notes is payable semi-annually on June 15 and December 15. The Indentures impose certain limitations on the ability of the Company and certain of its Subsidiaries to, among other things, pay dividends or make certain other restricted payments, consummate certain asset sales, enter into certain transactions with affiliates, incur indebtedness that is subordinate in right of payment to any Senior Debt and senior in right of payment to the Notes, incur liens, impose restrictions on the ability of a Subsidiary to pay dividends or make certain payments to the Company, merge or consolidate with any other person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of the Company.

The Company regularly enters into program contracts for the right to broadcast television programs produced by others and program commitments for the right to broadcast programs in the future. Such programming commitments are generally made to replace expiring or canceled program rights. Payments under such contracts are made in cash or the concession of advertising spots to the program provider to resell, or a combination of both.

On June 16, 1998, the Company entered into a new long-term agreement with the Los Angeles Lakers ("Lakers") with broadcast rights through the 2004/2005 season. Under the terms of the seven year deal, KCAL-TV, Los Angeles, California, will broadcast 41 Lakers pre-season and regular season away games annually. Additionally, KCAL-TV has the broadcast rights to all post-season away games not subject to NBA/network commitments. KCAL-TV has also obtained the exclusive sales rights and control over broadcast, production and inventory activities. The Company paid an initial rights fee of $30 million on August 14, 1998 and will pay an additional $18.0 million per season. In the event that all 41 games are not made available to KCAL-TV or are canceled, the Company will receive a per game credit.

The Company is regularly presented with opportunities to acquire television stations which it evaluates on the basis of its acquisition strategy. The Company does not presently have any agreements to acquire any television stations. See "Business-Acquisition Strategy."

In June 1998, the Company retained Lazard Freres & Co. LLC to explore potential strategic alternatives for the Company, including a merger or sale, among other possibilities. On September 10, 1998, the Company reported that it was suspending the exploration of a sale of the Company as one of its potential strategic alternatives.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Impact of Year 2000

State of Readiness

The Company is evaluating the impact of the Year 2000 problem on its business and its ability to deliver its product to its viewers. The Year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year. Various computer programs that have time-sensitive software may recognize a date using "00" as the Year 1900 rather than the Year 2000, which could result in miscalculations or system failures.

The evaluation includes a review of its Year 2000 preparedness relative to its products and systems, accounting software and computer hardware. The Company is also evaluating the potential Year 2000 impact as a result of its reliance on third parties that may have the Year 2000 problem embedded in software and hardware.

The Company has developed a plan to assess and handle the Year 2000 problem. The plan is as follows:

1. Inventorying and assessing the impact on affected technology and systems;
2. Developing solutions for affected technology and systems;
3. Modifying or replacing affected technology and systems;
4. Testing and verifying solutions; and
5. Developing contingency plans.

As of February 28, 1999, Item 1 of the Company's Year 2000 Plan was substantially complete, with no major issues being identified, and an estimated completion date of April 30, 1999. Items 2 through 5 are underway. The expected completion date of Items 2 and 3 is June 1999, while Item 4 is estimated to be completed by August 1999. Contingency plans (Item 5) are not in place at the present time, however, the Company anticipates them to be completed by August 1999. Such plans will continue to be monitored into 2000.

Costs

Costs incurred to date directly related to addressing the Year 2000 problem have not been material. Since the Company is not utilizing outside consulting firms and is utilizing the employment resources within the Company to address the Year 2000 problem, the Company believes that it will not incur material costs in connection with becoming Year 2000 compliant. However, the total costs cannot be known with certainty until the Year 2000 actually arrives.

Risks

All of the Company's computer software is purchased or leased from third party vendors, and the Company does not currently employ or contract computer programmers to write Company specific software. The Company has received communications from its significant third party vendors and service providers stating that they are generally on target to become Year 2000 compliant in 1999 if they have not already done so. There can be no assurance that these third party vendors and service providers will complete their own Year 2000 compliant projects in a timely manner and that failure to do so would not have an adverse impact on the Company's business. If significant third party revenue sources, such as a national advertising agency, experience a Year 2000 problem, the Company could lose revenues for which there is no immediate replacement and these losses could have a material adverse effect on the Company's business, financial condition or results of operation.

The Company or a third party's failure to become Year 2000 ready, or its inability to become compatible with third parties with which it has a material relationship, may have a material adverse effect on the Company, including significant signal interruption. However, the Company cannot currently estimate the extent of any such adverse effects or any at all.

System failures or miscalculations could result in an inability of the Company to process commercial logs, remit invoices to advertisers, accept an agency's order or provide viewers with its broadcasts. The Company plans to develop a contingency plan to help reduce the impact of any unforeseen system failures which may take place.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Contingency Plan

The Company will develop contingency plans to minimize the effect of any potential Year 2000 related disruptions. Virtually all of its stations currently have plans in effect for natural disasters in the event a station is not able to broadcast in the usual manner. The Company will expand these plans to include additional systems, software and equipment deemed to be critical to its broadcasts and business operations. These plans are to be in place by August 1999.

Income Taxes

The Company and its Subsidiaries file a consolidated federal income tax return and such state or local tax returns as are required. The Company has $209.0 million of net operating loss ("NOL") carryforwards which are subject to annual limitations imposed by Internal Revenue Code Section 382. See Note 8 to Notes to Consolidated Financial Statements.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company is required to adopt the provisions of the standard during the first quarter of 2000. Because the Company does not use derivatives, the Company does not expect that the adoption of the new standard will have a material impact on the results of operations or financial condition.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Item 8. Financial Statements and Supplementary Data.

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Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Report of Independent Auditors

Board of Directors and Stockholders
Young Broadcasting Inc.

We have audited the accompanying consolidated balance sheets of Young Broadcasting Inc. and Subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the Index at

Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Young Broadcasting Inc. and Subsidiaries at December 31, 1997 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

New York, New York
February 1, 1999

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Young Broadcasting Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 1997	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 1,652,428	$ 663,298
Trade accounts receivable, less allowance for doubtful accounts of $1,872,000 in 1997 and $2,012,000 in 1998	60,192,889	53,835,994
Current portion of loans receivable - officers (Note 11)	311,358	530,892
Current portion of program license rights (Notes 2 and 4)	23,327,160	15,250,015
Prepaid expenses	1,996,406	10,845,065
Total current assets	87,480,241	81,125,264
Property and equipment, less accumulated depreciation and amortization of $98,731,094 in 1997 and $122,757,235 in 1998 (Notes 2 and 10)	112,750,987	96,736,970
Program license rights, excluding current portion (Notes 2 and 4)	1,220,121	1,987,123
Deposits and other assets	1,171,852	28,005,890
Loans receivable officers, excluding current portion (Note 11)	600,000	208,041
Broadcasting licenses and other intangibles, less accumulated amortization of $96,631,332 in 1997 and $118,831,102 in 1998 (Note 2)	626,507,872	604,576,679
Deferred charges, less accumulated amortization of $7,236,107 in 1997 and $10,508,840 in 1998 (Note 2)	16,235,423	13,027,559
Total assets	$845,966,496	$825,667,526
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 18,997,702	$ 14,571,552
Accrued interest (Notes 5 and 6)	12,806,872	13,090,459
Accrued expenses	6,114,268	6,857,710
Current installments of program license liability (Notes 2 and 4)	18,026,986	12,412,040
Current installments of long-term debt (Note 5)	3,907,834	914,171
Current installments of obligations under capital leases (Note 10)	470,981	491,666
Total current liabilities	60,324,643	48,337,598
Program license liability, excluding current installments (Notes 2 and 4)	1,052,659	2,196,256
Long-term debt, excluding current installments (Note 5)	83,076,951	85,000,000
Senior Subordinated Notes (Note6)	570,000,000	570,000,000
Deferred tax liabilities (Note 8)	71,450,273	71,450,273
Obligations under capital leases, excluding current installments (Note 10)	216,362	1,818,273
Total liabilities	786,120,888	778,802,400
Stockholders' equity (Note 7):		
Class A Common Stock, $.001 par value. Authorized 20,000,000 shares; issued and outstanding 11,850,504 shares at 1997 and 11,401,823 shares at 1998	11,851	11,402
Class B Common Stock, $.001 par value. Authorized 20,000,000 shares; issued and outstanding 1,997,340 shares at 1997 and 2,408,447 shares at 1998	1,997	2,408
Additional paid-in capital	222,881,546	205,523,080
Accumulated deficit	(163,049,786)	(158,671,764)
Total stockholders' equity	59,845,608	46,865,126
Total liabilities and stockholders' equity	$ 845,966,496	$ 825,667,526

See accompanying notes to consolidated financial statements.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Young Broadcasting Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended December 31, 1996	1997	1998
Net operating revenue	$154,342,931	$263,534,581	$277,051,669
Operating expenses	35,614,209	64,700,352	66,482,606
Amortization of program license rights	11,033,812	38,279,226	33,013,564
Selling, general and administrative expenses	29,074,947	42,007,903	50,228,854
Depreciation and amortization	30,945,622	46,940,592	49,471,437
Corporate overhead	4,343,449	7,150,096	7,860,031
Non-cash compensation (Notes 7 and 9)	848,469	967,112	1,146,335
Merger-related costs	-	-	1,444,588
Operating income	42,482,423	63,489,300	67,404,254
Interest income	2,098,939	263,351	264,932
Interest expense	(42,837,629)	(64,102,237)	(62,617,274)
Other expenses, net	(838,434)	(756,682)	(1,052,883)
	(41,577,124)	(64,595,568)	(63,405,225)
Income (loss) before extraordinary item	905,299	(1,106,268)	3,999,029
Extraordinary loss on extinguishment of debt	-	(9,243,128)	-
Net (loss) income	$ 905,299	$(10,349,396)	$ 3,999,029
Income (loss) per common share:			
Basic:			
Income (loss) before extraordinary item	$ .08	$ (.08)	$ .28
Extraordinary loss on extinguishment of debt	-	(.66)	-
Net income (loss) per common share	$ .08	$ (.74)	$ .28
Weighted average shares	11,379,298	13,989,969	14,147,522
Diluted:			
Income (loss) before extraordinary item	$ .08	$ (.08)	$ .27
Extraordinary loss on extinguishment of debt	-	(.66)	-
Net income (loss) per common share	$ .08	$ (.74)	$ .27
Weighted average shares	11,783,122	13,989,969	14,760,454

See accompanying notes to consolidated financial statements.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Young Broadcasting Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Common Stock Class A	Common Stock Class B	Common Stock Class C	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 1996	$ 4,955	$ 2,029	$ 3,564	$128,051,024	$(153,605,689)	$(25,544,117)
Repurchase and retirement of Class A Common Stock	(111)	-	-	(2,923,693)	-	
Contribution of shares into Company's defined contribution plan	28	-	-	728,641	-	
Exercise of stock options	16	-	-	313,495	-	313,511
Issuance of stock options below market value	-	-	-	15,400	-	
Conversion of Class C Common Stock to Class A Common Stock	2,064	-	(2,064)	-	-	
Issuance of Class A Common Stock	5,250	-	-	161,772,765	-	161,778,015
Repurchase of Class C Common Stock	-	-	(1,500)	(54,767,250)	-	(54,768,750)
Conversion of Class B Common Stock to Class A Common Stock	7	(7)	-	-	-	
Net income for 1996	-	-	-	-	905,299	905,299
Balance at December 31, 1996	12,209	2,022	-	233,190,382	(152,700,390)	80,504,223
Contribution of shares into Company's defined contribution plan	53	-	-	1,574,958	-	
Exercise of stock options	23	-	-	454,227	-	454,250
Repurchase and retirement of Class A Common Stock	(459)	-	-	(12,338,021)	-	
Conversion of Class B Common Stock to Class A Common Stock	25	(25)	-	-	-	
Net loss for 1997	-	-	-	-	(10,349,396)	(10,349,396)
Balance at December 31, 1997	11,851	1,997	-	222,881,546	(163,049,786)	59,845,608
Contribution of shares into Company's defined contribution plan	22	-	-	1,103,172	-	
Exercise of stock options	16	-	-	358,703	-	358,719
Repurchase and retirement of Class A Common Stock	(552)	-	-	(19,488,610)	-	
Conversion of Class B Common Stock to Class A Common Stock	65	(65)	-	-	-	
Issuance of Class A Common Stock and Repurchase of Class B Common Stock for the Adam Young Inc. merger	-	476	-	668,269	378,993	
Net income for 1998	-	-	-	-	3,999,029	3,999,029
Balance at December 31, 1998	$11,402	$ 2,408	$-	$205,523,080	$(158,671,764)	$ 46,865,126

See accompanying notes to consolidated financial statements.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Young Broadcasting Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended December 31, 1996	1997	1998
Operating activities			
Net income (loss)	$ 905,299	$ (10,349,396)	$ 3,999,029
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	16,832,919	19,522,619	23,998,934
Amortization of program license rights	11,033,812	38,279,226	33,013,564
Amortization of broadcasting licenses, other intangibles and deferred charges	14,112,703	27,417,973	25,472,503
Non-cash compensation paid in Common Stock	848,469	967,112	1,146,335
Non-cash interest expense on outstanding indebtedness	357,147	275,588	189,386
Loss on disposal of fixed assets	106,601	467,920	72,977
Extraordinary loss on extinguishment of debt	-	9,243,128	-
Deferred acquisition and debt refinancing costs incurred	(13,125,000)	(1,760,000)	-
Payments on programming license liabilities	(10,384,982)	(38,609,618)	(33,336,886)
(Increase) decrease in trade accounts receivable	(4,367,243)	480,554	7,571,176
Increase in prepaid expenses	(703,641)	(143,678)	(6,025,061)
Increase (decrease)in trade accounts payable	6,067,699	(5,133,300)	(1,468,593)
Increase (decrease) in accrued expenses	3,023,127	366,933	(341,121)
Net cash provided by operating activities	24,706,910	41,025,061	54,292,243
Investing activities			
Purchase of KCAL-TV	(387,508,018)	-	-
Purchase of KWQC-TV	(57,173,000)	-	-
Purchase of KELO-TV	(48,281,308)	-	-
Capital expenditures	(4,991,766)	(9,033,690)	(7,524,480)
Decrease (increase) in deposits and other assets	1,113,231	(214,498)	(26,362,234)
Increase in broadcast licenses and other intangibles	-	(2,508,374)	(267,186)
Net cash used in investing activities	(496,840,861)	(11,756,562)	(34,153,900)
Financing activities			
Proceeds from issuance of long-term debt	305,000,000	-	-
Proceeds from issuance of public subordinated debt	125,000,000	200,000,000	-
Borrowings from working capital facility	25,400,000	-	36,527,000
Principal payments on long-term debt	(79,164,798)	(220,740,000)	(37,787,000)
Deferred acquisition and debt refinancing costs incurred	(4,872,776)	(1,206,520)	(64,871)
Net proceeds from issuance of Class A Common Stock	161,778,015	-	-
Repurchase of Class A and Class C Common Stock	(57,692,555)	(12,338,480)	(19,489,162)
Proceeds from exercise of options	313,511	454,249	358,719
Principal payments under capital lease obligations	(48,335)	(790,064)	(672,159)
Net cash provided by (used in) financing activities	475,713,062	(34,620,815)	(21,127,473)
Net increase (decrease) in cash	3,579,111	(5,352,316)	(989,130)
Cash and cash equivalents at beginning of year	3,425,633	7,004,744	1,652,428
Cash and cash equivalents at end of year	$ 7,004,744	$ 1,652,428	$ 663,298
Supplemental disclosure of cash flow information			
Interest paid	$ 35,980,944	$ 63,930,212	$ 62,214,784

See accompanying notes to consolidated financial statements.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

1. Operations of the Company

The business operations of Young Broadcasting Inc. and subsidiaries (the "Company") consist of eleven network affiliated stations (four with CBS, six with ABC, and one with NBC), and one independent commercial television broadcasting station in the states of Michigan, Wisconsin, Louisiana, Illinois, Tennessee, New York, Virginia, Iowa, South Dakota and California, and a national television sales representation firm (see Note 3).

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the financial statements of Young Broadcasting Inc., its wholly-owned subsidiaries and three limited partnerships. Significant intercompany accounts and transactions have been eliminated in consolidation.

Concentration of Credit Risk

The Company provides advertising air time to national, regional and local advertisers within the geographic areas in which the Company operates. Credit is extended based on an evaluation of the customer's financial condition, and advance payment is not generally required. Credit losses are provided for in the consolidated financial statements and have consistently been within management's expectations.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The principal areas of judgment relate to the allowance for doubtful accounts and the realizability of program license rights. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Program License Rights

Program license rights are stated at cost, less accumulated amortization. Program license rights acquired as part of a station acquisition are recorded at their appraised value. Program rights with lives greater than one year, and when the Company has the right to multiple showings, are amortized using an accelerated method. Program rights expected to be amortized in the succeeding year and amounts payable within one year are classified as current assets and liabilities, respectively. Program rights with lives of one year or less are amortized on a straight-line basis.

Property and Equipment

Property and equipment are stated on the basis of cost, less accumulated depreciation. Equipment under capital leases is stated at the present value of the future minimum lease payments at the inception of the lease, less accumulated depreciation. Major renewals and improvements are charged to the property and equipment accounts. Maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred.

Depreciation and amortization of property and equipment are calculated on the straight-line basis over the estimated useful lives of the assets. Equipment held under capital leases is generally amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. The estimated useful lives of depreciable assets are as follows:

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Classification	Estimated Useful Lives
Land improvements	5-19 years
Buildings and building improvements	5-40 years
Broadcast equipment	3-10 years
Office furniture, fixtures and other equipment	5-8 years
Vehicles	3-5 years

Property and equipment at December 31, 1997 and 1998 consist of the following:

(in thousands)	1997	1998
Land and land improvements	$ 8,097	$ 8,035
Buildings and building improvements	37,195	37,726
Broadcast equipment	152,096	158,496
Office furniture, fixtures and other equipment	10,174	10,702
Vehicles	3,920	4,535
	$211,482	$219,494

Broadcasting Licenses and Other Intangibles

Intangible assets, which include broadcasting licenses, network affiliation agreements, and other intangibles are carried on the basis of cost, less accumulated amortization. Cost is based upon appraisals. Intangible assets are amortized over varying periods, not exceeding 40 years. It is the Company's policy to account for broadcasting licenses and other intangibles at the lower of amortized cost or estimated realizable value. As part of an ongoing review of the valuation and amortization of broadcasting licenses and other intangibles of the Company and its subsidiaries, management assesses the carrying value of the broadcasting licenses and other intangibles if facts and circumstances suggest that there may be impairment. If this review indicates that the broadcasting licenses and other intangibles will not be recoverable as determined by a non-discounted cash flow analysis of the operating assets over the remaining amortization period, the carrying value of the broadcasting licenses and other intangibles would be reduced to estimated realizable value.

Deferred Charges

Deferred charges incurred during 1997 consisted primarily of debt issuance costs incurred in connection with the Company's 8 3/4% Senior Subordinated Notes issued on June 23, 1997 (see Note 6), and an amendment to its Senior Credit Facility (see Note 5). As a result of the amendment, approximately $9.2 million of net deferred charges incurred in 1996 were expensed in 1997 and included as part of the extraordinary item in the accompanying statements of operations.

Revenue

The Company's primary source of revenue is the sale of television time to advertisers. Revenue is recorded when the advertisements are broadcast.

Barter Arrangements

The Company, in the ordinary course of business, provides advertising air time to certain customers in exchange for products or services. Barter transactions are recorded on the basis of the estimated fair market value of the products or services received. Revenue is recognized as the related advertising is broadcast and expenses are recognized when the merchandise or services are consumed or utilized. Barter revenue transactions related to the purchase of equipment amounted to approximately $36,000, $681,000 and $203,000 in 1996, 1997, and 1998, respectively, and are depreciated in accordance with Company policy as stated above. The Company has entered into barter

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

agreements with program syndicators for television programs with an estimated fair market value, recorded as assets and liabilities at December 31, 1997 and 1998, of $5.7 million and $2.5 million, respectively.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return and separate state tax returns. In addition, partnership returns are filed for its three limited partnerships. Since the partners are all participants in the consolidation, all partnership income or losses are ultimately included in the consolidated federal income tax return. The future utilization of a significant portion of the Company's net operating losses for federal income tax purposes is subject to an annual limitation (see Note 8).

Recent Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("FAS 131"), which is effective for years beginning after December 15, 1997. FAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosure about products and services, geographic areas and major customers. FAS 131 is effective for financial statements for fiscal years beginning after December 15, 1997. The Company adopted the new requirements in 1998. Management has concluded that the adoption will not have an effect on the financial statement disclosure for the Company.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company is required to adopt the provisions of the standard during the first quarter of 2000. Because the Company does not use derivatives, the Company does not expect that the adoption of the new standard will have a material impact on the Company's results of operations or financial condition.

Reclassification of Accounts

Certain prior year amounts have been reclassified to conform to current year's presentation.

3. Merger

On February 5, 1998, the Company entered into an Agreement and Plan of Merger with Adam Young Inc. ("AYI") and AYI Acquisition Corporation, a wholly-owned subsidiary of the Company ("Sub"), pursuant to which AYI was merged with and into Sub and became a wholly-owned subsidiary of the Company.

The acquisition of AYI has been accounted for as a combination of companies under common control similar to a pooling-of-interests. The Company issued 526,757 shares of the Company's Class A Common Stock and repurchased 50,450 shares of Class B Common Stock as Treasury Shares, with an approximate value of $19.3 million, to Vincent Young, the Company's Chairman and to Adam Young, the Company's Treasurer and his wife in exchange for all of the outstanding stock of AYI which was held by these persons.

Historical information related to this acquisition was not included in the Company's historical results as the impact of this acquisition was not deemed to be material.

4. Program License Rights and Liability

The Company entered into agreements for program license rights which became available in 1997 and 1998 of approximately $38.1 million and $28.9 million, respectively.

On June 16, 1998, the Company entered into a new long-term agreement with the Los Angeles Lakers ("Lakers") with broadcast rights through the 2004/2005 season. Under the terms of the seven year deal, KCAL-TV, Los Angeles, California, a wholly-owned subsidiary of the Company, will broadcast 41 Lakers pre-season and regular

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

season away games annually. Additionally, KCAL-TV obtained the broadcast rights to all post-season away games not subject to NBA/network commitments. KCAL-TV also obtained the exclusive sales rights and control over broadcast, production and inventory activities. The Company paid an initial rights fee of $30 million on August 14, 1998, which was recorded as a deposit in the accompanying consolidated financial statements. The Company will pay an additional $18.0 million per season. In the event that all 41 games are not made available to KCAL-TV or are canceled, the Company will receive a per game credit.

The unpaid program license liability, which is reflected in the December 31, 1998 balance sheet, is payable during each of the years subsequent to 1998 as follows: 1999, $12.4 million; 2000, $1.7 million; 2001, $523,000; and $2,000 in 2002.

The obligation for programming that has been contracted for, but not recorded in the accompanying balance sheets because the program rights were not currently available for airing aggregated approximately $19.9 million at December 31, 1998.

5. Long -Term Debt

Long-term debt (excluding Senior Subordinated Notes) at December 31, 1997 and 1998 consisted of the following:

	1997	1998
	(dollars in thousands)	
Senior Credit Facility	$82,260	$85,000
Nationwide Seller Note	1,725	914
Midcontinent Seller Note	3,000	-
Total long-term debt	86,085	85,914
Less:		
Scheduled current maturities	908	914
Midcontinent Seller Note	3,000	-
Long-term debt excluding all current installments	$83,077	$85,000

On November 25, 1997, the Company amended and restated its Senior Credit Facility ("Senior Credit Facility"). The amendment provides for borrowings of up to an aggregate amount of $300.0 million consisting of a five year revolving facility ("Revolver").

At December 31, 1998, the Company had outstanding borrowings of $85.0 million under the Revolver, which approximates its fair value as its interest rate floats with market conditions. The Company pays an annual commitment fee of 0.375% of the unused commitment.

The Senior Credit Facility provides, at the option of the Company, that borrowed funds bear interest based upon the bank's base rate, London Interbank Offered Rate (LIBOR), the customary "CD Rate" or "Base Rate." In addition to the index rate, the Company pays a floating percentage on borrowings under the Revolver tied to the interest rate option and the Company's ratio of total debt to operating cash flow, ranging from 0.75% based upon a ratio under 4:1 to 2.00% based upon a 6:1 or greater ratio. For the year ended December 31, 1998, this floating percentage was 1.75%. At December 31, 1998, the effective interest rate for amounts outstanding under the Senior Credit Facility was 7.24%.

The Senior Credit Facility contains, among other things, limitations on dividends and investments, and requires the Company to maintain certain financial ratios. At December 31, 1998, the Company was in compliance with all such covenants. The Senior Credit Facility is secured by a pledge of all the stock of the Company's subsidiaries and a first priority lien on substantially all of the assets of the Company. Each of the Company's subsidiaries guarantee the obligations under the Senior Credit Facility.

The aggregate fixed maturity, including accreted non-cash interest, under the Nationwide Seller Note subsequent to December 31, 1998 is $1.0 million in 1999.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

6. Senior Subordinated Notes

Senior Subordinated Notes at December 31, 1997 and 1998 consisted of the following:

	1997	1998
	(in thousands)	
11.75% Senior Subordinated Notes	$120,000	$120,000
10.125% Senior Subordinated Notes	125,000	125,000
9% Senior Subordinated Notes	125,000	125,000
8.75% Senior Subordinated Notes	200,000	200,000
	$570,000	$570,000

On November 14, 1994, the Company issued 11 3/4% Senior Subordinated Notes due 2004 with an aggregate principal amount of $120.0 million (the "November 1994 Notes"). Interest on the November 1994 Notes is payable semi-annually on May 15 and November 15. The November 1994 Notes are redeemable, in whole or in part, at the option of the Company on or after November 15, 1999, at the redemption prices set forth in the Senior Subordinated Note Indenture ("Indenture") pursuant to which the November 1994 Notes were issued plus accrued interest to the date of redemption.

On June 12, 1995, the Company issued 10 1/8% Senior Subordinated Notes due 2005 with an aggregate principal amount of $125.0 million (the "June 1995 Notes"). Interest on the June 1995 Notes is payable semi-annually on February 15 and August 15. 1995. The June 1995 Notes are redeemable, in whole or in part, at the option of the Company on or after February 15, 2000, at the redemption prices set forth in the Indenture pursuant to which the June 1995 Notes were issued plus accrued interest to the date of redemption.

On January 16, 1996, the Company issued 9% Senior Subordinated Notes due 2006 with an aggregate principal amount of $125.0 million (the "January 1996 Notes"). Interest on the January 1996 Notes is payable semi-annually on January 15 and July 15. The January 1996 Notes are redeemable, in whole or in part, at the option of the Company on or after January 15, 2001, at the redemption prices set forth in the Indenture, pursuant to which the January 1996 Notes were issued, plus accrued interest to the date of redemption.

On June 23, 1997, the Company issued 8 3/4% Senior subordinated Notes due 2007 with an aggregate principal amount of $200.0 million (the "June 1997 Notes"). Interest on the June 1997 Notes is payable semi-annually on June 15th and December 15th. The June 1997 Notes are redeemable, in whole or in part, at the option of the Company on or after June 15, 2002, at the redemption prices set forth in the Indenture, pursuant to which the June 1997 Notes were issued, plus accrued interest to the date of redemption. In addition, at anytime before June 15, 2000, the Company, at its option, may redeem up to $67 million of the June 1997 Notes, with the net proceeds of one or more public equity offerings, at a redemption price equal to 108 3/4% of the principal amount thereof, plus accrued interest to the date of redemption.

The Company's November 1994 Notes, June 1995 Notes, January 1996 Notes, and June 1997 Notes (collectively the "Notes") are general unsecured obligations of the Company and subordinated in right of payment to all senior debt, including all indebtedness of the Company under the Senior Credit Facility. The Notes are guaranteed, jointly and severally, on a senior subordinated unsecured basis by all of the Company's subsidiaries.

Upon a change of control, each holder of the Notes will have the right to require the Company to repurchase such holder's Notes at a price equal to 101% of their principal amount plus accrued interest to the date of repurchase. In addition, the Company will be obligated to offer to repurchase Notes at 100% of their principal amount plus accrued interest to the date of repurchase in the event of certain asset sales.

At December 31, 1998, the November 1994 Notes, June 1995 Notes, January 1996 Notes, and the June 1997 Notes were trading in the public market with ask prices of 107.3, 105.3, 101.0 and 101.5, respectively.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

7. Stockholders' Equity

Common Stock

The Company's stockholders' equity consists of three classes of common stock designated Class A, Class B and Class C which are substantially identical except for voting rights. The holders of Class A Common Stock are entitled to one vote per share. Holders of Class B Common Stock are entitled to ten votes per share. Holders of Class C Common Stock are not entitled to vote. Holders of all classes of Common Stock entitled to vote will vote together as a single class. Holders of Class C Common Stock may at any time convert their shares into the same number of shares of Class A Common Stock. At December 31, 1998, there were no holders of Class C Common Stock outstanding.

Ownership of Class B Common Stock is restricted to members of management and by, or in trust for, family members of management ("Management Group"). In the event that any shares of Class B Common Stock held by a member of the Management Group are transferred outside of the Management Group, such shares will automatically be converted into shares of Class A Common Stock. In addition, if the total number of shares of Common Stock held by members of the Management Group falls below 5% of the total number of shares of Common Stock outstanding, all of the outstanding shares of Class B Common Stock automatically will be reclassified as Class A Common Stock.

In any merger, consolidation or business combination, the consideration to be received per share by holders of Class A and Class C Common Stock must be identical to that received by holders of Class B Common Stock.

On October 4, 1996, the Company completed an additional public offering of its Class A Common Stock, (the "Offering"). The Offering included 5,250,000 shares sold by the Company and 2,111,398 shares sold by selling stockholders of the Company. The net proceeds to the Company of $162.9 million were used to pay down $20.0 million under the Senior Credit Facility, repurchase the stock and warrants held by Capital Cities/ABC, Inc. for $54.8 million (see stock repurchases below), and $1.1 million of other related expenses. The Company used the remaining net proceeds, approximately $87.0 million, to partially finance the KCAL-TV acquisition.

The terms of the Senior Credit Facility and the Indentures relating to the Company's outstanding Senior Subordinated Notes (the "Indentures") restrict the Company's ability to pay cash dividends on its Common Stock. Under the Indentures, the Company is not permitted to pay any dividends on its Common Stock unless at the time of, and immediately after giving effect to the dividend, no default would result under the Indentures and the Company would continue to have the ability to incur indebtedness. In addition, under the Indentures, dividends may not exceed an amount equal to the Company's cash flow less a multiple of the Company's interest expense, plus the net proceeds of the sale by the Company of additional capital stock.

The Company regularly contributed Class A Common Stock into its defined contribution plan (see Note 9) for the years ended 1996, 1997, and 1998.

Stock Option Plans

On May 22, 1995, the Company adopted the Young Broadcasting Inc. 1995 Stock Option Plan ("1995 Stock Option Plan").

The 1995 Stock Option Plan was adopted to provide incentives for independent directors, officers and employees. It may be administered by either the entire Board of Directors of the Company or a committee consisting of two or more members of the Board, each of whom is a non-employee director. The Board of Directors or committee, as the case may be, is to determine, among other things, the recipients of grants, whether a grant will consist of incentive stock options ("ISOs"), non-qualified stock options or stock appreciation rights ("SARs") (in tandem with an option or free-standing) or a combination thereof, and the number of shares to be subject to such options. ISOs may be granted only to officers and key employees of the Company and its subsidiaries. Non-qualified stock options and SARs may be granted to such officers and employees as well as to agents and directors of and consultants to the Company, whether or not otherwise employees of the Company.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

The 1995 Stock Option Plan provides for the granting of ISOs to purchase the Company's Common Stock at not less than the fair market value on the date of the option grant and the granting of non-qualified options and SARs with any exercise price. SARs granted in tandem with an option have the same exercise price as the related option. The total number of shares with respect to which options and SARs may be granted under the 1995 Stock Option Plan is currently 1,500,000. As of December 31, 1998, non-qualified and incentive stock options for an aggregate of 1,464,370 shares at various prices from $19.75 to $61.20 have been granted to various individuals, including various executive officers. The 1995 Stock Option Plan contains certain limitations applicable only to ISOs granted thereunder. To the extent that the aggregate fair market value, as of the date of grant, of the shares to which ISOs become exercisable for the first time by an optionee during the calendar year exceed $100,000, the option will be treated as a non-qualified option. In addition, if an optionee owns more than 10% of the total voting power of all classes of the Company's stock at the time the individual is granted an ISO, the option price per share cannot be less than 110% of the fair market value per share and the term of the ISO cannot exceed five years. No option or SAR may be granted under the Stock Option Plan after February 5, 2005, and no option may be outstanding for more than ten years after its grant.

Those directors who are not also employees of the Company receive an annual retainer as fixed by the Board of Directors, which may be in the form of cash or stock options, or a combination of both, and also receive reimbursement of out-of-pocket expenses incurred for each Board or committee meeting attended. Non-employee directors also receive, upon becoming a director, a five-year option to purchase up to 1,000 shares of Class A Common Stock at an exercise price equal to 120% of the quoted price on the date of grant. No other directors are compensated for services as a director.

Under the 1995 Stock Option Plan for the year ended December 31, 1998, independent directors, officers and employees were not granted options to purchase the Company's stock at less than the fair market value on the date of the option grant. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No.123, (SFAS No. 123") "Accounting for Stock-Based Compensations." Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plan been determined based on the fair market value at the grant date for awards in 1996, 1997, and 1998 consistent with the provisions of SFAS No. 123, the Company's net (loss) income and (loss) income per share would have been the pro forma amounts indicated below:

	1996	1997	1998
	(dollars in thousands)		
Net (loss) income - as reported	$ 905	$(10,349)	$3,999
Net (loss) income - pro forma	$(1,274)	$(12,531)	$1,183
Net (loss) income per basic common share-as reported	$ 0.08	$ (0.74)	$ 0.28
Net (loss) income per basic common share-pro forma	$ (0.11)	$ (0.90)	$ 0.08

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years. The fair value for these options was estimated at the date of grant using the Black-Scholes model with the following assumptions:

Expected dividend yield	0%
Expected stock price volatility	25%
Risk-free interest rate:	
1996	5.92%
1997	5.80%
1998	5.04%
Expected life of options	5 years

The weighted average fair value of options granted during 1996, 1997, and 1998 was $10.41, $11.58 and $14.20 respectively.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Changes during 1996, 1997 and 1998 in stock options are summarized as follows:

	Stock Options Outstanding	Weighted Average Exercise Price
Outstanding at January 1, 1996	668,825	$19.80
Granted	475,400	30.67
Exercised	(15,874)	19.75
Forfeited	(12,563)	19.75
Outstanding at December 31, 1996	1,115,788	24.45
Granted	246,657	36.16
Granted	13,790	39.88
Exercised	(23,000)	19.81
Outstanding at December 31, 1997	1,353,235	26.83
Granted	130,792	26.83
Exercised	(16,750)	21.42
Forfeited	(2,907)	33.67
Outstanding at December 31, 1998	1,464,370	$28.25

Options for 446,937 shares, 775,563 shares, and 920,755 shares were exercisable at December 31, 1996, 1997, and 1998, respectively.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 1998	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 1998	Weighted Average Exercise Price
$19.75-$21.73	599,988	7.0	19.80	599,988	19.80
$28.00-$31.75	491,413	8.3	30.67	233,463	30.69
$34.50-$39.875	260,447	8.8	36.40	73,512	36.26
$43.50-$61.20	112,522	10.0	43.92	13,792	46.93
	1,464,370	8.50	28.25	920,755	24.28

At December 31, 1998, the Company has reserved 41,892 shares of its Class A Common Stock and 1,422,478 shares of Class B Common Stock in connection with stock options.

During 1998, there were an additional 396,000 options granted at exercise prices from $24.50 - $26.95 that are conditioned based on stockholder approval at the 1999 annual meeting of stockholders.

Stock Repurchases

On December 15, 1995, the Company reached an agreement with J.P. Morgan Capital Corporation to repurchase 138,008 shares and 285,251 shares of the Company's Class A and C Common Stock, respectively for approximately $11.1 million. On December 31, 1995, the Company repurchased 26,625 shares of Class A and 285,251 shares of Class C Common Stock for an aggregate price of $8.2 million. The remaining 111,383 shares of Class A Common Stock were repurchased on January 3, 1996 for an aggregate purchase price of $2.9 million.

In 1996, the Company repurchased 1.5 million shares of the Company's Class C Common Stock (the "ABC Stock") and warrants to purchase 750,000 shares of such Class C Common Stock (the "ABC Warrants") from Capital

Cities/ABC, Inc., a wholly owned subsidiary of Disney, concurrently with the closing of the Offering. The Company repurchased the ABC Stock at a per share price equal to the difference between the public offering price per share ($32.50) of the Class A Common Stock, less the underwriting discount per share. The Company repurchased the ABC Warrants at a per share price equal to the difference between the public offering price per share of the Class A Common Stock and the per share exercise price of the ABC Warrants ($22.80), plus $2, less one-half of the underwriting discount per share.

During April and May of 1997, the Company repurchased 459,000 shares of its Class A Common Stock in open-market purchases pursuant to a stock repurchase program for an aggregate price of approximately $12.3 million.

During September and October of 1998, the Company repurchased 552,800 shares of its Class A Common stock in open-market purchases pursuant to a stock repurchase program for an aggregate price of approximately $19.5 million.

8. Income Taxes

At December 31, 1998, the Company had net operating loss ("NOL") carryforwards for tax purposes of approximately $209.0 million expiring at various dates through 2013. The availability of NOL carryforwards to offset future income is subject to annual limitations imposed by Internal Revenue Code Section 382 as a result of successive ownership changes.

These limitations are summarized as follows:

NOL Carryforwards	Annual Usage Limitation
$129 million	$8.9 million
54 million	$20.9 million
26 million	No limit
$209 million	

The amount of NOL carryforwards available to offset income in 1999 is approximately $64.0 million based upon carryforwards of annual limitations and NOLs with no limitations. To the extent that an annual NOL limitation is not used, it carries and accumulates forward to future years.

Significant components of the Company's deferred tax assets and liabilities as of December 31, 1997 and 1998 are as follows:

	1997	1998
Deferred tax assets:		
Accounts Receivable	$ 744,000	$ 804,800
Other	58,392	58,392
NOL Carryforwards	73,852,347	83,467,477
Less: Valuation allowance	(51,660,603)	(51,249,179)
Total deferred tax assets	$ 22,994,136	$ 33,081,490
Deferred tax liabilities:		
Fixed Assets	$ 3,727,957	$ 6,155,957
Intangibles	90,666,871	98,326,225
Other	49,581	49,581
Total deferred tax liabilities	94,444,409	104,531,763
Net deferred tax liabilities	$(71,450,273)	$(71,450,273)

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

The 1998 effective tax rate varied from the statutory Federal income tax rate as follows:

	1998
Income taxes at the statutory rate	$1,217,384
Restructuring costs	260,000
Meals & entertainment	136,400
Valuation allowance	(1,613,784)
Total	$ -

9. Employee Benefit Plans

The Company sponsors defined contribution plans ("Plan") which provide retirement benefits for all eligible employees. The Plan participants may make pretax contributions from their salaries up to the maximum allowed by the Internal Revenue Code.

For the year ended December 31, 1996, the Company accrued a non-matching contribution (28,481 shares of Class A Common Stock) equal to 3% of eligible employee compensation amounting to approximately $833,000. The Company effected such contributions by issuing the shares on January 10, 1997.

On January 1, 1997, the Company adopted and established a matching stock plan ("Matching Plan"). According to the Matching Plan, the Company will contribute one-half of every dollar a participant contributes, up to the first 3% of the participant's pay.

For the year ended December 31, 1997, the Company paid and accrued a matching stock contribution (30,817 shares of Class A Common Stock) equal to 3% of eligible employee compensation amounting to $967,000. The Company effected such contributions by issuing the shares on a quarterly basis. The fourth quarter of 1997 was issued on January 16, 1998.

For the year ended December 31, 1998, the Company paid and accrued a matching stock contribution (25,243 shares of Class A Common Stock) equal to 3% of eligible employee compensation amounting to $1,146,000. The Company effected such contributions by issuing the shares on a quarterly basis. The fourth quarter of 1998 was issued on January 11, 1999.

10. Commitments and Contingencies

The Company is obligated under various capital leases for certain broadcast equipment, office furniture, fixtures and other equipment that expire at various dates during the next seven years. At December 31, 1997 and 1998, the net amount of property and equipment recorded under capital leases was $1,259,000 and $531,000 respectively. Amortization of assets held under capital leases is included with depreciation and amortization of property and equipment.

The Company also has certain non-cancelable operating leases, primarily for administrative offices, broadcast equipment and vehicles that expire over the next five years. These leases generally contain renewal options for periods of up to five years and require the Company to pay all costs such as maintenance and insurance.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and the present value of future minimum capital lease payments as of December 31, 1998 are as follows:

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

	Capital Leases	Operating Leases
	(dollars in thousands)	
Year ending December 31:		
1999	$ 492	$ 3,744
2000	278	3,604
2001	288	3,429
2002	297	2,085
2003	308	1,559
Thereafter	647	1,658
Total minimum lease payments	$2,310	$16,079

11. Related Party Transactions

During 1994 and 1995, the Company made loans to certain executive officers and other employees of the Company to satisfy the federal tax withholding requirements related to non-cash compensation paid in the form of shares of the Company's Class B Common Stock. Such shares include shares issued pursuant to an Incentive Stock Grant Program ("Program") in August 1994 and November 1994 and shares issued in March 1994 as part of the compensation under employment arrangements. The aggregate amount of such loans outstanding, including accrued interest at December 31, 1998 was approximately $739,000. The principal amount of the loans will bear interest, payable annually, at the rate of 7.21%. The loans are secured by each employee's shares of common stock and the principal is payable in five equal annual installments between 1995 and 1999.

On November 8, 1995, the Board of Directors approved a loan forgiveness program (the "Loan Forgiveness Program") for the payment that was due on November 15, 1995 and the payments due in subsequent years. Under this program, participants that chose to participate will have their annual installments forgiven over the year following the scheduled payment date at the rate of one-twelfth per month, as long as the employee continues to be employed by the Company.

12. Quarterly Financial Data (Unaudited)

The following summarizes the Company's results of operations for each quarter of 1998 and 1997 (in thousands, except per share amounts). The (loss) income per common share computation for each quarter and the year are separate calculations. Accordingly, the sum of the quarterly (loss) income per common share amounts may not equal the (loss) income per common share for the year.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(dollars in thousands, except per share amounts)			
1998				
Net revenues	$64,581	$77,246	$62,944	$72,281
Operating income	8,615	23,114	12,822	22,853
Net (loss) income	(7,335)	7,809	(3,452)	6,977
Net (loss) income per common share:				
Basic	$ (0.52)	$ 0.54	$ (0.24)	$ 0.51
Diluted	$ (0.52)	$ 0.52	$ (0.24)	$ 0.49
1997				
Net revenues	$61,279	$71,100	$57,939	$73,217
Operating income	10,038	21,136	9,991	22,325
Net (loss) income before extraordinary Item	(5,566)	5,212	(6,540)	5,788
Net (loss) income	(5,566)	5,212	(6,540)	(3,455)
Net (loss) income per common share:				
Basic	$ (0.39)	$ 0.37	$ (0.47)	$ (0.25)
Diluted	$ (0.39)	$ 0.37	$ (0.47)	$ (0.24)

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Quarterly depreciation and amortization is provided based on estimates. The results of the fourth quarter of 1997 are net of a year-end adjustment for depreciation and amortization of $2.5 million.

The results for the fourth quarter of 1997 include an extraordinary loss of approximately $9.2 million ($0.66 per share) related to the early extinguishment of debt.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
YOUNG BROADCASTING INC.

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Bal. at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (1)	Deductions (2)	Bal. at end of Period
Year ended December 31, 1996					
Deducted from asset accounts:					
Allowance for doubtful Accounts...........	$ 785,000	492,000	1,429,000	496,000	$2,210,000
Year ended December 31, 1997					
Deducted from asset accounts:					
Allowance for doubtful accounts...........	$2,210,000	323,000	-	661,000	$1,872,000
Year ended December 31, 1998:					
Deducted from asset accounts:					
Allowance for doubtful accounts............	$1,872,000	488,000	52,000	400,000	$2,012,000

____
(1) Amount relates to Acquired Stations and merger of Adam Young Inc.
(2) Write-off of uncollectible accounts

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Information called for by Item 10 is set forth under the heading "Executive Officers of the Registrant" in Part I hereof and in "Election of Directors" in the Company's Proxy Statement relating to the 1999 Annual Meeting of Stockholders (the "1999 Proxy Statement"), which is incorporated herein by this reference.

Item 11. Executive Compensation.

Information called for by Item 11 is set forth under the heading "Executive Compensation" in the 1999 Proxy Statement, which is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information called for by Item 12 is set forth under the heading "Security Ownership of Certain Beneficial Owners and Management" in the 1999 Proxy Statement, which is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions.

Information called for by Item 13 is set forth under the heading "Election of Directors--Certain Transactions" in the 1999 Proxy Statement, which is incorporated herein by this reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Financial statements and the schedule filed as a part of this report are listed on the "Index to Consolidated Financial Statements" at page 37 herein. All other schedules are omitted because either (i) they are not required under the instructions, (ii) they are inapplicable, or (iii) the information is included in the Consolidated Financial Statements.

(b) The Company did not file any reports on Form 8-K during the fourth quarter of the year ended December 31, 1998.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

EXHIBITS

Exhibit Number	Exhibit Description
3.1(a)	Restated Certificate of Incorporation of the Company*
3.1(b)	Certificate of Amendment to Restated Certificate of Incorporation of the Company**
3.1(c)	Certificate of Amendment to Restated Certificate of Incorporation of the Company***
3.2	Second Amended and Restated By-laws of the Company*
3.3	Certificate of Incorporation of Young Broadcasting of La Crosse, Inc.*
3.4	By-laws of Young Broadcasting of La Crosse, Inc.*
3.5	Certificate of Incorporation of Young Broadcasting of Lansing, Inc.*
3.6	By-laws of Young Broadcasting of Lansing, Inc.*
3.7	Certificate of Incorporation of Young Broadcasting of Albany, Inc.*
3.8	By-laws of Young Broadcasting of Albany, Inc.*
3.9	Certificate of Incorporation of Winnebago Television Corporation*
3.10	By-laws of Winnebago Television Corporation*
3.11	Certificate of Incorporation of Young Broadcasting of Nashville, Inc.*
3.12	By-laws of Young Broadcasting of Nashville, Inc.*
3.13	Certificate of Incorporation of YBT, Inc.*
3.14	By-laws of YBT, Inc.*
3.15	Certificate of Limited Partnership of WKRN, L.P.*
3.16	Agreement of Limited Partnership of WKRN, L.P.*
3.17	Certificate of Incorporation of Young Broadcasting of Louisiana, Inc.*
3.18	By-laws of Young Broadcasting of Louisiana, Inc.*
3.19	Certificate of Incorporation of LAT, Inc.*
3.20	By-laws of LAT, Inc.*
3.21	Certificate of Limited Partnership of KLFY, L.P.*
3.22	Agreement of Limited Partnership of KLFY, L.P.*
3.23	Certificate of Incorporation of Young Broadcasting of Knoxville, Inc.*
3.24	By-laws of Young Broadcasting of Knoxville, Inc.*
3.25	Certificate of Incorporation of YBK, Inc.*
3.26	By-laws of YBK, Inc.*
3.27	Certificate of Limited Partnership of WATE, L.P.*
3.28	Agreement of Limited Partnership of WATE, L.P.*
3.29	Certificate of Incorporation of Young Broadcasting of Richmond, Inc.*
3.30	By-laws of Young Broadcasting of Richmond, Inc.*
3.31	Certificate of Incorporation of Young Broadcasting of Green Bay, Inc.*
3.32	By-laws of Young Broadcasting of Green Bay, Inc.*
3.33	Certificate of Incorporation of Young Broadcasting of Davenport, Inc.**
3.34	By-laws of Young Broadcasting of Davenport, Inc.**
3.35	Certificate of Incorporation of Young Broadcasting of Sioux Falls, Inc.****
3.36	By-laws of Young Broadcasting of Sioux Falls, Inc.****
3.37	Certificate of Incorporation of Young Broadcasting of Rapid City, Inc.****
3.38	By-laws of Young Broadcasting of Rapid City, Inc.****
3.39	Certificate of Incorporation of Young Broadcasting of Los Angeles, Inc.****
3.40	By-laws of Young Broadcasting of Los Angeles, Inc.****
3.41	Certificate of Incorporation of Fidelity Television, Inc.****
3.42	By-laws of Fidelity Television, Inc.****
9.1(a)	Voting Trust Agreement, dated July 1, 1991, between Adam Young, and Vincent Young and Richard Young as trustees*
9.1(b)	Amendment No. 1, dated as of July 22, 1994, to Voting Trust Agreement*

9.1(c) Amendment No. 2, dated as of April 12, 1995, to Voting Trust Agreement**
9.1(d) Amendment No. 3, dated as of July 5, 1995, to Voting Trust Agreement**
9.1(e) Amendment No. 4, dated as of September 11, 1996, to Voting Trust Agreement****
9.1(f) Amendment No. 5, dated as of January 21, 1997, to Voting Trust Agreement****
9.1(g) Voting Trust Agreement, dated October 1, 1996, between Adam Young, and Vincent Young as trustee ****
10.1 Subscription and Shareholders Agreement, dated May 26, 1988, between the Company and Ronald J. Kwasnick*
10.2(a) Employment Agreement, dated as of March 1, 1993, between the Company and James A. Morgan*
10.2(b) Amendment, dated as of March 27, 1995, effective as of February 15, 1995, to Employment Agreement, dated as of March 1, 1993, between the Company and James A. Morgan*****
10.3 Operating Agreement, dated December 29, 1989, between WKRN, L.P. and Young Broadcasting of Nashville, Inc.*
10.4 Operating Agreement, dated December 29, 1989, between KLFY, L.P. and Young Broadcasting of Louisiana, Inc.*
10.5 Operating Agreement between WATE, L.P. and Young Broadcasting of Knoxville, Inc.*
10.6 Agreement, dated July 1, 1991, between Adam Young Inc. and Young Broadcasting of Albany, Inc. (Agreement filed hereunder is representative of five other substantially similar agreements. See Schedule filed with this Exhibit)*
10.7 Affiliation Agreements, each dated October 10, 1994, between Young Broadcasting of Albany, Inc. and ABC (for WTEN and WCDC)*
10.8 Affiliation Agreement, dated October 10, 1994, between WKRN, L.P. and ABC*
10.9 Affiliation Agreement, dated September 19, 1994, between Young Broadcasting of La Crosse, Inc. and CBS*
10.10 Affiliation Agreement, dated September 19, 1994, between KLFY, L.P. and CBS*
10.11 Affiliation Agreement, dated May 17, 1995, between Winnebago Television Corporation and ABC**
10.12 Affiliation Agreement, dated September 19, 1994, between Young Broadcasting of Lansing, Inc. and CBS*
10.13 Affiliation Agreement, dated October 10, 1994, between Young Broadcasting of Richmond, Inc. and ABC*
10.14 Affiliation Agreement, dated October 10, 1994, between WATE, L.P. and ABC*
10.15 Affiliation Agreement, dated October 10, 1994, between Young Broadcasting of Green Bay, Inc. and ABC*
10.16 Affiliation Agreement, dated February 3, 1995, between Broad Street Television, L.P. and NBC**
10.17 Affiliation Agreement, dated April 3, 1996, between Young Broadcasting of Sioux Falls, Inc. and CBS (KELO); Affiliation Agreements (satellite), each dated April 3, 1996, between Young Broadcasting of Sioux Falls, Inc. and CBS (KPLO and KDLO); and Affiliation Agreement, dated April 3, 1996, between Young Broadcasting of Rapid City, Inc. and CBS (KCLO)******
10.18(a) Lease, dated March 29, 1990, between Lexreal Associates, as Landlord, and the Company*
10.18(b) First Amendment to Lease, dated January 14, 1997****
10.19(a) Master Equipment Lease Agreement, dated May 31, 1990, between First Chicago Leasing Corporation and Young Broadcasting of Albany, Inc.*
10.19(b) Lease Supplement No. 1, dated May 31, 1990*
10.19(c) Lease Supplement No. 2, dated August 24, 1990*

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

10.19(d)	Guaranty of the Company*
10.20(a)	Master Equipment Lease Agreement, dated May 31, 1990, between First Chicago Leasing Corporation and Young Broadcasting of Nashville, Inc.*
10.20(b)	Supplement No. 1, dated May 31, 1990*
10.20(c)	Supplement No. 2, dated August 24, 1990*
10.20(d)	Guaranty of the Company*
10.21	Credit Agreement for the Senior Credit Facility********
10.22	Asset Purchase and Sale Agreement, dated as of July 31, 1995, between the Company and Broad Street Television, L.P. (schedules omitted; Registrant agrees to furnish supplementally a copy of any schedule to the Commission upon request)**
10.23	Asset Purchase and Sale Agreement, dated as of January 11, 1996, between the Company and Midcontinent Television of South Dakota, Inc. (schedules omitted; Registrant agrees to furnish supplementally a copy of any schedule to the Commission upon request)*******
10.24	Acquisition Agreement, dated as of May 10, 1996, among the Company, KCAL Broadcasting, Inc., KCAL-TV, Inc. and Disney Enterprises, Inc. (schedules omitted; Registrant agrees to furnish supplementally a copy of any schedule to the Commission upon request)******
10.25	Agreement and Plan of Merger, dated as of February 5, 1998, among the Company, AYI Acquisition Corporation, and Adam Young Inc. and its shareholders********
10.26	Subscription Agreement, dated October 10, 1994, between ABC and the Company with the form of Warrant to be issued to ABC and the form of Registration Rights Agreement attached thereto*
10.27	Indenture, dated November 14, 1994, among the Company, the Subsidiary Guarantors and The First National Bank of Boston, as Trustee, relating to the November 1994 Notes*
10.28	Indenture, dated June 1, 1995, among the Company, the Subsidiary Guarantors and The First National Bank of Boston, as Trustee, relating to the June 1995 Notes**
10.29	Indenture, dated January 1, 1996, among the Company, the Subsidiary Guarantors and State Street Bank and Trust Company, as Trustee, relating to the January 1996 Notes*******
10.30	Indenture, dated June 15, 1997, among the Company, the Subsidiary Guarantors and First Union National Bank, as Trustee, relating to the June 1997 Notes***
10.31	Young Broadcasting Inc. 1995 Stock Option Plan*****
10.32	Purchase Agreement, dated June 6, 1995, among the Company, the Subsidiary Guarantors and BT Securities Corporation and J.P. Morgan Securities Inc.**
10.33	Registration Rights Agreement, dated as of June 12, 1995, among the Company, the Subsidiary Guarantors and BT Securities Corporation and J.P. Morgan Securities Inc.**
10.34	Purchase Agreement, dated January 6, 1996, among the Company, the Subsidiary Guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc.*******
10.35	Registration Rights Agreement, dated as of June 12, 1995, among the Company, the Subsidiary Guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc.*******
10.36	Purchase Agreement, dated June 16, 1997, among the Company, the Subsidiary Guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated ***
10.37	Registration Rights Agreement, dated June 23, 1997, among the Company, the Subsidiary Guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated***
11.1	Statement re computation of per share earnings
18.1	Letter of Ernst & Young LLP regarding change in accounting principles*

21.1 Subsidiaries of the Company
23.1 Consent of Ernst & Young LLP, Independent Auditors
27.1 Financial Data Schedule

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* Filed as an Exhibit to the Company's Registration Statement on Form S-1, Registration No. 33-83336, under the Securities Act of 1933 and incorporated herein by reference.

** Filed as an Exhibit to the Company's Registration Statement on Form S-4, Registration No. 33-94192, under the Securities Act of 1933 and incorporated herein by reference.

*** Filed as an Exhibit to the Company's Registration Statement on Form S-4, Registration No. 333-31429, under the Securities Act of 1933 and incorporated herein by reference.

**** Filed as an Exhibit to the Company's Annual Report Form 10-K for the fiscal year ended December 31, 1996 under the Securities Exchange Act of 1934 and incorporated herein by reference.

***** Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1995 under the Securities Exchange Act of 1934 and incorporated herein by reference.

****** Filed as an Exhibit to the Company's Registration Statement on Form S-3, Registration No. 333-06241, under the Securities Act of 1933 and incorporated herein by reference.

******* Filed as an Exhibit to the Company's Registration Statement on Form S-4, Registration No. 333-2466, under the Securities Act of 1933 and incorporated herein by reference.

******** Filed as an Exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 under the Securities Exchange Act of 1934 and incorporated herein by reference.

Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YOUNG BROADCASTING INC.

Date: March 15, 1999 By /s/ Vincent J. Young

Vincent J. Young
Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Vincent J. Young Vincent J. Young	Chairman and Director (principal executive officer)	March 15, 1999
/s/ Adam Young Adam Young	Treasurer and Director	March 15, 1999
/s/ James A. Morgan James A. Morgan	Executive Vice President, Chief Financial Officer (principal financial officer and principal accounting officer) and Director	March 15, 1999
/s/ Ronald J. Kwasnick Ronald J. Kwasnick	President and Director	March 15, 1999
/s/ Bernard F. Curry Bernard F. Curry	Director	March 15, 1999
/s/ Alfred J. Hickey, Jr. Alfred J. Hickey, Jr.	Director	March 15, 1999
/s/ Leif Lomo Leif Lomo	Director	March 15, 1999
/s/ Robert L. Winikoff Robert L. Winikoff	Director	March 15, 1999
/s/ David C. Lee David C. Lee	Director	March 15, 1999

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Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

EXHIBIT 11
YOUNG BROADCASTING INC. AND SUBSIDIARIES
RE COMPUTATION OF PER SHARE EARNINGS

	YEARS ENDED		
	DEC. 31, 1996	DEC. 31, 1997	DEC. 31, 1998
SHARES OF COMMON STOCK OUTSTANDING FOR THE ENTIRE PERIOD	10,548,181	14,230,357	13,847,844
ISSUANCE OF 27,685, 53,487 and 22,169 SHARES OF COMMON STOCK TO THE COMPANY'S DEFINED CONTRIBUTION PLAN IN 1996, 1997 AND 1998, RESPECTIVELY	27,382	39,798	11,473
ISSUANCE OF 15,874, 23,000 and 16,750 SHARES OF COMMON STOCK UPON EXERCISE OF OPTIONS IN 1996, 1997 AND 1998, RESPECTIVELY	10,398	10,304	9,095
ISSUANCE OF 526,757 SHARES OF COMMON STOCK FOR THE MERGER OF ADAM YOUNG INC	-	-	474,803
RETIREMENT OF 50,450 SHARES OF COMMON STOCK FOR THE MERGER OF ADMAN YOUNG INC	-	-	(45,474)
REPURCHASE OF 459,000 AND 552,800 SHARES OF COMMON STOCK UNDER BUYBACK PROGRAM IN 1997 AND 1998, RESPECTIVELY	-	(290,490)	(150,219)
REPURCHASE OF 111,383 SHARES OF COMMON STOCK FROM J.P. MORGAN CAPITAL CORPORATION IN 1996	(110,773)	-	-
ISSUANCE OF 3,750,000 PUBLICLY OFFERED STOCK	904,110	-	-
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING	11,379,298	13,989,969	14,147,522
DILUTIVE EFFECT OF 1,167,851 OPTIONS AND 750,000 WARRANTS IN 1996 AND 1,925,877 OPTIONS IN 1998 EXPECTED TO BE EXERCISED UNDER THE TREASURY STOCK METHOD USING THE WEIGHTED AVERAGE MARKET PRICE OF THE COMPANY'S SHARES OF COMMON STOCK	403,824	-	612,932
TOTAL DILUTIVE WEIGHTED AVERAGE SHARES OF COMMON STOCK FOR THE PERIOD	11,783,122	13,989,969	14,760,454
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	$ 905,299	$ (1,106,269)	$ 3,999,029
NET INCOME (LOSS)	$ 905,299	$(10,349,397)	$ 3,999,029
INCOME (LOSS) PER COMMON SHARE :			
BASIC			
BEFORE EXTRAORDINARY ITEM	$ 0.08	$ (0.08)	$ 0.28
NET INCOME (LOSS)	$ 0.08	$ (0.74)	$ 0.28
DILUTED			
BEFORE EXTRAORDINARY ITEM	$ 0.08	$ (0.08)	$ 0.27
NET INCOME (LOSS)	$ 0.08	$ (0.74)	$ 0.27

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Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

YOUNG BROADCASTING OF LOUISIANA, INC.
YOUNG BROADCASTING OF LANSING, INC.
YOUNG BROADCASTING OF LA CROSSE, INC.
YOUNG BROADCASTING OF ALBANY, INC.
YOUNG BROADCASTING OF NASHVILLE, INC.
WINNEBAGO TELEVISION CORPORATION
YBT, INC.
LAT, INC.
YOUNG BROADCASTING OF GREEN BAY, INC.
YOUNG BROADCASTING OF KNOXVILLE, INC.
YOUNG BROADCASTING OF RICHMOND, INC.
YBK, INC.
YOUNG BROADCASTING OF DAVENPORT, INC.
YOUNG BROADCASTING OF SIOUX FALLS, INC.
YOUNG BROADCASTING OF RAPID CITY, INC.
YOUNG BROADCASTING OF LOS ANGELES, INC.
FIDELITY TELEVISION, INC.
WKRN, L.P.
KLFY, L.P.
WATE, L.P.
ADAM YOUNG INC.

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Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8, No. 333-26997) pertaining to the Young Broadcasting Inc. 1995 Stock Option Plan and 401(k) Plan of our report dated February 1, 1999, with respect to the consolidated financial statements schedule included in this Form 10-K of Young Broadcasting Inc.

ERNST & YOUNG LLP

New York, New York
March 15, 1999

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Source: YOUNG BROADCASTING I, 10-K405, March 17, 1999

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