DIAMOND SPORTS INTERMEDIATE HOLDINGS LLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
AND FOR THE PERIOD APRIL 29, 2019 TO DECEMBER 31, 2019

DIAMOND SPORTS INTERMEDIATE HOLDINGS LLC
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Report of Independent Auditors

To the Management of Diamond Sports Intermediate Holdings LLC:

Opinion

We have audited the accompanying consolidated financial statements of Diamond Sports Intermediate Holdings LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and December 31, 2020, and the related consolidated statements of operations and comprehensive loss, of member's equity (deficit) and redeemable noncontrolling interest and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and December 31, 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, losses of distributors, increased subscriber churn and the effects of the COVID-19 pandemic are significantly impacting the Company's financial results and liquidity. Management's evaluation of the ongoing effects of these conditions and management's plans to mitigate these matters are also described in Note 1.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/PricewaterhouseCoopers LLP

Baltimore, Maryland
April 28, 2022

DIAMOND SPORTS INTERMEDIATE HOLDINGS LLC
CONSOLIDATED BALANCE SHEETS
(in millions)

	As of December 31, 2021		As of December 31, 2020	
ASSETS				
Current assets:				
Cash and cash equivalents	$	479	$	783
Accounts receivable, net of allowance for doubtful accounts of less than $1 million as of both periods		559		465
Prepaid sports rights		85		498
Prepaid expenses and other current assets		27		42
Total current assets		1,150		1,788
Property and equipment, net		106		49
Restricted cash		3		3
Operating lease assets		53		29
Customer relationships, net		3,380		3,679
Other definite-lived intangible assets, net		589		671
Other assets		462		414
Total assets (a)	$	5,743	$	6,633
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND MEMBER'S (DEFICIT) EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$	261	$	198
Current portion of notes payable and commercial bank financing		33		33
Current portion of operating lease liabilities		14		12
Due to affiliates		28		19
Other current liabilities		272		267
Total current liabilities		608		529
Notes payable and commercial bank financing, less current portion		7,905		8,096
Indebtedness to affiliates		213		—
Operating lease liabilities, less current portion		41		18
Other long-term liabilities		99		338
Total liabilities (a)		8,866		8,981
Commitments and contingencies (See *Note 6*)				
Redeemable noncontrolling interests		16		20
Member's equity:				
Member's equity		1,467		1,472
Accumulated deficit		(4,729)		(3,973)
Accumulated other comprehensive loss		—		(7)
Total Diamond Sports Intermediate Holdings member's deficit		(3,262)		(2,508)
Noncontrolling interests		123		140
Total member's deficit		(3,139)		(2,368)
Total liabilities, redeemable noncontrolling interests, and member's equity	$	5,743	$	6,633

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

(a) Our consolidated total assets as of December 31, 2021 and 2020 include total assets of variable interest entities (VIEs) of $112 million and $134 million, respectively, which can only be used to settle the obligations of the VIEs. Our consolidated total liabilities as of December 31, 2021 and 2020 include total liabilities of VIEs of $44 million and $49 million, respectively, for which the creditors of the VIEs have no recourse to us. See *Note 7. Variable Interest Entities*.

DIAMOND SPORTS INTERMEDIATE HOLDINGS LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in millions)

	For the years ended December 31,		For the period April 29, 2019 to
	2021	2020	December 31, 2019
Statements of Operations			
REVENUES:			
Total revenues	$ 3,056	$ 2,686	$ 1,139
OPERATING EXPENSES:			
Media programming and production expenses	2,793	1,361	769
Media selling, general and administrative expenses	297	243	90
Depreciation of property and equipment	12	10	4
Corporate general and administrative expenses	10	10	93
Amortization of definite-lived intangible and other assets	304	399	153
Impairment of goodwill and definite-lived intangible assets	—	4,264	—
Gain on assets acquired	(43)	—	—
Total operating expenses	3,373	6,287	1,109
Operating (loss) income	(317)	(3,601)	30
OTHER (EXPENSE) INCOME:			
Interest expense including amortization of debt discount and deferred financing costs	(436)	(460)	(200)
Gain on extinguishment of debt	—	5	—
Income from equity method investments	49	6	18
Other income, net	15	160	9
Total other expense, net	(372)	(289)	(173)
NET LOSS	(689)	(3,890)	(143)
Net income attributable to the redeemable noncontrolling interests	(2)	(2)	(3)
Net (income) loss attributable to the noncontrolling interests	(65)	70	(5)
NET LOSS ATTRIBUTABLE TO DIAMOND SPORTS INTERMEDIATE HOLDINGS	$ (756)	$ (3,822)	$ (151)
Statement of Comprehensive Income			
NET LOSS	$ (689)	$ (3,890)	$ (143)
Share of other comprehensive income (loss) of equity method investments	7	(7)	—
COMPREHENSIVE LOSS	$ (682)	$ (3,897)	$ (143)
Comprehensive income attributable to the redeemable noncontrolling interests	(2)	(2)	(3)
Comprehensive (income) loss attributable to the noncontrolling interests	(65)	70	(5)
COMPREHENSIVE LOSS ATTRIBUTABLE TO DIAMOND SPORTS INTERMEDIATE HOLDINGS	$ (749)	$ (3,829)	$ (151)

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

DIAMOND SPORTS INTERMEDIATE HOLDINGS LLC
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY (DEFICIT) AND REDEEMABLE NONCONTROLLING INTERESTS
(in millions)

	The Period April 29, 2019 to December 31, 2019				
		Diamond Sports Intermediate Holdings LLC Member			
	Redeemable Noncontrolling Interests	Member's Equity	Accumulated Deficit	Noncontrolling Interests	Total Member's Equity
BALANCE, April 29, 2019	$ —	$ —	$ —	$ —	$ —
Capital contributions from parent	—	2,385	—	—	2,385
Distributions to parent	—	(330)	—	—	(330)
Noncontrolling interests acquired in business combinations	380	—	—	248	248
Distributions to noncontrolling interests	(5)	—	—	(17)	(17)
Net income (loss)	3	—	(151)	5	(146)
BALANCE, December 31, 2019	$ 378	$ 2,055	$ (151)	$ 236	$ 2,140

	For the year ended December 31, 2020					
		Diamond Sports Intermediate Holdings LLC Member				
	Redeemable Noncontrolling Interests	Member's Equity	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Member's Equity (Deficit)
BALANCE, December 31, 2019	$ 378	$ 2,055	$ (151)	$ —	$ 236	$ 2,140
Distributions to parent	—	(583)	—	—	—	(583)
Noncontrolling interests issued	22	—	—	—	—	—
Redemption of redeemable noncontrolling interests	(378)	—	—	—	—	—
Distributions to noncontrolling interests	(4)	—	—	—	(26)	(26)
Other comprehensive loss	—	—	—	(7)	—	(7)
Net income (loss)	2	—	(3,822)	—	(70)	(3,892)
BALANCE, December 31, 2020	$ 20	$ 1,472	$ (3,973)	$ (7)	$ 140	$ (2,368)

	For the year ended December 31, 2021					
		Diamond Sports Intermediate Holdings LLC Member				
	Redeemable Noncontrolling Interests	Member's Equity	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Member's Equity (Deficit)
BALANCE, December 31, 2020	$ 20	$ 1,472	$ (3,973)	$ (7)	$ 140	$ (2,368)
Distributions to parent	—	(5)	—	—	—	(5)
Distributions to noncontrolling interests	(6)	—	—	—	(82)	(82)
Other comprehensive income	—	—	—	7	—	7
Net income (loss)	2	—	(756)	—	65	(691)
BALANCE, December 31, 2021	$ 16	$ 1,467	$ (4,729)	$ —	$ 123	$ (3,139)

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

DIAMOND SPORTS INTERMEDIATE HOLDINGS LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	For the years ended December 31, 2021	For the years ended December 31, 2020	For the period April 29, 2019 to December 31, 2019
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES:			
Net loss	$ (689)	$ (3,890)	$ (143)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Impairment of goodwill and definite-lived intangible assets	—	4,264	—
Amortization of sports programming rights	2,350	1,078	637
Amortization of definite-lived intangible and other assets	304	399	153
Depreciation of property and equipment	12	10	4
Sports programming rights payments	(1,834)	(1,345)	(578)
Rebate payments to distributors	(202)	—	—
Income from equity method investments	(49)	(6)	(18)
Distributions from investments	30	25	—
Gain on extinguishment of debt	—	(5)	—
Gain on assets acquired	(43)	—	—
Measurement adjustment gain on variable payment obligations	(15)	(159)	—
Change in assets and liabilities, net of acquisitions:			
(Increase) decrease in accounts receivable	(93)	47	96
(Increase) decrease in in prepaid expenses and other current assets	(38)	23	4
Increase in accounts payable and accrued and other current liabilities	75	184	146
Increase in other long-term liabilities	—	198	—
Other, net	30	11	22
Net cash flows (used in) from operating activities	(162)	834	323
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Acquisition of property and equipment	(16)	(24)	(9)
Acquisition of businesses, net of cash acquired	—	—	(8,993)
Payment for equity investments	—	—	(346)
Distributions from investments	3	19	—
Net cash flows used in investing activities	(13)	(5)	(9,348)
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES			
Proceeds from notes payable, commercial bank financing, and indebtedness to affiliates	46	421	8,159
Repayments of notes payable, commercial bank financing and indebtedness to affiliates	(44)	(295)	(8)
Contributions from parent	—	—	2,385
Distributions to parent	(5)	(583)	(330)
Debt issuance costs	—	(8)	(174)
Distributions to noncontrolling interests	(82)	(26)	(17)
Distributions to redeemable noncontrolling interests	(6)	(382)	(5)
Other, net	(38)	(119)	(36)
Net cash flows (used in) from financing activities	(129)	(992)	9,974
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(304)	(163)	949
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period	786	949	—
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period	$ 482	$ 786	$ 949

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

DIAMOND SPORTS INTERMEDIATE HOLDINGS LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Background and Nature of Operations

Diamond Sports Intermediate Holdings LLC (the Company, or sometimes referred to as "we" "us" or "our"), a Delaware limited liability company and an indirect subsidiary of Sinclair Broadcast Group, Inc. (SBG), was formed on April 29, 2019. Diamond Sports Group, LLC (DSG) is a wholly-owned subsidiary of the Company and was formed for the purpose of completing the acquisition of 21 Regional Sports Network brands and Fox College Sports (collectively, the Acquired RSNs) from The Walt Disney Company (Disney), completed on August 23, 2019. Additionally, DSG has an ownership interest in Sports Network, LLC which consolidates Marquee Sports Network, LLC (Marquee). On August 29, 2019, an indirect wholly-owned subsidiary of DSG acquired a 20% equity interest in the Yankee Entertainment and Sports Network (the YES Network). We refer to the Acquired RSNs and Marquee collectively as the RSNs. On March 31, 2021, the 21 Acquired RSNs were rebranded as 19 Bally Sports network brands (the Bally RSNs). We refer to the Bally RSNs and Marquee collectively as the "RSNs." The RSNs and YES Network own the exclusive rights to air, among other sporting events, the games of professional sports teams in designated local viewing areas. The operations of the Company from April 29, 2019 to the acquisition date of the Acquired RSNs were immaterial.

Basis of Presentation

The consolidated financial statements have been prepared on a standalone basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of Consolidation

The consolidated financial statements include our accounts and those of our wholly-owned and majority-owned subsidiaries, including the operating results of the Acquired RSNs as discussed in *Note 2. Acquisitions of Assets*, and VIEs for which we are the primary beneficiary. Noncontrolling interests represent a minority owner's proportionate share of the equity in certain of our consolidated entities. Noncontrolling interests which may be redeemed by the holder, and the redemption is outside of our control, are presented as redeemable noncontrolling interests. All intercompany transactions and account balances have been eliminated in consolidation.

We consolidate VIEs when we are the primary beneficiary. We are the primary beneficiary of a VIE when we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. See *Note 7. Variable Interest Entities* for more information on our VIEs.

Investments in entities over which we have significant influence but not control are accounted for using the equity method of accounting. Income from equity method investments represents our proportionate share of net income generated by equity method investees.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

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

The impact of the outbreak of the novel coronavirus (COVID-19) continues to create significant uncertainty and disruption in the global economy and financial markets. It is reasonably possible that these uncertainties could further materially impact our estimates related to, but not limited to, revenue recognition, goodwill and intangible assets, and sports programming rights. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements.

Accounts Receivable

We regularly review accounts receivable and determine an appropriate estimate for the allowance for doubtful accounts based upon the impact of economic conditions on the customer's ability to pay, past collection experience, and such other factors which, in management’s judgment, deserve current recognition. In turn, a provision is charged against earnings in order to maintain the appropriate allowance level. As of December 31, 2021, three customers accounted for 22%, 22%, and 16%, respectively, of our accounts receivable, net. As of December 31, 2020, three customers accounted for 28%, 27%, and 20%, respectively, of our accounts receivable, net. For purposes of this disclosure, a single customer may include multiple entities under common control.

Sports Programming Rights

We have multi-year program rights agreements that provide the Company with the right to produce and telecast professional live sports games within a specified territory in exchange for a rights fee. A prepaid asset is recorded for rights acquired related to future games upon payment of the contracted fee. The assets recorded for the acquired rights are classified as current or non-current based on the period when the games are expected to be aired. Liabilities are recorded for any program rights obligations that have been incurred but not yet paid at period end. We amortize these programming rights as an expense over each season based upon contractually stated rates. Amortization is accelerated in the event that the stated contractual rates over the term of the rights agreement results in an expense recognition pattern that is inconsistent with the projected growth of revenue over the contractual term.

On March 12, 2020, the National Basketball Association (NBA), the National Hockey League (NHL), and Major League Baseball (MLB) suspended or delayed the start of their seasons as a result of the COVID-19 pandemic. On that date, the Company suspended the recognition of amortization expense associated with prepaid program rights agreements with teams within these leagues. Amortization expense resumed for the NBA, NHL, and MLB over the modified seasons when the games commenced during the third quarter of 2020. The NBA and NHL also delayed the start of their 2020-2021 seasons until December 22, 2020 and January 13, 2021, respectively, and both leagues postponed games in the fourth quarter 2021 and rescheduled these games to be played in the first quarter 2022. The sports rights expense associated with these seasons was recognized over the modified term of these seasons.

On December 2, 2021, MLB owners locked out players following the expiration of its prior collective bargaining agreement with its players. On March 10, 2022, the MLB owners and players reached a deal on a new five-year collective bargaining agreement and the season began on April 7, 2022 under a full game schedule. See *Note 12. Subsequent Events*.

Certain rights agreements with professional teams contain provisions which require the rebate of rights fees paid by the Company if a contractually minimum number of live games are not delivered. The actual amount of rebates to be received will vary depending on changes in the final game counts of each league's respective season. Rights fees paid in advance of expense recognition, inclusive of any contractual rebates due to the Company, are included within prepaid sports rights in our consolidated balance sheets.

Impairment of Goodwill and Other Long-lived Assets

We evaluate our long-lived assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We evaluate the recoverability of long-lived assets by comparing the carrying amount of the assets within an asset group to the estimated undiscounted future cash flows associated with the asset group. An asset group represents the lowest level of cash flows generated by a group of assets that are largely independent of the cash flows of other assets. At the time such evaluations indicate that the future undiscounted cash flows are not sufficient to recover the carrying value of the asset group, an impairment loss is determined by comparing the estimated fair value of the asset group to the carrying value. We estimate fair value using an income approach involving the performance of a discounted cash flow analysis.

Our RSNs were negatively impacted by the loss of three Distributors in 2020. In addition, our existing Distributors experienced elevated levels of subscriber erosion which we believe was influenced, in part, by shifting consumer behaviors resulting from media fragmentation, the current economic environment, the COVID-19 pandemic and related uncertainties. Most of these factors are also expected to have a negative impact on future projected revenues and margins of our RSNs. As a result of these factors, we performed an impairment test of the RSN reporting units' goodwill and long-lived asset groups during the third quarter of 2020 which resulted in a non-cash impairment charge for the year ended December 31, 2020 on goodwill of $2,615 million, customer relationships of $1,218 million, and other definite-lived intangible assets of $431 million, included within impairment of goodwill and definite-lived intangible assets in our consolidated statements of operations. During the year ended December 31, 2021, we did not identify any indicators that our definite-lived intangible assets may not be recoverable. See *Note 11. Goodwill and Definite-Lived Intangible Assets* for more information.

We believe we have made reasonable estimates and utilized appropriate assumptions in the performance of our impairment assessments. If future results are not consistent with our assumptions and estimates, including future events such as a deterioration of market conditions, loss of significant customers, failure to execute on our DTC strategy, and significant increases in discount rates, among other factors, we could be exposed to impairment charges in the future. Any resulting impairment loss could have a material adverse impact on our consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows.

Other Assets

When factors indicate that there may be a decrease in value of an equity method investment, we assess whether a loss in value has occurred. If that loss is deemed to be other than temporary, an impairment loss is recorded accordingly. For any equity method investments that indicate a potential impairment, we estimate the fair values of those investments using a combination of a market-based approach, which considers earnings and cash flow multiples of comparable businesses and recent market transactions, as well as an income approach involving the performance of a discounted cash flow analysis.

Other assets, for the years ended December 31, 2021 and 2020, consisted primarily of our equity method investment in the YES Network of $339 million and $321 million, respectively. We record our proportionate share of the income generated by the investment within income from equity method investments in our consolidated statements of operations. For the years ended December 31, 2021 and 2020, and for the period April 29, 2019 to December 31, 2019 we recorded income of $41 million, $6 million, and $16 million, respectively, related to our investment which is included within income from equity method investments in our consolidated statements of operations. We did not identify any other than temporary impairments associated with our investment in the YES Network during the years ended December 31, 2021 and 2020, and for the period April 29, 2019 to December 31, 2019.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following as of December 31, 2021 and 2020 (in millions):

	2021	2020
Compensation and employee benefits	$ 33	$ 26
Interest	108	108
Programming related obligations	82	41
Accounts payable and other operating expenses	38	23
Total accounts payable and accrued liabilities	$ 261	$ 198

We expense these activities when incurred.

Income Taxes

As a single-member limited liability company, we are treated as a disregarded entity and are not subject to federal and state income taxes. Our income or loss is allocated to and reported in the tax returns of our member. Accordingly, no liability or provision for federal and state income taxes attributable to our operations is included in the accompanying consolidated financial statements. We do not have a formal tax-sharing arrangement with our member.

Supplemental Information - Statements of Cash Flows

Cash interest paid, net of non-cash expenses such as amortization of deferred financing costs and debt discounts and premium, for the years ended December 31, 2021 and 2020 and the period April 29, 2019 to December 31, 2019 were $408 million, $433 million, and $59 million, respectively. Non-cash investing activities included property and equipment purchases of $1 million and $4 million for the years ended December 31, 2021 and 2020, respectively, and the receipt of equipment with a fair value of $58 million in connection with completing the repack process as more fully described in *Note 2. Acquisitions of Assets* for the year ended December 31, 2021. Non-cash transactions related to sports rights were $22 million for the year ended December 31, 2020.

Revenue Recognition

The following table presents our revenue disaggregated by type (in millions):

	For the years ended December 31,		For the period April 29, 2019 to
	2021	2020	December 31, 2019
Distribution revenue	$ 2,620	$ 2,472	$ 1,029
Advertising revenue	409	196	103
Other media revenues	27	18	7
Total revenues	$ 3,056	$ 2,686	$ 1,139

Distribution Revenue. We generate distribution revenue through fees received from multi-channel video programming distributors (MVPDs) and virtual MVPDs (vMVPDS, and together with MVPDs, "Distributors") for the right to distribute our RSNs. Distribution arrangements are generally governed by multi-year contracts and the underlying fees are based upon a contractual monthly rate per subscriber. These arrangements represent licenses of intellectual property; revenue is recognized as the signal or network programming is provided to our customers (as usage occurs) which corresponds with the satisfaction of our performance obligation. Revenue is calculated based upon the contractual rate multiplied by an estimated number of subscribers. Our customers will remit payments based upon actual subscribers after the conclusion of a month, which generally does not exceed 120 days. Historical adjustments to subscriber estimates have not been material.

Certain of our distribution arrangements contain provisions that require the Company to deliver a minimum number of live professional sports games or tournaments during a defined period which usually corresponds with a calendar year. If the minimum threshold is not met, we may be obligated to refund a portion of the distribution fees received if shortfalls are not cured within a specified period of time. Our ability to meet these requirements is primarily driven by the delivery of games by the professional sports leagues. Prior to the COVID-19 pandemic, the Company had not historically paid any material rebates under these contractual provisions as it was unusual for there to be an event which was significant enough to preclude the Company from meeting or exceeding these thresholds. The COVID-19 pandemic has resulted in significant disruptions to the normal operations of the professional sports leagues resulting in delays and uncertainty with respect to regularly scheduled games. Decisions made by the leagues during the second quarter of 2020 regarding the timing and format of the revised 2020 season and decisions made by the NHL and NBA during the fourth quarter of 2020 and the first and third quarters of 2021 regarding the timing and format of their revised 2020-2021 seasons have resulted, in some cases, in our inability to meet these minimum game requirements and the need to reduce revenue based upon estimated rebates due to our Distributors. Accrued rebates as of December 31, 2021 and 2020 were $210 million and $420 million, respectively. The decrease in accrued rebates during the year ended December 31, 2021 includes $202 million of payments and $8 million of adjustments related to rebates accrued in 2020 due primarily to changes in estimated game counts. As of December 31, 2021, all rebates are reflected in other current liabilities in our consolidated balance sheets. We expect these rebates to be paid during 2022. There are no rebates accrued during the year ended December 31, 2021 that related to the 2020-2021 seasons, as we are not in a shortfall position in 2021. There can be no assurances that additional rebates will not be required if there are future postponements of the professional sports leagues.

Advertising Revenue. We generate advertising revenue primarily from the sale of advertising spots/impressions within the RSN programming.

In accordance with Accounting Standards Codification (ASC) 606, we do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) distribution arrangements which are accounted for as a sales/usage based royalty.

For the year ended December 31, 2021, three customers accounted for 28%, 25%, and 18%, respectively, of our total revenues. For the year December 31, 2020, three customers accounted for 28%, 25%, and 15%, respectively, of our total revenues. For the period April 29, 2019 to December 31, 2019, three customers accounted for 30%, 23%, and 14%, respectively, of our total revenues. For purposes of this disclosure, a single customer may include multiple entities under common control.

On November 18, 2020, we and SBG entered into an enterprise-wide commercial agreement with Bally's Corporation (Bally's) including providing certain branding integrations in our RSN's. These branding integrations include naming rights associated with the majority of our RSNs (other than Marquee). The initial term of the arrangement is ten years and we began performing under this arrangement during the year ended December 31, 2021. We recognize revenue related to the contractual fees received from Bally's over the term of the arrangement as our performance obligations are satisfied.

Financial Instruments

Financial instruments, as of December 31, 2021 and 2020, consisted of cash and cash equivalents, trade accounts receivable, accounts payable, accrued liabilities, and notes payable. The carrying amounts approximate fair value for each of these financial instruments, except for the notes payable. See *Note 9. Fair Value Measurements* for additional information regarding the fair value of notes payable.

Distributions to Parent

For the year December 31, 2020 and the period April 29, 2019 to December 31, 2019, the Company distributed $547 million and $297 million, respectively, to Diamond Sports Holdings, LLC (DSH), an indirect parent of the Company, for the purposes of the redemption of a portion of DSH's preferred equity, net of redemption rebates.

The Company made distributions to DSH for the payment of dividends on its preferred equity totaling $5 million, $36 million, and $33 million for the years ended December 31, 2021 and 2020, and the period April 29, 2019 to December 31, 2019, respectively. Dividends for the three months ended June 30, 2021, September 30, 2021, and December 31, 2021 were paid-in-kind.

The remaining balance of the preferred equity held by DSH and subject to future distributions by DSG was $181 million and $170 million, net of issuance costs, as of December 31, 2021 and 2020, respectively.

Liquidity and Management's Plans

Our ability to make scheduled payments on our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, competitive, legislative, regulatory and other factors beyond its control. The impact of the outbreak of COVID-19 continues to create significant uncertainty and disruption in the global economy and financial markets. Further, our success is dependent upon, among other things, the terms of our agreements with Distributors, OTT and other streaming providers and the successful execution of our DTC strategy.

Primarily as a result of losses of Distributors, increased subscriber churn and the COVID-19 pandemic, we have experienced operating losses since the second quarter of 2020 and we expect we will continue to incur operating losses in future periods. We have taken steps to mitigate the impacts of this uncertainty, including managing our controllable costs, amending our A/R Facility and obtaining a new $635 million first-priority lien term loan credit facility which matures in May 2026 and ranks first in lien priority on shared collateral ahead of our loans and/or commitments under our Bank Credit Agreement and 5.375% Secured Notes. See *Note 12. Subsequent Events*.

At December 31, 2021, we were in compliance with all of our debt covenants. If we do not continue to remain in compliance with these covenants, we would have to seek additional amendments to these covenants; however, no assurances can be made that such amendments would be approved by our lenders. Generally, if an event of default under our debt agreements occurs, then pursuant to default acceleration clauses, substantially all of our outstanding debt could become due, which would have a material adverse impact to our operations and liquidity.

2. ACQUISITIONS OF ASSETS:

RSN Acquisition. On August 23, 2019 we completed the acquisition of the Acquired RSNs from Disney for an aggregate purchase price, including cash acquired, and subject to an adjustment based upon finalization of working capital, net debt, and other adjustments, of $9,817 million, accounted for as a business combination under the acquisition method of accounting. The acquisition provided an expansion to our premium sports programming including the exclusive regional distribution rights to 42 professional teams consisting of 14 MLB teams, 16 NBA teams, and 12 NHL teams.

The transaction was funded through a combination of debt financing raised by us, as described in *Note 3. Notes Payable, Commercial Bank Financing, and Indebtedness to Affiliates*, and contributed member's equity.

The following table summarizes the allocated fair value of acquired assets, assumed liabilities, and noncontrolling interests of the Acquired RSNs (in millions):

Cash and cash equivalents	$	824
Accounts receivable, net		606
Prepaid expenses and other current assets		175
Property and equipment, net		25
Customer relationships, net		5,439
Other definite-lived intangible assets, net		1,286
Other assets		52
Accounts payable and accrued liabilities		(181)
Other long-term liabilities		(396)
Goodwill		2,615
Fair value of identifiable net assets acquired	$	10,445
Redeemable noncontrolling interests		(380)
Noncontrolling interests		(248)
Gross purchase price	$	9,817
Purchase price, net of cash acquired	$	8,993

The final purchase price allocation presented above is based upon management's estimates of the fair value of the acquired assets, assumed liabilities, and noncontrolling interest using valuation techniques including income and cost approaches. The fair value estimates are based on, but not limited to, projected revenue, projected margins, and discount rates used to present value future cash flows. The adjustments to the initial allocation were based on more detailed information obtained about the specific assets acquired and liabilities assumed and did not result in material changes to the amortization expense recorded in previous quarters.

The definite-lived intangible assets of $6,725 million are primarily comprised of customer relationships, which represent existing advertiser relationships and contractual relationships with Distributors of $5,439 million, the fair value of contracts with sports teams of $1,271 million, and tradenames/trademarks of $15 million. The intangible assets are amortized on a straight-line basis over a weighted average useful life of 2 years for tradenames/trademarks, 12 years for contracts with sports teams and 13 years for customer relationships. The fair value of the sports team contracts are amortized over the respective contract term. Acquired property and equipment will be depreciated on a straight-line basis over the respective estimated remaining useful lives. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, as well as expected future synergies. See *Note 11. Goodwill and Definite-Lived Intangible Assets* for discussion of the impairment of the acquired goodwill and definite-lived intangible assets during the year ended December 31, 2020.

In connection with the acquisition, for the year ended December 31, 2020 and for the period April 29, 2019 to December 31, 2019, we recognized $1 million and $93 million, respectively, of transaction costs that we expensed as incurred and classified as corporate general and administrative expenses in our consolidated statements of operations. For the year ended December 31, 2021, revenue of the Acquired RSNs included in our consolidated statements of operations was $2,834 million and operating loss of the Acquired RSNs included in our consolidated statements of operations was $385 million. For the year ended December 31, 2020, revenue of the Acquired RSNs included in our consolidated statements of operations was $2,562 million and operating loss of the Acquired RSNs included in our consolidated statements of operations was $3,646 million.

Unaudited Pro Forma Information. The table below sets forth unaudited pro forma results of operations, assuming that the formation of the Company and the acquisition of the Acquired RSNs, along with transactions necessary to finance the acquisition, occurred at the beginning of the year preceding the year of the acquisition (in millions):

	Unaudited 2019	
Total revenues	$	3,588
Net income	$	154
Net income attributable to Diamond Sports Intermediate Holdings	$	71

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments, and is not indicative of what our results would have been had we operated the Acquired RSNs for the period presented because the pro forma results do not reflect expected synergies. The pro forma adjustments reflect depreciation expense and amortization of intangible assets related to the fair value adjustments of the assets acquired and any adjustments to interest expense to reflect the debt financing of the transactions, if applicable. Depreciation and amortization expense are higher than amounts recorded in the historical financial statements of the acquirees due to the fair value adjustments recorded for long-lived tangible and intangible assets in purchase accounting.

Spectrum. In December 2020, the FCC began a repacking process associated with a portion of the C-Band spectrum in order to free up this spectrum for the use of 5G wireless services. The repack is scheduled to be completed in two phases, the first ended on December 31, 2021 and the second will end on December 31, 2023. We entered into an agreement with a communications provider in which we received equipment to complete the repack process at a maximum cost to us of $15 million. For the year ended December 31, 2021, we recognized a gain of $43 million, which is recorded within gain on assets acquired in our consolidated statements of operations, equal to the fair value of the equipment that we received of $58 million, less the maximum cost to us of $15 million.

3. NOTES PAYABLE, COMMERCIAL BANK FINANCING, AND INDEBTEDNESS TO AFFILIATES:

Notes payable, commercial bank financing, and indebtedness to affiliates consisted of the following as of December 31, 2021 and 2020 (in millions):

	2021		2020	
Bank Credit Agreement (a):				
Term Loan, due August 24, 2026	$	3,226	$	3,259
Accounts Receivable Securitization Facility (b)		213		177
Notes:				
5.375% Secured Notes, due August 15, 2026 (a)		3,050		3,050
6.625% Unsecured Notes, due August 15, 2027		1,744		1,744
12.750% Secured Notes, due December 1, 2026 (a)		31		31
Total outstanding principal		8,264		8,261
Less: Deferred financing costs and discount		(113)		(132)
Less: Current portion		(33)		(33)
Net carrying value of long-term debt	$	8,118	$	8,096

(a) On March 1, 2022, we completed a refinancing transaction relating to the Bank Credit Agreement, the 5.375% Secured Notes (defined below under *Notes*) and the 12.750% Secured Notes (defined below under *Notes*). See *Note 12. Subsequent Events* for a discussion of the refinancing transaction.

(b) On November 5, 2021, SBG purchased and assumed the lenders' and the administrative agent's rights and obligations under the Accounts Receivable Securitization Facility. See discussion below under *Accounts Receivable Securitization Facility* .

Notes payable, commercial bank financing, and indebtedness to affiliates as of December 31, 2021 matures as follows (in millions):

2022	$ 33
2023	33
2024	246
2025	33
2026	6,175
2027 and thereafter	1,744
Total minimum payments	8,264
Less: Deferred financing costs and discount	(113)
Net carrying value of debt	$ 8,151

Interest expense in our consolidated statements of operations was $436 million, $460 million, and $200 million for the years ended December 31, 2021 and 2020 and for the period April 29, 2019 to December 31, 2019, respectively. Interest expense included $23 million and $22 million in amortization of deferred financing costs and debt discounts and premium for the years ended December 31, 2021 and 2020, respectively, and $9 million in amortization of deferred financing costs and debt discounts for the period April 29, 2019 to December 31, 2019 which increased interest expense by these amounts for all periods. We recorded $8 million of debt issuance costs and a $25 million premium for the year ended December 31, 2020 and $191 million of debt issuance costs and original issuance discounts for the period April 29, 2019 to December 31, 2019. Debt issuance costs and original issuance discounts and premiums are presented as a direct deduction from, or addition to, the carrying amount of an associated debt liability, except for debt issuance costs related to our Revolving Credit Facility, as defined and more fully described below under *Bank Credit Agreement,* and A/R Facility, which are presented within other assets in our consolidated balance sheets.

The stated and weighted average effective interest rates on the above obligations are as follows, for the years ended December 31, 2021 and 2020:

		Effective Rate	
	Stated Rate	**2021**	**2020**
Bank Credit Agreement:			
Term Loan (a)	LIBOR plus 3.25%	3.62 %	4.21 %
Revolving Credit Facility (b)	LIBOR plus 3.00%	— %	— %
Accounts Receivable Securitization Facility (c)	LIBOR plus 4.97%	5.73 %	4.77 %
Notes:			
12.750% Secured Notes (a)	12.75%	11.95 %	11.95 %
5.375% Secured Notes (a)	5.38%	5.73 %	5.73 %
6.625% Unsecured Notes	6.63%	7.00 %	7.00 %

(a) On March 1, 2022, we completed a refinancing transaction relating to the Bank Credit Agreement, the 5.375% Secured Notes (defined below under *Notes*) and the 12.750% Secured Notes (defined below under *Notes*). See *Note 12. Subsequent Events* for a discussion of the refinancing transaction.

(b) We incur a commitment fee on undrawn capacity of 0.25%, 0.375%, or 0.50% if our first lien indebtedness ratio is less than or equal to 3.25x, less than or equal to 3.75x but greater than 3.25x, or greater than 3.75x, respectively. The Revolving Credit Facility is priced at LIBOR plus 3.00%, subject to decrease if the specified first lien leverage ratio (as defined in the Bank Credit Agreement) is less than or equal to certain levels. As of December 31, 2021 and 2020, there were no outstanding borrowings, no letters of credit outstanding, and $228 million available under the Revolving Credit Facility. See *Bank Credit Agreement* below for further information.

(c) Borrowings under the Accounts Receivable Securitization Facility generally bear interest at a rate per annum equal to LIBOR, which is subject to an interest rate floor of 0.00% per annum, plus 4.97% or, if the aggregate outstanding principal amount of loans is less than $125 million on or after November 1, 2020, 5.47%. On November 5, 2021, SBG purchased and assumed the lenders' and the administrative agent's rights and obligations under the Accounts Receivable Securitization Facility. See discussion below under *Accounts Receivable Securitization Facility* .

Bank Credit Agreement

On August 23, 2019, we entered into a credit agreement (the Bank Credit Agreement). Pursuant to the Bank Credit Agreement, we raised a seven-year $3,300 million aggregate amount term loan (the Term Loan), with an original issuance discount of $17 million, which bears interest at LIBOR plus 3.25%.

The Term Loan amortizes in equal quarterly installments in an aggregate amount equal to 1% of the original amount of such term loan, with the balance being payable on the maturity date. Following the end of each fiscal year, we are required to prepay the Term Loan in an aggregate amount equal to (a) 50% of excess cash flow for such fiscal year if the first lien leverage ratio is greater than 3.75 to 1.00, (b) 25% of excess cash flow for such fiscal year if the first lien leverage ratio is greater than 3.25 to 1.00 but less than or equal to 3.75 to 1.00, and (c) 0% of excess cash flow for such fiscal year if the first lien leverage ratio is equal to or less than 3.25 to 1.00.

Additionally, in connection with the Bank Credit Agreement, we obtained a $650 million five-year revolving credit facility (the Revolving Credit Facility, and, together with the Term Loan, the Credit Facilities), priced at LIBOR plus 3.00%, subject to reduction based on a first lien net leverage ratio, which includes capacity for up to $50 million of letters of credit and for borrowings of up to $50 million under swingline loans. On March 17, 2020, we drew $225 million under the Revolving Credit Facility as a precautionary measure given the COVID-19 pandemic. During the second quarter of 2020, we fully repaid the amount outstanding under the Revolving Credit Facility.

The Bank Credit Agreement includes a financial maintenance covenant, the first lien leverage ratio (as defined in the Bank Credit Agreements), which requires such ratio not to exceed 6.25x, measured as of the end of each fiscal quarter. The financial maintenance covenant is only applicable if 35% or more of the capacity (as a percentage of total commitments) under the Revolving Credit Facility, measured as of the last day of each quarter, is utilized under the Revolving Credit Facility as of such date. Since there was no utilization under the Revolving Credit Facility as of December 31, 2021, we were not subject to the financial maintenance covenant under the Bank Credit Agreement. As of December 31, 2021, the first lien leverage ratio was above 6.25x. We expect that the first lien leverage ratio will remain above 6.25x for at least the next 12 months, which will restrict our ability to utilize the full Revolving Credit Facility. We do not currently expect to have more than 35% of the capacity of the Revolving Credit Facility outstanding as of any quarterly measurement date during the next twelve months, therefore we do not expect to be subject to the financial maintenance covenant. The Bank Credit Agreement contains other restrictions and covenants which we were in compliance with as of December 31, 2021.

Our obligations under the Bank Credit Agreement are (i) jointly and severally guaranteed by the Company and certain wholly-owned subsidiaries of the Company, and (ii) secured by first-priority lien on substantially all tangible and intangible assets (whether now owned or hereafter arising or acquired) of the Company and the guarantors, subject to certain permitted liens and other agreed upon exceptions.

On March 1, 2022, we completed a refinancing transaction relating to the Bank Credit Agreement. See *Note 12. Subsequent Events* for a discussion of the refinancing transaction.

Notes

On August 2, 2019, we issued $3,050 million principal amount of senior secured notes, which bear interest at a rate of 5.375% per annum and mature on August 15, 2026 (the 5.375% Secured Notes) and issued $1,825 million principal amount of senior notes, which bear interest at a rate of 6.625% per annum and mature on August 15, 2027 (the 6.625% Unsecured Notes). The proceeds of the 5.375% Secured Notes and 6.625% Unsecured Notes were used, in part, to fund the acquisition of the Acquired RSNs.

In March 2020 and June 2020, we purchased a total of $15 million aggregate principal amount of the 6.625% Unsecured Notes in open market transactions for consideration of $10 million. The 6.625% Unsecured Notes acquired in March 2020 and June 2020 were canceled immediately following their acquisition. We recognized a gain on extinguishment of the 6.625% Unsecured Notes of $5 million for year ended December 31, 2020.

On June 10, 2020, we exchanged $66.5 million aggregate principal amount of the 6.625% Unsecured Notes for cash payments of $10 million, including accrued but unpaid interest, and $31 million aggregate principal amount of newly issued senior secured notes, which bear interest at a rate of 12.750% per annum and mature on December 1, 2026 (the 12.750% Secured Notes and, together with the 5.375% Secured Notes, the Existing Secured Notes, and together with the 6.625% Unsecured Notes and 5.375% Secured Notes, the Notes).

Prior to August 15, 2022, we may redeem the Notes, in whole or in part, at any time or from time to time, at a price equal to 100% of the principal amount of the applicable Notes plus accrued and unpaid interest, if any, to the date of redemption, plus a ''make-whole'' premium. Beginning on August 15, 2022, we may redeem the Notes, in whole or in part, at any time or from time to time at certain redemption prices, plus accrued and unpaid interest, if any, to the date of redemption. In addition, on or prior to August 15, 2022, we may redeem up to 40% of each series of the Notes using the proceeds of certain equity offerings. If the notes are redeemed during the twelve-month period beginning August 15, 2022, 2023, and 2024 and thereafter, then the redemption prices for the 5.375% Secured Notes are 102.688%, 101.344%, and 100%, respectively, the redemption prices for the 6.625% Unsecured Notes are 103.313%, 101.656%, and 100%, respectively, and the redemption prices for the 12.750% Secured Notes are 102.688%, 101.344%, and 100%, respectively.

Our obligations under the Notes are jointly and severally guaranteed by the Company and certain wholly-owned subsidiaries of the Company.

On March 1, 2022, we completed a refinancing transaction relating to the 5.375% Secured Notes and the 12.750% Secured Notes. See *Note 12. Subsequent Events* for a discussion of the refinancing transaction.

Accounts Receivable Securitization Facility

On September 23, 2020 (the Closing Date), the Company's and our indirect wholly-owned subsidiary, Diamond Sports Finance SPV, LLC (DSPV), entered into a $250 million accounts receivable securitization facility (the A/R Facility) in order to enable us to raise incremental funding for the ongoing business needs of us and our subsidiaries. The A/R Facility was entered into pursuant to (i) a loan and security agreement, dated September 23, 2020, among DSPV, as borrower, the persons from time to time party thereto, as lenders (the Lenders), and Diamond Sports Net LLC (DSN) (f/k/a Fox Sports Net, LLC), a wholly-owned direct subsidiary of us, as initial servicer, Credit Suisse AG, New York Branch, as administrative agent and Wilmington Trust, National Association, as collateral agent, paying agent and account bank (as amended, the Loan Agreement), and (ii) a purchase and sale agreement, among DSN, certain indirect wholly owned subsidiaries of us identified therein as originators (the Originators) and DSPV as purchaser, (as amended, the Purchase Agreement). The Loan Agreement and the Purchase Agreement are together referred to herein as the "A/R Facility Agreements." Pursuant to the A/R Facility Agreements, the Lenders will provide certain loans, which loans will be secured by certain accounts receivable (Pool Receivables) purchased by DSPV, and the Originators will sell certain accounts receivable to DSPV and DSN will continue to service such accounts receivable. On November 5, 2021, SBG purchased and assumed the lenders' and the administrative agent's rights and obligations under the A/R Facility. In connection therewith, SBG and DSPV entered into an omnibus amendment to the A/R Facility to provide greater flexibility to us, including, (i) increasing the maximum facility limit availability from up to $250 million to up to $400 million; (ii) eliminating the early amortization event related to our earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the A/R Facility Agreements, less interest expense covenant; (iii) extending the stated maturity date by one year from September 23, 2023 to September 23, 2024; and (iv) relaxing certain concentration limits thereby increasing the amounts of certain accounts receivable eligible to be sold. The other material terms of the A/R Facility remain unchanged.

The maximum funding availability under the A/R Facility is $400 million with an aggregate commitment of the lesser of $250 million and the sum of the lowest aggregate loan balance since November 1, 2020 plus $50 million. The amount of actual availability under the A/R Facility is subject to change based on the level of eligible receivables sold by the Originators to DSPV and certain reserves. Eligibility of the receivables is determined by a variety of factors, including, but not limited to, credit ratings of the Originators' customers, customer concentration levels, and certain characteristics of the accounts receivable being transferred. As of December 31, 2021, the total commitment was $216 million.

Borrowings under the A/R Facility generally bear interest at a rate per annum equal to LIBOR, which is subject to an interest rate floor of 0.00% per annum, plus 4.97% or, if the aggregate outstanding principal amount of loans is less than $125 million on or after November 1, 2020, 5.47%. We are required to pay a commitment fee on unutilized commitments under the A/R Facility.

We may voluntarily prepay outstanding loans or terminate commitments under the A/R Facility at any time without premium or penalty, other than customary breakage costs with respect to LIBOR rate loans, except (1) any voluntary prepayment (x) from the proceeds of a voluntary repurchase in accordance with the Purchase Agreement by any Originator of any Pool Receivables on or prior to the date that is 18 months after the Closing Date or (y) from the proceeds of a new accounts receivable financing entered into by DSPV or an affiliate thereof and requiring the purchase of Pool Receivables from DSPV after the date that is 18 months after the Closing Date but on or prior to the date that is 36 months after the Closing Date or (2) certain terminations of commitments on or prior to the date that is 18 months after the Closing Date, shall in each case be subject to a prepayment premium of 1.00% of the principal amount of the loans prepaid or commitments terminated, as the case may be.

DSPV, DSN, and the Originators provide customary representations and covenants under the A/R Facility Agreements. Pool Receivables in the A/R Facility are subject to certain eligibility criteria, concentration limits and reserves. The A/R Facility Agreements provide for certain events of default upon the occurrence of which the administrative agent may declare the A/R Facility's termination date to have occurred and declare the outstanding loan and all other obligations of DSPV to be due and payable. The A/R Facility Agreements provides for certain early amortization events upon the occurrence of which DSPV may terminate the sale and contribution of accounts receivable and related assets thereunder.

As of December 31, 2021, the balance of the loans under the A/R Facility was $213 million and the balance of the receivables held by DSPV as part of the A/R Facility was $267 million, included in accounts receivable, net in our consolidated balance sheets. For further discussion, see *Accounts Receivable Securitization Facility* under *Note 8. Related Person Transactions.*

4. REDEEMABLE NONCONTROLLING INTERESTS:

A noncontrolling equity holder of one of our subsidiaries has the right to sell its interest to the Company at any time during the 30-day period following September 30, 2025. The value of this redeemable noncontrolling interest was $16 million and $20 million as of December 31, 2021 and 2020, respectively.

A noncontrolling equity holder of one of our subsidiaries had the right to sell its interest to the Company at a fair market sale value of $376 million, plus any undistributed income, which was exercised and settled in January 2020.

5. LEASES:

We adopted the guidance under ASC 842 upon formation of the Company. We determine if a contractual arrangement is a lease at inception. Our lease arrangements provide the Company the right to utilize certain specified tangible assets for a period of time in exchange for consideration. Our leases primarily relate to building space and equipment. We do not separate non-lease components from our building leases for the purposes of measuring our lease liabilities and assets. Our leases consist of operating leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

We recognize a lease liability and a right of use asset at the lease commencement date based on the present value of the future lease payments over the lease term discounted using our incremental borrowing rate. Implicit interest rates within our lease arrangements are rarely determinable. Right of use assets also include, if applicable, prepaid lease payments and initial direct costs, less incentives received.

We recognize operating lease expense on a straight-line basis over the term of the lease within operating expenses. Total operating lease expense was $20 million, including variable lease expense of $2 million, for the year ended December 31, 2021; $22 million, including variable lease expense of $2 million, for the year ended December 31, 2020; and $6 million for the period April 29, 2019 to December 31, 2019.

Our leases do not contain any material residual value guarantees or material restrictive covenants. Some of our leases include optional renewal periods or termination provisions which we assess at inception to determine the term of the lease, subject to reassessment in certain circumstances.

The following table summarizes our outstanding operating lease obligations as of December 31, 2021 (in millions):

2022	$	16
2023		11
2024		11
2025		10
2026		6
2027 and thereafter		7
Total undiscounted obligations		61
Less imputed interest		(6)
Present value of lease obligations	$	55

The following table summarizes supplemental balance sheet information related to our outstanding operating lease obligations as of December 31, 2021 and 2020 (in millions, except lease term and discount rate):

		2021		2020
Lease assets, non-current	$	53	$	29
Lease liabilities, current	$	14	$	12
Lease liabilities, non-current		41		18
Total lease liabilities	$	55	$	30
Weighted average remaining lease term (in years)		5.04		5.26
Weighted average discount rate		4.1%		5.3%

The following table presents other information related to leases for the years ended December 31, 2021 and 2020, and the period April 29, 2019 to December 31, 2019 (in millions):

	For the years ended December 31,				For the period April 29, 2019 to December 31, 2019	
	2021		2020			
Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash flows from operating leases	$	17	$	19	$	6
Leased assets obtained in exchange for new operating lease liabilities	$	41	$	10	$	19

6. COMMITMENTS AND CONTINGENCIES:

Sports Programming Rights

We are contractually obligated to make payments to purchase sports programming rights. The following table presents our annual non-cancellable commitments relating to our sports programming rights agreements as of December 31, 2021. These commitments assume that sports teams fully deliver the contractually committed games, and do not reflect the impact of rebates expected to be paid by the teams.

(in millions)		
2022	$	1,819
2023		1,773
2024		1,707
2025		1,573
2026		1,373
2027 and thereafter		5,723
Total	$	13,968

Other Liabilities

In connection with the acquisition of the Acquired RSNs, we assumed certain fixed payment obligations which are payable through 2027. We recorded these obligations in purchase accounting at estimated fair value. As of December 31, 2021 and 2020, $32 million and $31 million, respectively, was recorded within other current liabilities and $71 million and $97 million, respectively, was recorded within other long-term liabilities in our consolidated balance sheets. Interest expense of $6 million, $8 million, and $4 million was recorded for the years ended December 31, 2021 and 2020, and the period April 29, 2019 to December 31, 2019, respectively.

In connection with the acquisition of the Acquired RSNs, we assumed certain variable payment obligations which are payable through 2030. These contractual obligations are based upon the excess cash flow of certain RSNs. We recorded these obligations in purchase accounting at estimated fair value. As of December 31, 2021 and 2020, $8 million and $12 million, respectively, was recorded within other current liabilities and $23 million and $41 million, respectively, was recorded within other long-term liabilities in our consolidated balance sheets. These obligations are measured at the present value of the estimated amount of cash to be paid over the term of the contracts. We recorded measurement adjustment gains of $15 million and $159 million for the years ended December 31, 2021 and 2020, respectively, recorded within other income, net in our consolidated statements of operations.

Litigation

We are a party to lawsuits, claims, and regulatory matters from time to time in the ordinary course of business. Actions currently pending are in various stages and no material judgments or decisions have been rendered by hearing boards or courts in connection with such actions. We do not believe the outcome of these matters, individually or in the aggregate, will have a material effect on the Company's financial statements.

7. VARIABLE INTEREST ENTITIES:

We are party to a joint venture associated with Marquee. Marquee is party to a long term telecast rights agreement which provides the rights to air certain live game telecasts and other content, which we guarantee. In connection with the acquisition of the Acquired RSNs, we became party to a joint venture associated with one other regional sports network. We participate significantly in the economics and have the power to direct the activities which significantly impact the economic performance of these regional sports networks, including sales and certain operational services. We consolidate these regional sports networks because they are variable interest entities and we are the primary beneficiary. In the case of Marquee, the power to direct the activities which significantly impact the economic performance of Marquee is held through a contractual agreement by a related party under common control. We consolidate Marquee as we are the party within the related party group most closely associated with Marquee.

The carrying amounts and classification of the assets and liabilities of the VIEs mentioned above, which have been included in our consolidated balance sheets as of December 31, 2021 and 2020 were as follows (in millions):

	As of December 31, 2021	As of December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43	$ 64
Accounts receivable, net	53	52
Prepaid sports programming rights	2	2
Total current assets	98	118
Property and equipment, net	9	10
Operating lease assets	5	6
Total assets	$ 112	$ 134
LIABILITIES		
Current liabilities:		
Due to affiliates	$ 1	$ 6
Other current liabilities	39	23
Total current liabilities	40	29
Long-term liabilities:		
Operating lease liabilities, less current portion	4	5
Other long-term liabilities	—	15
Total liabilities	$ 44	$ 49

The amounts above represent the consolidated assets and liabilities of the VIEs described above, for which we are the primary beneficiary. The assets of each of these consolidated VIEs can only be used to settle the obligations of the VIE. As of December 31, 2021, all of the liabilities were non-recourse to us. The risk and reward characteristics of the VIEs are similar.

8. RELATED PERSON TRANSACTIONS:

Management Service Fees

We have entered into two management services agreements with Sinclair Television Group, Inc. (STG), a wholly-owned subsidiary of SBG, in which STG provides us with affiliate sales and marketing services and general and administrative services. The annual amount to be paid to STG for these services during the fiscal year ended December 31, 2021 was $75 million which is subject to increases on an annual basis. Additionally, one agreement contains an incentive fee payable to STG calculated based on certain terms contained within new or renewed distribution agreements with Distributors. Pursuant to these agreements, we incurred expenses of $109 million, $98 million and $35 million for the years ended December 31, 2021 and 2020 and for the period April 29, 2019 to December 31, 2019, respectively.

As of December 31, 2021 and 2020 we had a payable of $28 million and $19 million, respectively, to STG in connection with such management services agreements and reimbursement of certain expenses paid by STG on behalf of the Company.

In connection with the transactions discussed in *Note 12. Subsequent Events*, we have come to an agreement with STG in which we will defer payment of a portion of these management service fees over the next five years to provide the Company with additional liquidity.

Equity Method Investees

We have a minority interest in certain mobile production businesses, which we account for as equity method investments. We made payments to these businesses for production services totaling $45 million, $19 million and $12 million for the years ended December 31, 2021 and 2020 and for the period April 29, 2019 to December 31, 2019, respectively.

Sports Programming Rights

As of December 31, 2021, affiliates of six professional teams have non-controlling interests in certain of our RSNs. The Company paid $424 million, $168 million, net of rebates, and $73 million for the years ended December 31, 2021 and 2020 and for the period April 29, 2019 to December 31, 2019, respectively, under sports programming rights agreements covering the broadcast of regular season games to professional teams who have non-controlling interests in certain of our RSNs. These agreements expire on various dates during the fiscal years ended 2025 through 2032.

Distributions to Parent

For the year December 31, 2020 and the period April 29, 2019 to December 31, 2019, the Company distributed $547 million and $297 million, respectively, to Diamond Sports Holdings, LLC (DSH), an indirect parent of the Company, for the purposes of the redemption of a portion of DSH's preferred equity, net of redemption rebates.

The Company made distributions to DSH for the payment of dividends on its preferred equity totaling $5 million, $36 million, and $33 million for the years ended December 31, 2021 and December 31, 2020 and the period April 29, 2019 to December 31, 2019, respectively. Dividends for the three months ended June 30, 2021, September 30, 2021, and December 31, 2021 were paid-in-kind.

See *Distributions to Parent* within *Note 1. Nature of Operations and Summary of Significant Accounting Policies* for discussion regarding the remaining balance of the preferred equity.

Accounts Receivable Securitization Facility

On November 5, 2021, SBG purchased and assumed the lenders' and the administrative agent's rights and obligations under the A/R Facility. In connection therewith, SBG and DSPV entered into the Omnibus Loan and Purchase Agreement to provide greater flexibility to us. For further discussion, see *Accounts Receivable Securitization Facility* under *Note 3. Notes Payable, Commercial Bank Financing, and Indebtedness to Affiliates.* During the year ended December 31, 2021 we incurred approximately $2.0 million in interest expense due to SBG under this arrangement, of which $1.0 million was payable as of December 31, 2021.

Transactions with Tennis Channel

During 2021, we entered into programming agreements with The Tennis Channel Holdings, Inc. (Tennis Channel), an indirect subsidiary of SBG, for the right to broadcast certain content. Under the terms of the arrangements we pay programming fees, as well as provide a barter split of available advertising time slots to Tennis Channel. During the year ended December 31, 2021 we paid $0.2 million as part of these arrangements.

During the year ended December 31, 2021, we paid $0.4 million to Tennis Channel for tickets and hospitality events at a tennis tournament.

9. FAIR VALUE MEASUREMENTS:

Accounting guidance provides for valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). A fair value hierarchy using three broad levels prioritizes the inputs to valuation techniques used to measure fair value. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The following table sets forth the carrying value and fair value of our financial assets and liabilities as of December 31, 2021 and 2020 (in millions):

	2021		2020	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Level 1:				
Money market funds	$ 101	$ 101	$ 292	$ 292
Level 2 (a):				
12.750% Senior Secured Notes due 2026	31	17	31	28
6.625% Senior Unsecured Notes due 2027	1,744	490	1,744	1,056
5.375% Senior Secured Notes due 2026	3,050	1,525	3,050	2,483
Term Loan	3,226	1,484	3,259	2,884
Accounts Receivable Securitization Facility (b)	213	213	177	177

(a) Amounts are carried on our consolidated balance sheets net of debt discount, premium, and deferred financing cost, which are excluded in the above table, of $113 million and $132 million as of December 31, 2021 and 2020, respectively.

(b) On November 5, 2021, SBG purchased and assumed the lenders' and the administrative agent's rights and obligations under the A/R Facility. See discussion under *Accounts Receivable Securitization Facility* under *Note 3. Notes Payable, Commercial Bank Financing, and Indebtedness to Affiliates.*

10. PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is generally computed under the straight-line method over the following estimated useful lives:

Operating equipment	5 - 10 years
Leasehold improvements	Lesser of 10 - 30 years or lease term
Office furniture and equipment	5 - 10 years
Buildings and improvements	10 - 30 years

Property and equipment consisted of the following as of December 31, 2021 and 2020 (in millions):

	2021	2020
Operating equipment	$ 99	$ 29
Leasehold improvements	13	13
Office furniture and equipment	10	2
Buildings and improvements	1	1
Automotive equipment	1	—
Construction in progress	7	18
	131	63
Less: accumulated depreciation	(25)	(14)
	$ 106	$ 49

11. GOODWILL AND DEFINITE-LIVED INTANGIBLE ASSETS:

Goodwill, which arises from the purchase price exceeding the assigned value of the net assets of an acquired business, represents the value attributable to unidentifiable intangible elements being acquired. During the year ended December 31, 2020, we recorded a $2,615 million goodwill impairment charge based upon an interim impairment test performed during the three-month period ending September 30, 2020. See *Impairment of Goodwill and Definite-Lived Intangible Assets* below for additional discussion surrounding this impairment charge.

The following tables shows the gross carrying amount and accumulated amortization of definite-lived intangibles (in millions):

	December 31, 2021		
	Gross Carrying Value	Accumulated Amortization	Net
Amortized intangible assets:			
Customer relationships	$ 4,220	$ (840)	$ 3,380
Favorable sports contracts	$ 840	$ (251)	$ 589
Other	15	(15)	—
Total other definite-lived intangible assets, net	$ 855	$ (266)	$ 589

	December 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net
Amortized intangible assets:			
Customer relationships (a)	$ 4,220	$ (541)	$ 3,679
Favorable sports (a)	$ 840	$ (174)	$ 666
Other	15	(10)	5
Total other definite-lived intangible assets, net	$ 855	$ (184)	$ 671

(a) As of December 31, 2020, we recorded a total impairment loss relating to customer relationships and favorable sports contracts of $1,218 million and $431 million, respectively, which is reflected as a reduction within the Gross Carrying Value column.

Definite-lived intangible assets and other assets subject to amortization are being amortized on a straight-line basis over their estimated useful lives. The definite-lived intangible assets are amortized over a weighted average useful life of 13 years for customer relationships and 12 years for favorable sports contracts. The amortization expense of the definite-lived intangible and other assets for the years ended December 31, 2021 and December 31, 2020, and the period April 29, 2019 to December 31, 2019 was $381 million, $530 million, and $196 million, respectively, of which $77 million, $131 million, and $43 million, respectively, was associated with the amortization of favorable sports contracts and is presented within media programming and production expenses in our consolidated statements of operations.

The following table shows the estimated annual amortization expense of the definite-lived intangible assets for the next five years and thereafter (in millions):

2022	$ 372
2023	369
2024	365
2025	363
2026	356
2027 and thereafter	2,144
Amortization of definite-lived intangible assets	$ 3,969

Impairment of Goodwill and Definite-Lived Intangible Assets

In conjunction with the interim third quarter 2020 impairment testing related to our RSNs discussed below, during the year ended December 31, 2020, we recorded a non-cash impairment charge associated with customer relationships and other definite-lived intangible assets of $1,218 million and $431 million, respectively, included in impairment of goodwill and definite-lived intangible assets in our consolidated statements of operations. After the recognition of these impairments there were no asset groups which have a heightened risk of impairment because the projected undiscounted cash flows of the individual asset groups were substantially greater than their carrying values. However, significant deterioration in the factors described below could result in future material impairments. There were no impairment charges recorded for the years ended December 31, 2021 and the period April 29, 2019 to December 31, 2019, as we did not identify any indicators that our definite-lived intangible assets may not be recoverable.

The Company performed an interim goodwill and long-lived asset impairment test during the three-month period ending September 30, 2020. Our RSNs were negatively impacted by the loss of certain distributors. In addition, our existing distributors experienced elevated levels of subscriber erosion which we believe was influenced, in part, by shifting consumer behaviors resulting from media fragmentation, the current economic environment, the COVID 19 pandemic, and related uncertainties. These factors are also expected to have a negative impact on future projected revenue and margins of our RSNs.

The long-lived asset impairment test requires a comparison of undiscounted cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. We evaluated each of our RSNs individually as asset groups. We estimated the projected undiscounted cash flows over the remaining useful life of each asset group. The more sensitive inputs used in the undiscounted cash flow analysis include projected revenues and margins. We identified 10 RSNs which had carrying values in excess of the future undiscounted cash flows. For these RSNs, an impairment loss was measured as the amount by which the carrying value of the asset group exceeded the fair value. The calculated impairment was then allocated to the long-lived assets within the asset group, which primarily consists of definite lived intangible assets, based upon relative fair value.

The fair value of the asset groups, reporting units and definite lived intangible assets were determined based upon a discounted cash flow analysis which uses the present value of projected cash flows. The projected cash flows were based upon our estimates of future revenues and margins, among other inputs. The discount rates used in the valuation were based on a weighted-average cost of capital determined from relevant market comparisons and taking into consideration the risk specifically associated with our asset groups and underlying assets. Terminal values were determined based upon the final year of projected cash flows which reflected our estimate of stable perpetual growth. The more sensitive inputs used in the discounted cash flow analysis include projected revenues and margins, as well as the discount rates used to calculate the present value of future cash flows. Projected revenue was based on the consideration of historical experience of the business, market data surrounding subscriber projections and advertising growth, our ability to retain existing customers and our ability to obtain new customers. Our revenue projections could be negatively impacted by the further loss of key distributors, inability to obtain new or retain existing distributors on terms similar to those expiring, greater than expected consumer migration away from traditional linear distributors, or our inability to successfully execute on our DTC strategy and develop alternative revenue streams, among other factors. Our future margins may also be affected by our inability to renew sports rights agreements on terms favorable to us.

We tested the RSN reporting units' goodwill for impairment on an interim basis by comparing the fair value of each of the RSN reporting units to their revised carrying value after adjustments were made related to the impairments of the asset groups, as described above. To the extent that the carrying value of the respective reporting units exceeded the fair value, a goodwill impairment charge was recorded. The fair value of the reporting units was determined based upon a discounted cash flow analysis, as described above. For the year ended December 31, 2020, we recorded a non-cash goodwill impairment charge of $2,615 million, included in impairment of goodwill and definite-lived intangible assets in our consolidated statements of operations. As of December 31, 2021, there was no remaining goodwill and the remaining balance of the customer relationship intangible asset was $3,380 million and the aggregate remaining balance of the other definite-lived intangible assets was $589 million.

12. SUBSEQUENT EVENTS:

We have evaluated subsequent events through April 28, 2022 and determined that no events or transactions, other than as described below, met the definition of a subsequent event for purposes of recognition or disclosure in the accompanying consolidated financial statements.

On March 1, 2022, we consummated the following financing transactions (the “Transaction”):

- First Lien Term Loan: $635 million of a newly funded first-priority lien term loan (the First Lien Term Loan) pursuant to a new first-priority lien credit agreement (the First Lien Credit Agreement), ranking first in lien priority on shared collateral ahead of (i) new second lien credit facilities issued in exchange for existing loans and/or commitments under the existing Bank Credit Agreement, each of which will rank second in lien priority on shared collateral, (ii) 5.375% Second Lien Secured Notes due 2026 (the 5.375% Second Lien Secured Notes) issued in exchange for the 5.375% Secured Notes in an exchange offer, each of which will rank second in lien priority on shared collateral and (iii) loans and/or commitments under the Bank Credit Agreement and 5.375% Secured Notes that do not participate in or consent to the Transaction, each of which will rank third in lien priority on shared collateral.

- First and Second Lien Credit Facilities and 5.375% Second Lien Secured Notes: All lenders under the Bank Credit Agreement that participates in the applicable Transaction and all holders of 5.375% Secured Notes that participate in an exchange offer exchanged their applicable existing debt holdings for:

    - In the case of existing term loans under the Bank Credit Agreement, new second-priority lien term loans (the Second Lien Term Loan), with the same or substantially the same maturity, pricing and other economic terms as the existing term loans under the Bank Credit Agreement, but with more restrictive covenants and other terms substantially consistent with the First Lien Term Loan, at an exchange rate of $100 of Second Lien Term Loans for each $100 of existing term loans under the Bank Credit Agreement.

    - In the case of the existing Revolving Credit Facility, a new second-priority lien revolving credit facility (the Second Lien Revolving Credit Facility, together with the Second Lien Term Loan, the Second Lien Credit Facilities, and together with the First Lien Term Loan, the First and Second Lien Credit Facilities) with more restrictive covenants and other terms as compared with the existing Revolving Credit Facility, which terms are substantially consistent with the Second Lien Term Loan other than an extended term to May 2026, and were exchanged into the Second Lien Revolving Credit Facility for a principal amount equal to 35.0% of such lender’s total revolving commitments existing under the existing Revolving Credit Facility. The Second Lien Credit Facilities were issued pursuant to a new second-priority lien credit agreement (the “Second Lien Credit Agreement,” and together with the First Lien Credit Agreement, the “ First and Second Lien Credit Agreements”). The First and Second Lien Credit Agreements and the existing Bank Credit Agreement are collectively referred to as the Credit Agreements.

    - In the case of the 5.375% Secured Notes, the 5.375% Second Lien Secured Notes.

- Non-Participating Lenders under the Bank Credit Agreement and 5.375% Secured Notes: All loans under the Bank Credit Agreement that did not participate in the Transaction (the "Third Lien Term Loan") and all 5.375% Secured Notes that did not participate in an exchange offer rank third in lien priority on shared collateral behind each of the First and Second Lien Credit Facilities and the 5.375% Second Lien Secured Notes, and certain of the covenants, events of default and related definitions in the Bank Credit Agreement and the indenture governing the 5.375% Secured Notes were eliminated in a manner customary for covenant strips as part of exit consents for transactions of this type.

- Satisfaction, Discharge and Redemption of 12.750% Secured Notes. We satisfied and discharged the indenture governing our 12.750% Secured Notes and, on March 2, 2022, we redeemed the 12.750% Secured Notes. The redemption price was equal to the sum of 100% of the principal amount of the 12.750% Secured Notes outstanding plus the Applicable Premium (as defined in the indenture governing the 12.750% Secured Notes), together with accrued and unpaid interest on the principal amount being redeemed up to, but not including, March 2, 2022.

Immediately following the Transactions, we had $3,036 million of 5.375% Second Lien Notes outstanding, $14 million of 5.375% Secured Notes outstanding, $635 million outstanding under the First Lien Term Loan, $3,222 million outstanding under the Second Lien Term Loan, and $4 million outstanding under the Third Lien Term Loan. In addition, we had $227.5 million of availability under the Second Lien Revolving Credit Facility.

Borrowings under the First and Second Lien Credit Facilities bear interest, at a rate per annum equal to an applicable margin of 7.00% in the case of base rate First Lien Term Loan borrowings or 8.00%, plus customary credit spread adjustments in the case of Term SOFR rate First Lien Term Loan borrowings; at a rate per annum equal to an applicable margin of 2.25% in the case of base rate Second Lien Term Loan borrowings or 3.25% plus customary credit spread adjustments in the case of Term SOFR rate Second Lien Term Loan borrowings; and 2.00% in the case of base rate Second Lien Revolving Credit Facility borrowings or 3.00% plus customary credit spread adjustments in the case of Term SOFR rate Second Lien Revolving Credit Facility borrowings, and, in the case of the Second Lien Revolving Credit Facility, subject to decrease if the specified second lien net leverage ratio is less than or equal to certain levels, in each such case over either, at our option, (a) a base rate determined by reference to the highest of (1) the "Prime Rate" last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Federal Reserve Board (as determined by the Administrative Agent), (2) the federal funds effective rate plus ½ of 1% and (3) the Term SOFR (or successor) rate for a one month interest period (including the applicable credit spread adjustment) plus 1.00% or (b) the Term SOFR rate determined by reference to the interest period relevant to such borrowing, subject to a 0% interest rate floor.

The First and Second Lien Credit Agreements contain customary mandatory prepayment requirements, including with respect to excess cash flow, asset sale proceeds and proceeds from certain incurrences of indebtedness. We may voluntarily repay outstanding loans under the First Lien Term Loan at a prepayment price equal to 100% of the principal amount of the First Lien Term Loan being prepaid plus accrued and unpaid interest, if any, to the prepayment date plus (i) prior to the third anniversary of the closing date of First Lien Term Loan, a make-whole premium (to be defined based on the net present value, calculated on the basis of a treasury rate + 50 basis points, of the interest payments that would have otherwise been paid up to such third anniversary date) plus a prepayment charge equal to 7.0% of the principal amount so prepaid, (ii) 7.0% of the amount so prepaid, if such prepayment occurs on or after the third anniversary of the closing date of the First Lien Term Loan but prior to the date that is one year prior to the maturity date of the First Lien Term Loan, and (iii) 0.0%, if such prepayment occurs on or after the date that is one year prior to the maturity date of the First Lien Term Loan, and in each case subject to customary breakage costs with respect to Term SOFR rate loans. We may voluntarily repay outstanding loans under the Second Lien Credit Facilities at any time without premium or penalty, other than customary breakage costs with respect to Term SOFR (or successor) loans.

The First Lien Term Loan and the Second Lien Term Loan both amortize in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount of such term loans (commencing with the first full fiscal quarter after the closing date thereof), with the balance being payable on the respective maturity date of such term loans.

All obligations under the First Lien Term Loan are secured, subject to permitted liens and other customary exceptions, by: (i) a perfected first priority pledge of (a) all the equity interests of DSG and each wholly owned restricted subsidiary of the Company that is directly held by the Company, DSG or a subsidiary guarantor, (b) subject to certain exceptions, the equity held by such entities in non-wholly owned restricted subsidiaries and (c) in certain limited circumstances, the equity held by such entities in non-subsidiary joint ventures and (ii) perfected first priority security interests in substantially all tangible and intangible personal property of the Company and the subsidiary guarantors.

All obligations under the Second Lien Credit Facilities (including with respect to certain cash management services provided by lenders or agents thereunder or affiliates thereof) are secured, subject to permitted liens and other customary exceptions, by: (i) a perfected second priority pledge of (a) all the equity interests of DSG and each wholly owned restricted subsidiary of the Company that is directly held by the Company, DSG or a subsidiary guarantor, (b) subject to certain exceptions, the equity held by such entities in non-wholly owned restricted subsidiaries and (c) in certain limited circumstances, the equity held by such entities in non-subsidiary joint ventures and (ii) perfected second priority security interests in substantially all tangible and intangible personal property of the Company and the subsidiary guarantors.

The First and Second Lien Credit Facilities are jointly and severally guaranteed by the guarantors party thereto, which currently includes the Company and each of its wholly owned direct or indirect domestic subsidiaries. The First and Second Lien Credit Facilities contain affirmative covenants including, among others: delivery of annual audited and quarterly unaudited financial statements; delivery of notices of defaults, material litigation and material ERISA events; submission to certain inspections; maintenance of property and customary insurance; payment of taxes; compliance with laws and regulations; a requirement that the DTC application and intellectual property developed as part of or derived from the DTC application shall be developed at and at all times be and remain owned by the Company, DSG or guarantors and a requirement to maintain an independent board of DSG (including the selection solely by the required lenders under the First Lien Term Loan of two of the independent board members). The First and Second Lien Credit Facilities also contain negative covenants that, subject to certain exceptions, qualifications and “baskets,” generally limit the ability of (i) the Company, DSG and its restricted subsidiaries to incur debt, create liens, make fundamental changes, enter into asset sales, make certain investments, pay dividends or distribute or redeem certain equity interests, prepay or redeem certain debt, enter into certain transactions with affiliates, amend the Management Agreement with Sinclair Television Group, Inc., transfer certain assets to or engage in certain types of transactions with unrestricted subsidiaries or other non-guarantor subsidiaries, transfer content rights, the DTC application and related intellectual property other than to the Company, DSG and the guarantors, and forming and transferring assets to joint ventures and (ii) unrestricted subsidiaries to own or hold assets or engage in certain types of transactions as well as customary events of default, including relating to a change of control. The First and Second Lien Credit Facilities also contain customary events of default, including relating to a change of control. If an event of default occurs, the lenders under the First and Second Lien Credit Agreements will be entitled to take various actions, including the acceleration of amounts due under the First and Second Lien Credit Agreements and all actions permitted to be taken by secured creditors under applicable law.

We have also come to an agreement with STG in which we will defer payment of a portion of the management service fees owed to them under a management services agreement over the next five years to provide the Company with additional liquidity.

On March 10, 2022, the MLB owners and players reached a deal on a new five-year collective bargaining agreement and the season began on April 7, 2022 under a full game schedule.

On April 14, 2022, we entered into a distribution agreement with Charter Communications, Inc. for continued carriage of the Bally RSNs and YES Network.