

STERLING BANCORP
Form 10-Q
November 04, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from _____ to _____

Commission File Number: 1-5273-1

Sterling Bancorp

(Exact name of registrant as specified in its charter)

New York

12-2565216

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification)

650 Fifth Avenue, New York, N.Y.

10019-6108

(Address of principal executive offices)

(Zip Code)

212-757-3300

(Registrant's telephone number, including area code)

N/A

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

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(17 CFR § 232.405) during the

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preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large Accelerated Filer
Non-Accelerated Filer

Accelerated Filer
Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 31, 2010 there were 26,840,763 shares of common stock,
\$1.00 par value, outstanding.

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STERLING BANCORP

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STERLING BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)
(dollars in thousands)

	September 30, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$ 37,193	\$ 24,911
Interest-bearing deposits with other banks	19,300	36,958
Securities available for sale (at estimated fair value; pledged: \$124,405 in 2010 and \$150,034 in 2009)	421,984	346,526
Securities held to maturity (pledged: \$161,416 in 2010 and \$278,598 in 2009) (estimated fair value: \$355,462 in 2010 and \$396,150 in 2009)	342,477	390,539
Total investment securities	764,461	737,065
Loans held for sale	34,046	33,889
Loans held in portfolio, net of unearned discounts	1,296,166	1,195,415
Less allowance for loan losses	18,152	19,872
Loans, net	1,278,014	1,175,543
Federal Reserve and Federal Home Loan Bank stock, at cost	9,381	8,482
Customers liability under acceptances	313	27
Goodwill	22,901	22,901
Premises and equipment, net	15,725	9,658
Other real estate	744	1,385
Accrued interest receivable	9,216	9,001
Cash surrender value of life insurance policies	50,877	49,009
Other assets	61,306	56,780
	\$ 2,303,477	\$ 2,165,609
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Noninterest-bearing demand deposits	\$ 539,633	\$ 546,337
Savings, NOW and money market deposits	555,262	592,015
Time deposits	550,718	442,315
Total deposits	1,645,613	1,580,667
Securities sold under agreements to repurchase - customers	21,084	21,048
Securities sold under agreements to repurchase - dealers	5,000	
Federal funds purchased	60,000	41,000
Commercial paper	15,245	17,297
Short-term borrowings - FRB		50,000
Short-term borrowings - other	2,221	2,509
Long-term borrowings - FHLB	144,528	130,000
Long-term borrowings - subordinated debentures	25,774	25,774
Total borrowings	273,852	287,628

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Acceptances outstanding	313	27
Accrued interest payable	1,639	1,291
Due to factored clients	92,854	82,401
Accrued expenses and other liabilities	64,828	51,645
Total liabilities	2,079,099	2,003,659
Shareholders' equity		
Preferred stock, Series A, \$5 par value; \$1,000 liquidation value. Authorized 644,389 shares; issued 42,000 shares, respectively	40,472	40,113
Common stock, \$1 par value. Authorized 50,000,000 shares; issued 31,138,545 and 22,226,425 shares, respectively	31,139	22,227
Warrants to purchase common stock	2,615	2,615
Capital surplus	236,368	178,734
Retained earnings	10,306	15,828
Accumulated other comprehensive loss	(9,966)	(12,399)
Common shares in treasury at cost, 4,297,782 and 4,119,934 shares, respectively	(86,556)	(85,168)
Total shareholders' equity	224,378	161,950
	\$ 2,303,477	\$ 2,165,609

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)
(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
INTEREST INCOME				
Loans	\$ 18,275	\$ 18,024	\$ 51,907	\$ 53,840
Investment securities				
Available for sale	2,985	4,123	9,315	13,751
Held to maturity	3,320	4,357	11,622	11,485
FRB and FHLB stock	112	191	296	387
Deposits with other banks	10	27	53	46
Total interest income	24,702	26,722	73,193	79,509
INTEREST EXPENSE				
Deposits				
Savings, NOW and money market	746	872	2,536	2,940
Time	1,545	1,933	4,857	6,148
Securities sold under agreements to repurchase - customers				
	49	79	175	282
Securities sold under agreements to repurchase - dealers				
	23		28	
Federal funds purchased	44	2	67	43
Commercial paper	12	15	34	55
Short-term borrowings - FHLB				
		131	9	356
Short-term borrowings - FRB				
	14		18	1
Short-term borrowings - other				
	871	1,197	2,591	3,453
Long-term borrowings - FHLB				
	523	523	1,570	1,570
Total interest expense	3,827	4,752	11,885	14,859
Net interest income	20,875	21,970	61,308	64,650
Provision for loan losses	14,000	6,950	25,500	19,950
Net interest income after provision for loan losses	6,875	15,020	35,808	44,700
Total noninterest income	13,058	11,735	35,521	33,337
Total noninterest expenses	23,753	23,177	67,228	67,372
(Loss) Income before income taxes	(3,820)	3,578	4,101	10,665
(Benefit) Provision for income taxes	(1,146)	1,180	1,230	3,880
Net (loss) income	(2,674)	2,398	2,871	6,785

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Dividends on preferred shares and accretion	654	646	1,934	2,125
	<hr/>	<hr/>	<hr/>	<hr/>
Net (loss) income available to common shareholders	\$ (3,328)	\$ 1,752	\$ 937	\$ 4,660
	<hr/>	<hr/>	<hr/>	<hr/>
Average number of common shares outstanding				
Basic	26,840,763	18,106,491	23,787,733	18,104,057
Diluted	26,840,763	18,120,412	23,791,160	18,192,585
Net income (loss) available to common shareholders, per average common share				
Basic	\$ (0.12)	\$ 0.10	\$ 0.04	\$ 0.26
Diluted	(0.12)	0.10	0.04	0.26
Dividends per common share	0.09	0.09	0.27	0.47

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Comprehensive (Loss) Income
(Unaudited)
(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net (loss) income	\$ (2,674)	\$ 2,398	\$ 2,871	\$ 6,785
Other comprehensive income, net of tax:				
Unrealized gains on securities:				
Unrealized holding gains on available for sale securities and other investments arising during the year	921	2,664	3,081	4,352
Reclassification adjustment for gains included in net income	(638)	(666)	(1,866)	(2,818)
Reclassification adjustment for amortization of:				
Prior service cost	9	9	27	27
Net actuarial losses	354	532	1,191	1,404
Other comprehensive income	646	2,539	2,433	2,965
Comprehensive (loss) income	\$ (2,028)	\$ 4,937	\$ 5,304	\$ 9,750

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)
(dollars in thousands)

	Nine Months Ended September 30,	
	2010	2009
Preferred Stock		
Balance at January 1,	\$ 40,113	\$ 39,440
Discount accretion	359	550
Balance at September 30,	\$ 40,472	\$ 39,990
Common Stock		
Balance at January 1,	\$ 22,227	\$ 22,203
Common shares issued	8,625	24
Restricted shares issued	84	
Common shares issued under stock incentive plan	203	
Balance at September 30,	\$ 31,139	\$ 22,227
Warrants to Purchase Common Stock		
Balance at January 1, and September 30,	\$ 2,615	\$ 2,615
Capital Surplus		
Balance at January 1,	\$ 178,734	\$ 178,417
Common shares issued	56,256	
Restricted shares issued	(84)	
Common shares issued under stock incentive plan and related tax benefits	1,274	185
Stock option compensation expense	188	99
Balance at September 30,	\$ 236,368	\$ 178,701
Retained Earnings		
Balance at January 1,	\$ 15,828	\$ 19,088
Net income	2,871	6,785
Cash dividends paid - preferred shares	(1,575)	(1,353)
Cash dividends paid - common shares	(6,459)	(8,503)
Discount accretion on series A preferred stock	(359)	(550)
Balance at September 30,	\$ 10,306	\$ 15,467
Accumulated Other Comprehensive Loss		
Balance at January 1,	\$ (12,399)	\$ (16,259)
Other comprehensive income, net of tax	2,433	2,965
Balance at September 30,	\$ (9,966)	\$ (13,294)

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Treasury Stock		
Balance at January 1,	\$ (85,168)	\$ (85,024)
Surrender of shares issued under stock incentive plan	(1,388)	(144)
	<u> </u>	<u> </u>
Balance at September 30,	\$ (86,556)	\$ (85,168)
	<u> </u>	<u> </u>
Total Shareholders' Equity		
Balance at January 1,	\$ 161,950	\$ 160,480
Net changes during the period	62,428	58
	<u> </u>	<u> </u>
Balance at September 30,	\$ 224,378	\$ 160,538
	<u> </u>	<u> </u>

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)
(dollars in thousands)

	Nine Months Ended September 30,	
	2010	2009
Operating Activities		
Net Income	\$ 2,871	\$ 6,785
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	25,500	19,950
Depreciation and amortization of premises and equipment	1,171	1,679
Securities gains	(3,419)	(5,160)
Income from life insurance policies, net	(757)	(1,094)
Deferred income tax provision (benefit)	361	(2,076)
Proceeds from sale of loans	330,050	492,589
Gains on sales of loans, net	(5,645)	(7,146)
Originations of loans held for sale	(325,826)	(487,822)
Amortization of premiums on securities	4,793	1,386
Accretion of discounts on securities	(446)	(1,035)
(Increase) Decrease in accrued interest receivable	(215)	776
Increase (Decrease) in accrued interest payable	348	(509)
Increase in due to factored clients	10,453	39,111
Increase in accrued expenses and other liabilities	5,057	(14,742)
Increase in other assets	(8,517)	(1,872)
Loss (Gain) on other real estate owned	17	(39)
Net cash provided by operating activities	35,796	40,781
Investing Activities		
Purchase of premises and equipment	(7,238)	(641)
Net decrease (increase) in interest-bearing deposits with other banks	17,658	(7,171)
Net (increase) decrease in loans held in portfolio	(80,961)	21,254
Net increase in short-term factored receivables	(46,279)	(42,870)
Decrease in other real estate	1,157	1,284
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	48,597	60,172
Purchases of securities - held to maturity	(122,185)	(183,996)
Proceeds from calls of securities - held to maturity	132,380	30,000
Proceeds from calls/sales of securities - available for sale	400,719	366,526
Proceeds from prepayments, redemptions or maturities of securities - available for sale	170,701	95,607
Purchases of securities - available for sale	(645,514)	(285,516)
Proceeds from redemptions or maturities of securities - FHLB & FRB stock	961	3,375
Purchases of securities - FHLB & FRB stock	(1,860)	(503)
Cash paid in acquisition		(21,333)
Net cash (used in) provided by investing activities	(131,864)	36,188
Financing Activities		
Net (decrease) increase in noninterest-bearing demand deposits	(6,704)	5,819
Net decrease in savings, NOW and money market deposits	(36,753)	(18,376)
Net increase in time deposits	108,403	63,258
Net increase (decrease) in Federal funds purchased	19,000	(105,325)
Net increase in securities sold under agreements to repurchase	5,036	11,294
Net decrease in commercial paper and other short-term borrowings	(52,340)	(34,590)
Increase in long-term borrowings	14,528	10,000
Proceeds from exercise of stock options	333	163

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Proceeds from issuance of common stock	64,881	
Cash dividends paid on preferred stock	(1,575)	(1,353)
Cash dividends paid on common stock	(6,459)	(8,503)
	<u> </u>	<u> </u>
Net cash provided by (used in) financing activities	108,350	(77,613)
	<u> </u>	<u> </u>
Net increase (decrease) in cash and due from banks	12,282	(644)
Cash and due from banks - beginning of period	24,911	31,832
	<u> </u>	<u> </u>
Cash and due from banks - end of period	\$ 37,193	\$ 31,188
	<u> </u>	<u> </u>
Supplemental disclosures:		
Interest paid	\$ 11,537	\$ 15,368
Income taxes paid	3,716	5,746
Loans held for sale transferred to portfolio	1,264	
Loans transferred to other real estate	533	1,538
Due to brokers on purchases of securities - AFS		5,000
Due to brokers on purchases of securities - HTM	10,300	613
<i>See Notes to Consolidated Financial Statements.</i>		

STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Significant Accounting Policies

Nature of Operations. Sterling Bancorp (the parent company) is a financial holding company, pursuant to an election made under the Gramm-Leach-Bliley Act of 1999. Throughout the notes, the term the Company refers to Sterling Bancorp and its subsidiaries and the term the bank refers to Sterling National Bank and its subsidiaries. The Company provides a full range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/accounts receivable management services, trade financing, leasing, deposit services, trust and estate administration and investment management services. The Company has operations principally in the New York metropolitan area and conducts business throughout the United States.

The Company's financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) which, effective for all interim and annual periods ending after September 15, 2009, principally consist of the Financial Accounting Standards Board Accounting Standards Codification (FASB Codification). FASB Codification Topic 105: *Generally Accepted Accounting Principles* establishes the FASB codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative guidance for SEC registrants. All guidance contained in the FASB Codification carries an equal level of authority. All non-grandfathered, non-SEC accounting literature not included in the FASB Codification is superseded and deemed non-authoritative.

Basis of Presentation. The consolidated financial statements include the accounts of Sterling Bancorp and its subsidiaries, principally the bank, after elimination of intercompany transactions. The consolidated financial statements as of and for the interim periods ended September 30, 2010 and 2009 are unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of such periods have been made. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation. The interim consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K).

Use of Estimates. The preparation of financial statements in accordance with U.S. GAAP requires management to make assumptions and estimates which impact the amounts reported in those statements and are, by their nature, subject to change in the future as additional information becomes available or as circumstances vary. Actual results could differ from management's current estimates as a result of changing conditions and future events. The current economic environment has increased the degree of uncertainty inherent in these significant estimates. Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses and asset impairment judgments, such as other-than-temporary declines in the value of securities and the accounting for income taxes. The judgments used by management in applying these critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. For example, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses in future periods, and the inability to collect outstanding principal may result in increased loan losses. The Company evaluates subsequent events through the date that the financial statements are issued. Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current presentation. Throughout the notes, dollar amounts presented in tables are in thousands, except per share data.

STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

Note 2. Investment Securities

The following tables present information regarding securities available for sale:

September 30, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities				
CMO s (Federal Home Loan Mortgage Corporation)	\$ 1,109	\$ 31	\$	\$ 1,140
CMO s (Government National Mortgage Association)	12,535	311		12,846
Federal National Mortgage Association	7,075	339		7,414
Federal Home Loan Mortgage Corporation	238	26	1	263
Government National Mortgage Association	2,220	272		2,492
Total mortgage-backed securities	23,177	979	1	24,155
Agency Notes				
Federal National Mortgage Association	45,087	191		45,278
Federal Home Loan Bank	15,000	114		15,114
Federal Home Loan Mortgage Corporation	89,962	449		90,411
Federal Farm Credit Bank	10,000	50		10,050
Total obligations of U.S. government corporations and government sponsored enterprises	183,226	1,783	1	185,008
Obligations of state and political institutions-New York Bank Qualified				
Single-issuer, trust preferred securities	22,658	1,415		24,073
Corporate debt securities	3,878	76	26	3,928
Other securities	203,646	470	210	203,906
	5,044	25		5,069
Total	\$ 418,452	\$ 3,769	\$ 237	\$ 421,984

STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities				
CMO s (Federal National Mortgage Association)	\$ 2,882	\$	\$ 5	\$ 2,877
CMO s (Federal Home Loan Mortgage Corporation)	5,563	171		5,734
CMO s (Government National Mortgage Association)	9,181		133	9,048
Federal National Mortgage Association	21,055	868	71	21,852
Federal Home Loan Mortgage Corporation	10,321	299		10,620
Government National Mortgage Association	6,807	351	1	7,157
	<u>55,809</u>	<u>1,689</u>	<u>210</u>	<u>57,288</u>
Total mortgage-backed securities				
Agency Notes				
Federal National Mortgage Association	20,291		835	19,456
Federal Home Loan Bank	83,983	6	1,039	82,950
Federal Home Loan Mortgage Corporation	4,995		96	4,899
Federal Farm Credit Bank	24,999		669	24,330
	<u>190,077</u>	<u>1,695</u>	<u>2,849</u>	<u>188,923</u>
Total obligations of U.S. government corporations and government sponsored enterprises				
Obligations of state and political institutions-New York Bank Qualified				
Single-issuer, trust preferred securities	22,820	1,061	17	23,864
Corporate debt securities	4,878		395	4,483
Other securities	127,900	1,382	82	129,200
	44	12		56
	<u>345,719</u>	<u>4,150</u>	<u>3,343</u>	<u>346,526</u>
Total	<u>\$ 345,719</u>	<u>\$ 4,150</u>	<u>\$ 3,343</u>	<u>\$ 346,526</u>

STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

The following tables present information regarding securities held to maturity:

September 30, 2010	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities				
CMO s (Federal National Mortgage Association)	\$ 8,846	\$ 448	\$	\$ 9,294
CMO s (Federal Home Loan Mortgage Corporation)	13,558	667		14,225
Federal National Mortgage Association	77,289	4,324		81,613
Federal Home Loan Mortgage Corporation	45,564	2,291		47,855
Government National Mortgage Association	5,191	590		5,781
Total mortgage-backed securities	150,448	8,320		158,768
Agency Notes				
Federal National Mortgage Association	34,989	36	19	35,006
Federal Home Loan Bank	19,990	7	6	19,991
Federal Home Loan Mortgage Corporation	14,995	50		15,045
Federal Farm Credit Bank	5,081	2		5,083
Total obligations of U.S. government corporations and government sponsored enterprises	225,503	8,415	25	233,893
Obligations of state and political institutions-New York Bank Qualified	116,974	4,679	84	121,569
Total	\$ 342,477	\$ 13,094	\$ 109	355,462

STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

December 31, 2009	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities				
CMO s (Federal National Mortgage Association)	\$ 10,863	\$ 339	\$	\$ 11,202
CMO s (Federal Home Loan Mortgage Corporation)	16,964	573		17,537
Federal National Mortgage Association	103,821	4,329	2	108,148
Federal Home Loan Mortgage Corporation	61,095	2,005		63,100
Government National Mortgage Association	5,989	501		6,490
Total mortgage-backed securities	198,732	7,747	2	206,477
Agency Notes				
Federal National Mortgage Association	97,147	14	1,742	95,419
Federal Home Loan Bank	19,849		474	19,375
Federal Home Loan Mortgage Corporation	10,000		218	9,782
Federal Farm Credit Bank	5,088		94	4,994
Total obligations of U.S. government corporations and government sponsored enterprises	330,816	7,761	2,530	336,047
Obligations of state and political institutions-New York Bank Qualified	59,473	737	357	59,853
Debt securities issued by foreign governments	250			250
Total	\$ 390,539	\$ 8,498	\$ 2,887	\$ 396,150

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STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

The following tables present information regarding securities available for sale with temporary unrealized losses for the periods indicated:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2010						
Obligations of U.S. government corporations and government sponsored enterprises						
Federal Home Loan Mortgage Corporation	\$ 29	\$ 1	\$	\$	\$ 29	\$ 1
Total mortgage-backed securities	29	1			29	1
Single-issuer, trust preferred securities						
Corporate debt securities	58,625	210	2,110	26	2,110	26
Total	\$ 58,654	\$ 211	\$ 2,110	\$ 26	\$ 60,764	\$ 237

December 31, 2009

Obligations of U.S. government corporations and government sponsored enterprises						
Mortgage-backed securities						
CMO s (Federal National Mortgage Association)	\$ 2,877	\$ 5	\$	\$	\$ 2,877	\$ 5
CMO s (Government National Mortgage Association)	4,926	91	4,122	42	9,048	133
Federal National Mortgage Association	2,057	71			2,057	71
Government National Mortgage Association			123	1	123	1
Total mortgage-backed securities	9,860	167	4,245	43	14,105	210
Agency Notes						
Federal National Mortgage Association	19,456	835			19,456	835
Federal Home Loan Bank	68,231	751	9,713	288	77,944	1,039
Federal Home Loan Mortgage Corporation	4,899	96			4,899	96
Federal Farm Credit Bank	24,330	669			24,330	669
Total obligations of U.S. government corporations and government sponsored enterprises	126,776	2,518	13,958	331	140,734	2,849
Obligations of state and political institutions-New York Bank Qualified						
Single-issuer, trust preferred securities	872	17	3,540	395	3,540	395
Corporate debt securities	23,575	82			23,575	82
Total	\$ 151,223	\$ 2,617	\$ 17,498	\$ 726	\$ 168,721	\$ 3,343

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The following tables present information regarding securities held to maturity with temporary unrealized losses for the periods indicated:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2010						
Obligations of U.S. government corporations and government sponsored enterprises - Agency Notes						
Federal National Mortgage Association	\$ 14,977	\$ 19	\$	\$	\$ 14,977	\$ 19
Federal Home Loan Bank	4,986	6			4,986	6
Total obligations of U.S. government corporations and government sponsored enterprises	19,963	25			19,963	25
Obligations of state and political institutions-New York Bank Qualified	5,064	84			5,064	84
Total	\$ 25,027	\$ 109	\$	\$	\$ 25,027	\$ 109

December 31, 2009

Obligations of U.S. government corporations and government sponsored enterprises - Mortgage-backed securities						
Federal National Mortgage Association	\$	\$	\$ 459	\$ 2	\$ 459	\$ 2
Total mortgage-backed securities			459	2	459	2
Agency Notes						
Federal National Mortgage Association	86,027	1,742			86,027	1,742
Federal Home Loan Bank	19,375	474			19,375	474
Federal Home Loan Mortgage Corporation	9,782	218			9,782	218
Federal Farm Credit Bank	4,994	94			4,994	94
Total obligations of U.S. government corporations and government sponsored enterprises	120,178	2,528	459	2	120,637	2,530
Obligations of state and political institutions-New York Bank Qualified	16,478	357			16,478	357
Total	\$ 136,656	\$ 2,885	\$ 459	\$ 2	\$ 137,115	\$ 2,887

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The Company invests principally in obligations of U.S. government corporations and government sponsored enterprises and other investment-grade securities. The fair value of these investments fluctuates based on several factors, including credit quality and general interest rate changes. The Company determined that it is not more likely than not that the Company would be required to sell before anticipated recovery.

At September 30, 2010, approximately \$120.7 million, representing approximately 15.8%, of the Company's held to maturity and available for sale securities are comprised of securities issued by financial service companies/banks including single-issuer trust preferred securities (6 issuers), corporate debt (20 issuers) and equity securities (8 issuers). These investments may pose a higher risk of future impairment charges as a result of a possible further deterioration of the U.S. economy. Some of the single-issuer trust preferred securities held by the Company are financial institutions that are participating in the U.S. Treasury's TARP Capital Purchase Program (CPP). It is possible that these financial institutions may elect to defer future interest payments on such securities based upon recommendations by the U.S. Government and the banking regulators or management decisions driven by potential liquidity needs. Such elections could result in future impairment charges if collection of deferred and accrued interest (or principal upon maturity) is deemed unlikely by management. The Company would be required to recognize impairment charges on these securities if they suffer a decline in value that is considered other-than-temporary. Numerous factors, including lack of liquidity for re-sales of certain investment securities, absence of reliable pricing information for investment securities, adverse changes in business climate, adverse actions by regulators or unanticipated changes in the competitive environment could have a negative effect on the Company's investment portfolio and may result in other-than-temporary impairment on certain investment securities in future periods.

At September 30, 2010, the Company held 6 securities positions of single-issuer, trust preferred securities and 42 security positions of corporate debt securities issued by financial institutions, in the available for sale portfolio, all of which are paying in accordance with their terms and have no deferrals of interest or other deferrals. In addition, management analyzes the performance of the issuers on a periodic basis, including a review of each issuer's most recent bank regulatory report to assess credit risk and the probability of impairment of the contractual cash flows of the applicable securities. Based upon management's third quarter review, all of the issuers have maintained performance levels adequate to support the contractual cash flows of the securities.

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The following table presents information regarding single-issuer, trust preferred securities at September 30, 2010:

Issuer	TARP Recipient	Credit Rating	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Sterling Bancorp Trust I, 8.375%, due 3/31/2032	Yes	NA	\$ 980	\$ 1,036	\$ 56
NPB Capital Trust II, 7.85%, due 9/30/2032	Yes	NA	126	121	(5)
VNB Capital Trust I, 7.75%, due 12/15/2031	Yes	* BBB-	22	22	
HSBC Finance, 6.875%, due 1/30/2033, owned by HSBC Group, PLC	No No	A	740	760	20
Citigroup Capital VII, 7.125%, due 7/31/2031	Yes	* BB-	1,508	1,488	(20)
Fleet Capital Trust VIII, 7.20%, due 3/15/2032, owned by Bank of America Corporation	No Yes	BB *	502	501	(1)
			<u>\$ 3,878</u>	<u>\$ 3,928</u>	<u>\$ 50</u>

* TARP obligation was repaid prior to September 30, 2010.

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The following tables present information regarding securities available for sale and securities held to maturity at September 30, 2010, based on contractual maturity. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Available for sale	Amortized Cost	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises		
Mortgage-backed securities		
CMO s (Federal Home Loan Mortgage Corporation)	\$ 1,109	\$ 1,140
CMO s (Government National Mortgage Association)	12,535	12,846
Federal National Mortgage Association	7,075	7,414
Federal Home Loan Mortgage Corporation	238	263
Government National Mortgage Association	2,220	2,492
	<u>23,177</u>	<u>24,155</u>
Total mortgage-backed securities	23,177	24,155
Agency Notes		
Federal National Mortgage Association		
Due after 1 year but within 5 years	29,988	30,117
Due after 5 years but within 10 years	15,099	15,161
Federal Home Loan Bank		
Due after 5 years but within 10 years	15,000	15,114
Federal Home Loan Mortgage Corporation		
Due after 1 year but within 5 years	29,982	30,130
Due after 5 years but within 10 years	59,980	60,281
Federal Farm Credit Bank		
Due after 10 years	10,000	10,050
	<u>183,226</u>	<u>185,008</u>
Total obligations of U.S. government corporations and government sponsored enterprises	183,226	185,008
Obligations of state and political institutions - New York Bank Qualified		
Due within 1 year	1,469	1,491
Due after 1 year but within 5 years	11,679	12,424
Due after 5 years but within 10 years	4,928	5,377
Due after 10 years	4,582	4,781
	<u>22,658</u>	<u>24,073</u>
Total obligations of state and political institutions-New York Bank Qualified	22,658	24,073
Single-issuer, trust preferred securities		
Due after 10 years	3,878	3,928
	<u>3,878</u>	<u>3,928</u>
Corporate debt securities		
Due within 6 months	85,933	86,020
Due after 6 months but within 1 year	84,235	84,464
Due after 1 year but within 2 years	24,478	24,478
Due after 2 years but within 5 years	9,000	8,944
	<u>203,646</u>	<u>203,906</u>
Total corporate debt securities	203,646	203,906

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Other securities	5,044	5,069
Total	\$ 418,452	\$ 421,984

STERLING BANCORP AND SUBSIDIARIES
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Held to maturity	Carrying Value	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises		
Mortgage-backed securities		
CMO s (Federal National Mortgage Association)	\$ 8,846	\$ 9,294
CMO s (Federal Home Loan Mortgage Corporation)	13,558	14,225
Federal National Mortgage Association	77,289	81,613
Federal Home Loan Mortgage Corporation	45,564	47,855
Government National Mortgage Association	5,191	5,781
	<u>150,448</u>	<u>158,768</u>
Agency Notes		
Federal National Mortgage Association		
Due after 1 year but within 5 years	19,995	19,992
Due after 5 years but within 10 years	9,994	10,000
Due after 10 years	5,000	5,014
Federal Home Loan Bank		
Due after 1 year but within 5 years	14,990	14,988
Due after 5 years but within 10 years	5,000	5,003
Federal Home Loan Mortgage Corporation		
Due after 1 year but within 5 years	14,995	15,045
Federal Farm Credit Bank		
Due after 5 years but within 10 years	5,081	5,083
	<u>225,503</u>	<u>233,893</u>
Obligations of state and political institutions - New York Bank		
Qualified		
Due after 5 years but within 10 years	886	947
Due after 10 years	116,088	120,622
	<u>116,974</u>	<u>121,569</u>
Total	\$ 342,477	\$ 355,462

Information regarding sales and/or calls of available for sale securities is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Proceeds	\$ 133,919	\$ 143,682	\$ 400,719	\$ 396,526
Gross gains	846	1,221	3,339	5,160
Gross losses	3		288	

Information regarding calls of held to maturity securities is as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Proceeds	\$ 65,500	\$	\$ 132,380	\$
Gross gains	328		368	
Gross losses				

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STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
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Note 3. Loans

The major components of domestic loans held for sale and loans held in portfolio are as follows:

	<u>September 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Loans held for sale, net of valuation reserve (\$42 at September 30, 2010 and \$7 at December 31, 2009)		
Real estate - residential mortgage	\$ 34,046	\$ 33,889
Loans held in portfolio		
Commercial and industrial	\$ 698,647	\$ 587,038
Lease financing receivables	168,816	219,198
Factored receivables	186,435	140,265
Real estate - residential mortgage	129,072	124,681
Real estate - commercial mortgage	96,022	92,614
Real estate - construction and land development	25,092	24,277
Loans to individuals	12,401	12,984
Loans to depository institutions		20,000
Loans held in portfolio, gross	1,316,485	1,221,057
Less unearned discounts	20,319	25,642
Loans held in portfolio, net of unearned discounts	\$ 1,296,166	\$ 1,195,415

Note 4. Noninterest income and expenses

The following tables set forth the significant components of noninterest income and noninterest expenses:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
NONINTEREST INCOME				
Accounts receivable management/ factoring commissions and other fees	\$ 6,454	\$ 4,997	\$ 17,527	\$ 13,098
Service charges on deposit accounts	1,606	1,553	4,627	4,296
Trade finance income	657	569	1,650	1,411
Other customer related fees	250	248	576	725
Mortgage banking income	2,458	2,505	5,631	7,152
Trust fees	81	110	247	366
Income from life insurance policies	290	280	850	828
Securities gains	1,171	1,221	3,419	5,160
(Loss) Gain on other real estate owned	(11)	19	17	39
Other income	102	233	977	262
Total noninterest income	\$ 13,058	\$ 11,735	\$ 35,521	\$ 33,337

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NONINTEREST EXPENSES				
Salaries	\$ 10,689	\$ 9,960	\$ 30,809	\$ 29,934
Employee benefits	2,834	3,206	9,537	9,151
Total personnel expense	13,523	13,166	40,346	39,085
Occupancy and equipment expenses, net	3,375	2,806	8,967	8,381
Advertising and marketing	816	916	2,500	2,596
Professional fees	1,540	1,847	3,913	4,870
Communications	392	429	1,302	1,295
Deposit insurance	1,033	1,195	2,557	3,059
Other expenses	3,074	2,818	7,643	8,086
Total noninterest expenses	\$ 23,753	\$ 23,177	\$ 67,228	\$ 67,372

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Note 5. Common Stock and Stock Incentive Plan

On March 19, 2010, the Company completed an underwritten public offering of 8,625,000 common shares at an offering price of \$8.00 per share, which resulted in net proceeds of \$64.9 million after underwriting discounts and expenses.

On March 25, 2010, the Board of Directors, upon recommendation by the Compensation and Corporate Governance Committees, granted a total of 40,000 shares of restricted stock to the 8 non-management directors (director restricted shares) and 43,728 restricted shares to the Chairman, President and 5 Executive Vice Presidents (officer restricted shares). The director restricted shares will vest 25% annually over four years beginning on the first anniversary of the grant date. The officer restricted shares vest 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date and are also limited by the 2008 agreement between the Company and the U.S. Treasury. The director restricted shares and the officer restricted shares were issued at \$9.23 per share, the closing price on the date of the grant. The agreements for both the director restricted shares and the officer restricted shares have additional provisions regarding transferability and accelerated vesting of the shares and the continuation of performing substantial services for the Company.

Note 6. Employee Benefit Plans

The following table sets forth the components of net periodic benefit cost for the Company's noncontributory defined benefit pension plan and unfunded supplemental retirement plan.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Service Cost	\$ 494	\$ 620	\$ 1,632	\$ 1,626
Interest Cost	914	959	2,811	2,467
Expected return on plan assets	(721)	(760)	(2,299)	(1,906)
Amortization of prior service cost	17	17	50	50
Recognized actuarial loss	650	974	2,181	2,570
Net periodic benefit cost	<u>\$ 1,354</u>	<u>\$ 1,810</u>	<u>\$ 4,375</u>	<u>\$ 4,807</u>

The Company contributed \$1.7 million to the defined benefit pension plan in the 2010 third quarter.

Note 7. Income Taxes

The Internal Revenue Service (IRS) has completed its examination of the Company's federal tax returns for the years 2002 through 2004 and has issued a report disallowing certain bad debt deductions arising from the worthlessness of loans made to customers. The Company, assisted by outside counsel, has prepared a written protest which vigorously challenges all of the IRS findings and the Company will exercise its right to a conference with the Appeals Office of the IRS to discuss the issues and arguments raised in the Company's protest. The Company and its outside counsel believe that the bad debt deductions were proper and that the position of the IRS is unsupported as a matter of fact and law.

Note 8. Segment Reporting

The Company provides a broad range of financial products and services, including commercial loans, asset-based financing, factoring and accounts receivable management services, trade financing, equipment leasing, corporate and consumer deposit services, commercial and residential mortgage lending and brokerage, trust and estate administration and investment management services. The Company's primary source of earnings is net interest income, which represents the difference between interest earned on interest-earning assets and the interest incurred on interest-bearing liabilities. The Company's 2010 year-to-date average interest-earning assets were 60.4% loans (corporate lending was 72.6% and real estate lending was 23.4% of total loans, respectively) and 39.2% investment securities and money market investments. There are no industry concentrations exceeding 10% of loans, gross, in the corporate lending segment. Approximately 67% of loans are to borrowers located in the

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metropolitan New York area. In order to comply with the segment reporting guidance under U.S. GAAP, the Company has determined that it has three reportable operating segments: corporate lending, real estate lending and company-wide treasury.

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The following tables provide certain information regarding the Company's operating segments:

	<u>Corporate Lending</u>	<u>Real Estate Lending</u>	<u>Company-wide Treasury</u>	<u>Totals</u>
(in thousands)				
<u>Three Months Ended September 30, 2010</u>				
Net interest income	\$ 10,630	\$ 4,824	\$ 5,199	\$ 20,653
Noninterest income	8,971	2,486	1,473	12,930
Depreciation and amortization	178	28		206
Segment income before income taxes	7,849	3,284	6,281	17,414
Segment assets	935,960	397,953	919,790	2,253,703
<u>Three Months Ended September 30, 2009</u>				
Net interest income	\$ 9,815	\$ 4,966	\$ 6,984	\$ 21,765
Noninterest income	7,059	2,536	1,609	11,204
Depreciation and amortization	158	29	1	188
Segment income before income taxes	8,273	4,745	8,374	21,392
Segment assets	822,485	383,694	897,699	2,103,878
<u>Nine Months Ended September 30, 2010</u>				
Net interest income	\$ 29,480	\$ 13,364	\$ 17,805	\$ 60,649
Noninterest income	24,625	5,936	4,583	35,144
Depreciation and amortization	532	86	2	620
Segment income before income taxes	21,891	10,303	21,260	53,454
Segment assets	935,960	397,953	919,790	2,253,703
<u>Nine Months Ended September 30, 2009</u>				
Net interest income	\$ 28,493	\$ 14,884	\$ 20,701	\$ 64,078
Noninterest income	18,740	7,274	5,984	31,998
Depreciation and amortization	512	106	2	620
Segment income before income taxes	20,381	13,511	25,876	59,768
Segment assets	822,485	383,694	897,699	2,103,878

The following table sets forth reconciliations of net interest income, noninterest income, income before taxes, and assets of reportable operating segments to the Company's consolidated total:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
(in thousands)				
Net interest income:				
Total for reportable operating segments	\$ 20,653	\$ 21,765	\$ 60,649	\$ 64,078
Other [1]	222	205	659	572
Consolidated net interest income	<u>\$ 20,875</u>	<u>\$ 21,970</u>	<u>\$ 61,308</u>	<u>\$ 64,650</u>
Noninterest income:				
Total for reportable operating segments	\$ 12,930	\$ 11,204	\$ 35,144	\$ 31,998
Other [1]	128	531	377	1,339
Consolidated noninterest income	<u>\$ 13,058</u>	<u>\$ 11,735</u>	<u>\$ 35,521</u>	<u>\$ 33,337</u>

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Income before taxes:				
Total for reportable operating segments	\$ 17,414	\$ 21,392	\$ 53,454	\$ 59,768
Other [1]	(21,234)	(17,814)	(49,353)	(49,103)
Consolidated income before income taxes	\$ (3,820)	\$ 3,578	\$ 4,101	\$ 10,665
Assets:				
Total for reportable operating segments	\$ 2,253,703	\$ 2,103,878	\$ 2,253,703	\$ 2,103,878
Other [1]	49,774	34,119	49,774	34,119
Consolidated assets	\$ 2,303,477	\$ 2,137,997	\$ 2,303,477	\$ 2,137,997

[1] Represents operations not considered to be a reportable segment and/or general operating expenses of the Company.

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Note 9. Other Comprehensive Income

Information related to the components of other comprehensive income included in accumulated other comprehensive loss is as follows with related tax effects:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Other Comprehensive Income				
Unrealized holding gains on securities, arising during the period:				
Before tax	\$ 1,686	\$ 4,878	\$ 5,640	\$ 7,968
Tax effect	(765)	(2,214)	(2,559)	(3,616)
Net of tax	921	2,664	3,081	4,352
Reclassification adjustment for securities gains included in net income:				
Before tax	(1,168)	(1,221)	(3,416)	(5,160)
Tax effect	530	555	1,550	2,342
Net of tax	(638)	(666)	(1,866)	(2,818)
Reclassification adjustment for amortization of prior service cost:				
Before tax	17	17	50	50
Tax effect	(8)	(8)	(23)	(23)
Net of tax	9	9	27	27
Reclassification adjustment for amortization of net actuarial losses:				
Before tax	650	974	2,181	2,570
Tax effect	(296)	(442)	(990)	(1,166)
Net of tax	354	532	1,191	1,404
Other comprehensive income	\$ 646	\$ 2,539	\$ 2,433	\$ 2,965

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Note 10. Fair Value Measurements

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are independent, knowledgeable, able to transact and willing to transact.

FASB Codification Topic 820: *Fair Value Measurements and Disclosures* establishes a hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair values hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Examples of financial instruments generally included in this level are U.S. Treasury securities, equity and trust preferred securities that trade in active markets and listed derivative instruments.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means. Examples of financial instruments generally included in this level are corporate debt, mortgage-backed certificates issued by U.S. government corporations and government sponsored enterprises, equity securities that trade in less active markets and certain derivative instruments.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own judgments about the assumptions that market participants would use in pricing the assets or liabilities. Examples of financial instruments generally included in this level are private equities, certain loans held for sale and other alternative investments.

In general, fair value of securities is based upon quoted market prices, where available (level 1 inputs). If such quoted market prices are not available, fair value is based upon market prices determined by an outside, independent entity that primarily uses as inputs, observable market-based parameters (level 2 inputs). Fair value of loans held for sale is based upon internally developed models that primarily use as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, the Company's creditworthiness, among other things, as well as unobservable parameters (level 3 inputs). Any such valuation adjustments are applied consistently over time. The Company valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value is set forth in the 2009 Form 10-K.

Securities available for sale and other investments. Securities classified as available for sale and other investments (included in Other assets on the Consolidated Balance Sheet) are generally reported at fair value utilizing Level 1 and Level 2 inputs. Investments in fixed income securities, exclusive of preferred stock and mortgage-backed securities are valued based on evaluations that represent an exit price or their opinion as to what a buyer would pay for a security, typically in an institutional round lot position in a current sale. Interactive Data Corporation ("IDC") seeks to utilize market data and observations in its evaluation service, and gives priority to observable benchmark yields and reported trades. IDC utilizes evaluated pricing techniques that vary by asset class and incorporate available market information; because many fixed income securities do not trade on a daily basis, IDC applies available information through processes such as benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. Model processes such as option-adjusted spread models are used to value securities that have prepayment features. Substantially all securities available for sale evaluated in this manner are deemed to be Level 2 valuations. For mortgage-backed government sponsored enterprises, management considers dealer indicative bids in the valuation process. Indicative bids are estimates of value and do not necessarily represent the price at which the dealer would be willing to transact. Such bids are compared to IDC evaluated prices for reasonableness as well as consistency with observable conditions. All mortgage-backed securities are deemed to be valued based on Level 2 inputs.

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Publicly traded common and preferred stocks are valued by reference to the market closing price (last trade) on the measurement date (Level 1 inputs). In the unlikely event that no trade occurred on the measurement date, reference would be made to an indicative bid or the last trade most proximate to the measurement date (Level 2 inputs).

The following table summarizes financial assets measured at fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value. There were no financial liabilities measured at fair value.

September 30, 2010	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Securities available for sale:				
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities	\$	\$ 24,155	\$	\$ 24,155
Agency Notes		160,853		160,853
Total obligations of U.S. government corporations and government sponsored enterprises				
Obligations of state and political institutions - New York Bank Qualified		185,008		185,008
Single-issuer, trust preferred securities	3,928	24,073		3,928
Corporate debt securities		203,906		203,906
Equity and other securities	5,069			5,069
Total	\$ 8,997	\$ 412,987	\$	\$ 421,984
Other investments	\$ 10,987	\$ 6,108	\$	\$ 17,095
 December 31, 2009				
Securities available for sale:				
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities	\$	\$ 57,288	\$	\$ 57,288
Agency Notes		131,635		131,635
Total obligations of U.S. government corporations and government sponsored enterprises				
Obligations of state and political institutions - New York Bank Qualified		188,923		188,923
Single-issuer, trust preferred securities	4,483	23,864		4,483
Corporate debt securities		129,200		129,200
Equity and other securities	56			56
Total	\$ 4,539	\$ 341,987	\$	\$ 346,526
Other investments	\$ 9,128	\$ 5,484	\$	\$ 14,612

STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

Certain financial assets and financial liabilities, including impaired loans, are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table summarizes the period end fair value of financial assets, based on significant unobservable (Level 3) inputs, measured on a non-recurring basis:

	September 30, 2010	December 31, 2009
Impaired loans	\$ 5,961	\$ 2,329
Other real estate owned	744	1,385

Impaired loans. The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on either recent real estate appraisals or, for loans with modification agreements in place, discounted cash flow analyses. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Other real estate owned. Nonrecurring adjustments to certain residential real estate properties classified as other real estate owned (OREO) are measured at the lower of carrying amount or fair value, less costs to sell. Fair values are generally based on third party appraisals of the property, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Other real estate owned (comprised of foreclosed assets), which is measured at the lower of carrying value or fair value less costs to sell, had a net carrying amount of \$744 thousand, which is made up of the outstanding balance of \$1,162 thousand, net of a valuation allowance of \$418 thousand at September 30, 2010. Certain of these assets, upon initial recognition, were re-measured and reported at fair value through a charge-off to the allowance for loan losses based upon the fair value of the foreclosed asset. The fair value of a foreclosed asset, upon initial recognition, is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discount criteria. In connection with the measurement and initial recognition of the foregoing foreclosed assets, the Company recognized charge-offs in the allowance for loan losses totaling \$538 thousand.

For those financial instruments that are not recorded at fair value in the Consolidated Balance Sheets, but are measured at fair value for disclosure purposes, management follows the same fair value measurement principles and guidance as for instruments recorded at fair value.

STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

Much of the information used to arrive at fair value is highly subjective and judgmental in nature and therefore the results may not be precise. The subjective factors include, among other things, estimated cash flows, risk characteristics, credit quality and interest rates, all of which are subject to change. With the exception of investment securities and certain long-term debt, the Company's financial instruments are not readily marketable and market prices do not exist. Since negotiated prices for the instruments that are not readily marketable depend greatly on the motivation of the buyer and seller, the amounts that will actually be realized or paid per settlement or maturity of these instruments could be significantly different.

In particular, fair value estimates are made at a point in time, based on relevant market data as well as the best information available about the financial instrument. Illiquid credit markets have resulted in inactive markets for certain of the Company's financial instruments. As a result, there is no or limited observable market data for these assets and liabilities. Fair value estimates for financial instruments for which no or limited observable market data is available are based on our judgments regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors, all of which are Level 3 inputs as discussed above. These estimates involve significant judgments and uncertainties and cannot be substantiated by comparison to quoted prices in active markets and cannot be determined with precision. As a result, such calculated fair value estimates may not be realizable in a current sale or immediate settlement of the instrument. In addition, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks, and estimates of future cash flows, could significantly affect these fair value estimates.

A more detailed description of the methods, factors and significant assumptions utilized in estimating the fair values for significant categories of financial instruments is set forth in the 2009 Form 10-K.

	September 30, 2010	
	Carrying Amount	Fair Value
FINANCIAL ASSETS		
Cash and due from banks	\$ 37,193	\$ 37,193
Interest-bearing deposits with other banks	19,300	19,300
Investment securities	764,461	777,446
Loans held for sale	34,046	34,046
Loans held in portfolio, net	1,278,014	1,282,342
Accrued interest receivable	9,216	9,216
FINANCIAL LIABILITIES		
Demand, NOW, savings and money market deposits	1,094,895	1,094,895
Time deposits	550,718	552,962
Securities sold under agreements to repurchase	26,084	26,131
Federal funds purchased	60,000	60,000
Commercial paper	15,245	15,245
Other short-term borrowings	2,221	2,221
Accrued interest payable	1,639	1,639
Long-term borrowings	170,302	176,316

STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

Note 11. New Accounting Standards

Financial Accounting Standards Board (FASB) Codification Topic 860: *Transfers and Servicing* includes amendments to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The amendments to U.S. GAAP guidance on transfer and servicing of financial assets eliminate the concept of a qualifying special-purpose entity, change the requirements for derecognizing financial assets and requires additional disclosures about all continuing involvements with transferred financial information about gains and losses (resulting from transfers) during the period. These amendments were effective January 1, 2010 and did not have a significant impact on the Company's financial statements.

Amendments to FASB Codification Topic 810: *Consolidation* change how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design as well as its ability to direct the activities of the entity that most significantly impact the entity's economic performance. The amendments to U.S. GAAP require additional disclosures about the reporting entity's involvement with variable-interest entities, as well as any significant changes in risk exposure due to that involvement and its effect on the entity's financial statements. These amendments were effective January 1, 2010 and did not have a significant impact on the Company's financial statements.

Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures (Topic 820)- Improving Disclosures About Fair Value Measurements. ASU 2010-06 requires expanded disclosures related to fair value measurements including (i) the amounts of significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers (ii) the reasons for transfers of assets or liabilities in or out of Level 3 of the fair value hierarchy, which significant transfers disclosed separately, (iii) the policy for determining when transfers between levels of the fair value hierarchy are recognized and (iv) for recurring fair value measurements of assets and liabilities in Level 3 of the fair value hierarchy, a gross presentation of information about purchased, sales, issuances and settlements. ASU 2010-06 further clarifies that (i) fair value measurement disclosures should be provided for each class and liabilities (rather major category), which would generally be a subject of assets or liabilities within a line in statement of financial position and (ii) company's should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy. The disclosures related to the gross presentation of purchased, sales, issuances and settlements of assets and liabilities included in Level 3 of the fair value hierarchy will be required for the Company beginning January 1, 2011. The remaining disclosure requirements and clarifications made by ASU 2010-06 became effective for the Company on January 1, 2010. See Note 10 - Fair Value Measurements.

ASU No. 2010-11, Derivatives and Hedging (Topic 815) - Scope Exception Related to Embedded Credit Derivatives. ASU 2010-11 clarifies that the only form of an embedded credit derivative that is exempt embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The provisions of ASU 2010-11 were effective for the Company on July 1, 2010 and did not have a significant impact on the Company's financial statements.

ASU No. 2010-20, Receivables (Topic 830) - Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivables, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things a rollforward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. ASU 2010-20 will be effective for the Company's financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relates to activity during a reporting period will be required for the Company's financial statements that include periods beginning on or after January 1, 2011.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary presents management's discussion and analysis of the financial condition and results of operations of Sterling Bancorp (the parent company), a financial holding company under the Gramm-Leach-Bliley Act of 1999, and its subsidiaries, principally Sterling National Bank. Throughout this discussion and analysis, the term the Company refers to Sterling Bancorp and its subsidiaries and the term the bank refers to Sterling National Bank and its subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and supplemental data contained elsewhere in this quarterly report and the Company's annual report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K). Certain reclassifications have been made to prior years' financial data to conform to current financial statement presentations. Throughout management's discussion and analysis of financial condition and results of operations, dollar amounts in tables are presented in thousands, except per share data.

OVERVIEW

The Company provides a broad range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/accounts receivable management services, deposit services, trade financing, equipment leasing, trust and estate administration and investment management services. The Company has operations principally in New York, New Jersey and Connecticut (the New York metropolitan area) and conducts business throughout the United States. The general state of the U.S. economy and, in particular, economic and market conditions in the New York metropolitan area have a significant impact on loan demand, the ability of borrowers to repay these loans and the value of any collateral securing these loans and may also affect deposit levels. Accordingly, future general economic conditions are a key uncertainty that management expects will materially affect the Company's results of operations.

For the nine months ended September 30, 2010, the bank's average earning assets represented approximately 98.1% of the Company's average earning assets. Loans represented 60.8% and investment securities represented 37.5% of the bank's average earning assets for the first nine months of 2010.

The Company's primary source of earnings is net interest income, and its principal market risk exposure is interest rate risk. The Company is not able to predict market interest rate fluctuations, and its asset-liability management strategy may not prevent interest rate changes from having a material adverse effect on the Company's results of operations and financial condition.

Although management endeavors to minimize the credit risk inherent in the Company's loan portfolio, it must necessarily make various assumptions and judgments about the collectibility of the loan portfolio based on its experience and evaluation of economic conditions. If such assumptions or judgments prove to be incorrect, the current allowance for loan losses may not be sufficient to cover loan losses and additions to the allowance may be necessary, which would have a negative impact on net income.

There is intense competition in all areas in which the Company conducts its business. The Company competes with banks and other financial institutions, including savings and loan associations, savings banks, finance companies and credit unions. Many of these competitors have substantially greater resources and lending limits and provide a wider array of banking services. To a limited extent, the Company also competes with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies and insurance companies. Competition is based on a number of factors, including prices, interest rates, service, availability of products and geographic location.

The Company regularly evaluates acquisition opportunities and conducts due diligence activities in connection with possible acquisitions. As a result, acquisition discussions, and in some cases negotiations, regularly take place and future acquisitions could occur.

Recent economic conditions during 2010, such as the continuing decrease in real estate values in the principal markets the Company serves and illiquid credit markets, have reduced demands for corporate and real estate lending. If these trends continue, the Company would expect its income from corporate and real estate lending to decrease from the current levels in the near term. In addition, due to the geographic concentration of the Company's loan portfolio in the New York metropolitan area, representing approximately 67% of total loans at September 30, 2010, an adverse change in market conditions in that geographic area could result in a decrease in our income from corporate and real estate lending. A significant prolonged decrease in income from our lending segments, if realized, may have a severe adverse impact on the operations of the Company.

RECENT LEGISLATION IMPACTING THE FINANCIAL SERVICES INDUSTRY

On July 21, 2010, President Obama signed into law the sweeping financial regulatory reform act entitled the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act will result in sweeping changes in the regulation of financial institutions aimed at strengthening the sound operation of the financial services sector. The Dodd-Frank Act's provisions that have received the most public attention generally have been those applying to or more likely to affect larger institutions. However, it contains numerous other provisions that will affect all banks and bank holding companies, and will fundamentally change the system of oversight described in Part I, Item 1 of our 2009 Form 10-K under the caption "Supervision and Regulation". The Dodd-Frank Act includes provisions that, among other things:

Centralize responsibility for consumer financial protection by creating a new agency responsible for implementing, examining and enforcing compliance with federal consumer financial laws.

Restrict the preemption of state law by federal law and disallow subsidiaries and affiliates of national banks such as the bank from availing themselves of such preemption.

Apply the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies.

Require the OCC to seek to make its capital requirements for national banks, such as the bank, countercyclical.

Require financial holding companies such as the parent company to be well-capitalized and well-managed as of July 21, 2011. Bank holding companies and banks must also be both well-capitalized and well-managed in order to acquire banks located outside their home state.

Implement corporate governance revisions, including with regard to executive compensation and proxy access by shareholders that apply to all public companies, not just financial institutions.

Make permanent the \$250 thousand limit for federal deposit insurance and increase the cash limit of Securities Investor Corporation protection from \$100 thousand to \$250 thousand, and provide unlimited federal deposit insurance until January 1, 2013, for noninterest-bearing demand transaction accounts at all depository institutions.

Repeal the federal prohibitions on the payment of interest on business transaction and other accounts.

Increase the authority of the Federal Reserve to examine the Company and its non-bank subsidiaries.

Some of these provisions may have the consequence of increasing our expenses, decreasing our revenues, and changing the activities in which we choose to engage. The environment in which banking organizations will operate after the financial crisis, including legislative and regulatory changes affecting capital, liquidity, supervision, permissible activities, corporate governance and compensation, changes in fiscal policy and steps to eliminate government support for banking organizations, may have long-term effects on the business model and profitability of banking organizations that cannot now be foreseen. The specific impact of the Dodd-Frank Act on our current activities or new financial activities we may consider in the future, our financial performance and the markets in which we operate will depend on the manner in which the relevant agencies develop and implement the required rules and the reaction of market participants to these regulatory developments. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry more generally.

INCOME STATEMENT ANALYSIS

Net interest income, which represents the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities, is the Company's primary source of earnings. Net interest income can be affected by changes in market interest rates as well as the level and composition of assets, liabilities and shareholders' equity. Net interest spread is the difference between the average rate earned, on a tax-equivalent basis, on interest-earning assets and the average rate paid on interest-bearing liabilities. The net yield on interest-earning assets (net interest margin) is calculated by dividing tax-equivalent net interest income by average interest-earning assets. Generally, the net interest margin will exceed the net interest spread because a portion of interest-earning assets are funded by various noninterest-bearing sources, principally noninterest-bearing deposits and shareholders' equity. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are provided in the Rate/Volume Analysis shown on pages 45 and 46. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown on pages 43 and 44.

Comparison of the Three Months Ended September 30, 2010 and 2009

The Company reported a net loss available to common shareholders for the three months ended September 30, 2010 of \$3.3 million, representing \$0.12 per share calculated on a diluted basis, compared to net income available to common shareholders of \$1.8 million, or \$0.10 per share calculated on a diluted basis, for the third quarter of 2009. The decrease in net income available to common shareholders was primarily due to a \$7.0 million increase in the provision for loan losses, a \$1.1 million decrease in net interest income and a \$0.6 million increase in noninterest expenses which more than offset a \$1.3 million increase in noninterest income and a \$2.3 million decrease in the provision for income taxes.

Net Interest Income

Net interest income, on a tax-equivalent basis, was \$21.6 million for the third quarter of 2010 compared to \$22.3 million for the 2009 period. Net interest income benefitted from lower cost of funding, lower levels of borrowings and higher levels of loans and investment securities. Those benefits were more than offset by the impact of lower yields on loans and investment securities and higher interest-bearing deposits balances. The net interest margin, on a tax-equivalent basis, was 4.11% for the third quarter of 2010 compared to 4.57% for the 2009 period. The net interest margin was impacted by the mix of earning assets and funding, including the higher level of noninterest-bearing demand deposits.

Total interest income, on a tax-equivalent basis, aggregated \$25.4 million for the third quarter of 2010, down \$1.6 million from the 2009 period. The tax-equivalent yield on interest-earning assets was 4.86% for the third quarter of 2010 compared to 5.56% for the 2009 period.

Interest earned on the loan portfolio increased to \$18.3 million for the third quarter of 2010 from \$18.0 million in the prior year period primarily due to increased loans outstanding on average partially offset by a lower yield on loans in the 2010 quarter. Average loan balances amounted to \$1,314.8 million, an increase of \$125.8 million from an average of \$1,189.0 million in the prior year period. The increase in average loans, primarily due to the Company's business development activities, accounted for a \$1.9 million increase in interest earned on loans. The decrease in the yield on the loan portfolio to 5.71% for the third quarter of 2010 from 6.25% for the 2009 period was primarily attributable to the mix of average outstanding balances among the components of the loan portfolio.

Interest earned on the securities portfolio, on a tax-equivalent basis, amounted to \$7.0 million for the third quarter of 2010 compared to \$8.8 million in the prior year period. Average outstandings increased to \$783.9 million (36.9% of average earning assets) for the third quarter of 2010 from \$726.9 million (36.8% of average earning assets) in the prior year period. The increase reflects the impact of the Company's asset/liability management strategy designed to shorten the average life of the portfolio. The average life of the securities portfolio was approximately 2.6 years at September 30, 2010 compared to 4.6 years at September 30, 2009. The average yield in the investment securities portfolio decreased to 3.59% from 4.84% reflecting the impact of the above referenced asset/liability management strategy coupled with calls of higher yielding securities.

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Total interest expense decreased by \$0.9 million for the third quarter of 2010 from \$4.7 million for the 2009 period, primarily due to the impact of lower rates paid for interest-bearing deposits and borrowings and lower levels of borrowings partially offset by the impact of higher interest-bearing deposits.

Interest expense on deposits decreased to \$2.3 million for the third quarter of 2010 from \$2.8 million for the 2009 period, due to decreases in the cost of those funds partially offset by the impact of higher balances. The average rate paid on interest-bearing deposits was 0.81%, which was 42 basis points lower than the prior year period. The decrease in average cost of interest-bearing deposits reflects the impact of deposit pricing strategies and the Company's purchase of certificates of deposit from the Certificate of Deposit Account Registry Service (CDARS) which provided certificate of deposit balances at lower rates than rates paid for traditional certificates of deposit products. Average interest-bearing deposits were \$1,125.3 million for the third quarter of 2010 compared to \$903.9 million for the prior year period, reflecting the impact of the Company's business development activities as well the purchase of funds from CDARS.

Interest expense on borrowings decreased to \$1.5 million for the third quarter of 2010 from \$1.9 million for the 2009 period, primarily due to lower balances partially offset by the impact of the changes in mix. Average borrowings decreased to \$316.8 million for the third quarter of 2010 from \$490.8 million in the prior year period, reflecting a lesser reliance by the Company on wholesale borrowed funds. The change in mix resulted in an increase in the blended cost of borrowings to 1.93% from 1.58%.

Provision for Loan Losses

In light of recent economic developments and continued economic uncertainty, during the third quarter, the Company decided, after consultation with external professionals and regulators, to implement an accelerated resolution of certain categories of nonaccrual loans. As a result, net charge-offs of loans to small business borrowers (primarily in the lease financing portfolio) increased \$10.9 million when compared to the second quarter of 2010. Based on management's continuing evaluation of the loan portfolio (discussed under *Asset Quality* on page 36), the provision for loan losses for the third quarter of 2010 was \$14.0 million, compared to \$7.0 million for the prior year period.

The level of the allowance reflects changes in the size of the portfolio or in any of its components as well as management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, economic, political and regulatory conditions. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

During 2010, the allowance for loan losses decreased \$1.7 million from \$19.9 million at December 31, 2009 primarily due to a reduction in the allowance allocated to lease financing receivables (\$5.7 million) partially offset by increases in the allowance allocated to commercial and industrial loans (\$0.8 million), factored receivables (\$0.6 million), real estate residential mortgage (\$0.8 million) and real estate commercial mortgage (\$1.6 million). The allowance allocated to lease financing receivables decreased primarily as a result of the lower level of lease financing receivables nonaccrual balances following charge-offs during the third quarter of 2010. The increase of the allowance allocated to commercial and industrial loans was primarily the result of the unsteady economic recovery. The allowance allocated to factored receivables increased based on the continued weakening in the consumer sectors. The increase in the allowance allocated to real estate residential mortgage was primarily due to the persistent decline in residential real estate values. As a result of the disruption in the commercial real estate markets, the allowance allocated to real estate commercial mortgage was increased.

Noninterest Income

Noninterest income increased to \$13.1 million for the third quarter of 2010 from \$11.7 million in the 2009 period. The increase principally resulted from the benefit derived from increased accounts receivable management/factoring commissions and other fees. Commissions and other fees earned

104.031

%

2017

102.688

%

2018

101.344

%

2019 and thereafter

100.000

%

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in each case together with accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on relevant record dates to receive interest due on an interest payment date).

In addition, at any time on or prior to April 1, 2016, we may redeem up to 35% of the principal amount of Notes issued under the Indenture with the net proceeds of an Equity Offering of the Issuer or the Company at 105.375% of the aggregate principal amount, together with accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on relevant record dates to receive interest due on an interest payment date); provided that

- (1) at least 65% of the principal amount of Notes issued under the Indenture remains outstanding after each such redemption; and
- (2) the redemption occurs within 90 days after the closing of such Equity Offering.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

If less than all of the Notes are to be redeemed, the Trustee shall select the Notes or portions thereof to be redeemed pro rata, by lot or by any other method the Trustee shall deem fair and reasonable, subject to the requirements of The Depository Trust Company (DTC).

Notices of redemption may be given prior to the completion of any event or transaction related to such redemption, and any redemption or notice may, at our discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an Equity Offering. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Company's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur, and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

In addition, at any time prior to April 1, 2016, upon not less than 15 nor more than 60 days' prior notice, we may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Mandatory Redemption; Offers to Purchase; Open Market Purchases

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The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions "Certain Covenants - Purchase of Notes upon a Change of Control" and "Certain Covenants - Limitation on Sale of Assets." We may at any time and from time to time purchase Notes in the open market, in privately negotiated transaction, through tender or exchange offers or otherwise.

Ranking

The Notes will be general senior unsecured obligations of the Issuer that rank senior in right of payment to all of the Issuer's existing and future Indebtedness that is expressly subordinated in right of payment to the Notes. The Notes will rank equally in right of payment with all of the Issuer's existing and future Indebtedness that is not so subordinated. The Notes will be effectively subordinated to any obligations of the Issuer that are secured by assets to the extent of the value of the assets securing such obligations. In the event of bankruptcy, liquidation, reorganization or other winding up of the Issuer or the Guarantors or upon a default in payment with respect to, or the acceleration of any Indebtedness under, the Bank Credit Agreement or the Issuer's 9.25% Senior Secured Second Lien Notes due 2017 (the "9.25% Notes"), the assets of the Issuer and the Guarantors that secure such Indebtedness will be available to pay obligations on the Notes and the Guarantees only after all Indebtedness under the Bank Credit Agreement and/or the 9.25% Notes has been repaid in full from such assets and there may not be sufficient assets remaining to pay amounts due on any or all of the Notes and the Guarantees then outstanding.

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Guarantees

The Guarantors will, jointly and severally, unconditionally guarantee on a senior unsecured basis the due and punctual payment of principal of, premium, if any, and interest on, the Notes.

Under certain circumstances described under **Certain Covenants Limitation on Issuances of Guarantees of and Pledges for Indebtedness**, we are required to cause the execution and delivery of additional Guarantees by Restricted Subsidiaries.

In addition, upon any sale, exchange or transfer, to any Person not an Affiliate of ours, of all of our Equity Interest in, or all or substantially all of the assets of, any Guarantor, which is in compliance with the Indenture, such Guarantor shall be released from all its obligations under its Guarantee.

The Guarantors initially consist of the Company, all but one of our existing Subsidiaries, and two Subsidiaries of the Company (which Subsidiaries of the Company own or operate television stations).

Certain Covenants

The Indenture contains, among others, the following covenants:

Limitation on Indebtedness

We will not, and will not permit any Restricted Subsidiary to, create, incur, assume or directly or indirectly guarantee or in any other manner become directly or indirectly liable for (incur) any Indebtedness (including Acquired Indebtedness), except that we may incur Indebtedness and a Guarantor may incur Permitted Subsidiary Indebtedness if, in each case, the Debt to Operating Cash Flow Ratio of the Issuer and its Restricted Subsidiaries at the time of the incurrence of such Indebtedness, after giving pro forma effect thereto, is 7:1 or less.

The foregoing limitation will not apply to the incurrence of any of the following (collectively, **Permitted Indebtedness**):

(1) (A) our Indebtedness under the Bank Credit Agreement and (B) any Indebtedness incurred to refinance, restructure, replace or substitute our Indebtedness under the Bank Credit Agreement, in an aggregate principal amount at any one time outstanding not to exceed an aggregate principal amount equal to (1) prior to the date of our Fifth Amended and Restated Credit Agreement (the **Refinancing Date**), (a) the term loans outstanding under the Bank Credit Agreement as of the date of the Indenture plus (b) amounts committed as of the date of the

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Indenture under any revolving credit facility thereunder plus (c) additional borrowings we may request under the Bank Credit Agreement as of the date of the Indenture in accordance with the accordion feature thereof and (2) on and after the Refinancing Date, (a) the term loans outstanding under the Bank Credit Agreement as of the Refinancing Date plus (b) delayed draw term loans that may be drawn under the Bank Credit Agreement as of the Refinancing Date plus (c) amounts committed as of the Refinancing Date under any revolving credit facility thereunder plus (d) additional borrowings we may request under the Bank Credit Agreement as of the Refinancing Date in accordance with the accordion feature thereof;

(2) our Indebtedness pursuant to the Notes (other than any Additional Notes) and Indebtedness of any Guarantor pursuant to a Guarantee;

(3) Indebtedness of any Guarantor consisting of a guarantee of our Indebtedness under the Bank Credit Agreement, the Existing Secured Notes and the Existing Senior Notes;

(4) Indebtedness of the Issuer or any Restricted Subsidiary outstanding on the date of the Indenture other than any Indebtedness incurred pursuant to clause (1);

(5) Indebtedness of the Issuer owing to a Restricted Subsidiary; provided that any Indebtedness of the Issuer owing to a Restricted Subsidiary that is not a Guarantor is made pursuant to an intercompany note in the form attached to the Indenture and is subordinated in right of payment from and after such time as the Notes shall become due and payable (whether at Stated Maturity, acceleration or otherwise) to the payment and performance of our obligations under the Notes; provided, further, that any disposition, pledge or transfer of any such Indebtedness to a Person (other than a disposition, pledge or

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transfer to a Wholly Owned Restricted Subsidiary or a pledge to or for the benefit of the lenders under the Bank Credit Agreement) shall be deemed to be an incurrence of such Indebtedness by the obligor not permitted by this clause (5);

(6) Indebtedness of a Wholly Owned Restricted Subsidiary owing to the Issuer or another Wholly Owned Restricted Subsidiary; provided that, with respect to Indebtedness owing to a Wholly Owned Restricted Subsidiary that is not a Guarantor, (x) any such Indebtedness is made pursuant to an intercompany note in the form attached to the Indenture and (y) any such Indebtedness shall be subordinated in right of payment from and after such time as the obligations under the Guarantee by such Wholly Owned Restricted Subsidiary shall become due and payable to the payment and performance of such Wholly Owned Restricted Subsidiary's obligations under its Guarantee; provided, further, that (a) any disposition, pledge or transfer of any such Indebtedness to a Person (other than a disposition, pledge or transfer to the Issuer or a Wholly Owned Restricted Subsidiary or pledge to or for the benefit of the lenders under the Bank Credit Agreement) shall be deemed to be an incurrence of such Indebtedness by the obligor not permitted by this clause (6) and (b) any transaction pursuant to which any Wholly Owned Restricted Subsidiary, which has Indebtedness owing to the Issuer or any other Wholly Owned Restricted Subsidiary, ceases to be a Wholly Owned Restricted Subsidiary shall be deemed to be the incurrence of Indebtedness by such Wholly Owned Restricted Subsidiary that is not permitted by this clause (6);

(7) (a) guarantees of any Restricted Subsidiary made in accordance with the provisions of Limitation on Issuances of Guarantees of and Pledges for Indebtedness and (b) guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of third parties substantially all of the operations of which are pursuant to one or more Local Marketing Agreements with one or more of Sinclair, the Issuer or any Restricted Subsidiary;

(8) our obligations entered into in the ordinary course of business and not for speculative purposes pursuant to Interest Rate Agreements designed to protect us against fluctuations in interest rates in respect of our Indebtedness;

(9) Indebtedness incurred pursuant to any refinancing, replacement, redemption or repurchase of the Existing Convertible Notes, including Indebtedness incurred to pay a dividend or make a distribution or loan to the Company to fund such refinancing, replacement, redemption or repurchase, in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) not in excess of the aggregate principal amount of Existing Convertible Notes so refinanced, replaced, redeemed or repurchased, plus the lesser of (I) the stated amount of any premium, interest or other payment required to be paid in connection with such refinancing, replacement, redemption or repurchase pursuant to the terms of the Existing Convertible Notes or (II) the amount of premium, interest or other payment actually paid at such time to refinance, replace, redeem or repurchase the Existing Convertible Notes plus, in either case, the amount of expenses of the Issuer incurred in connection with such refinancing, replacement, redemption or repurchase, provided that such Indebtedness (A) does not mature and is not subject to mandatory redemption at the option of the holder thereof (other than pursuant to change of control provisions or asset sale offers) prior to the 91st day after the Stated Maturity of the Notes, (B) is unsecured or is secured by property that also secures the Notes and the Guarantees on an equal and ratable basis or on a basis that is senior in priority to such Indebtedness, (C) does not have restrictive covenants or other terms that are more stringent in any material respect than the covenants set forth in the Indenture after giving effect to any amendment to the Indenture and the Notes made in compliance with the Indenture and (D) is not directly or indirectly guaranteed by any entity that does not also guarantee the Notes;

(10) any renewals, extensions, substitutions, refundings, refinancings or replacements (collectively, a refinancing) of any Indebtedness described in the first paragraph of this covenant or clauses (2), (3), (4), (5), and (9) above, including any successive refinancings in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) not in excess of the aggregate principal amount of such Indebtedness so refinanced, plus the lesser of (I) the stated amount of any premium, interest or other payment required to be paid in connection with such a refinancing pursuant to the terms of the Indebtedness being refinanced or (II) the amount of premium, interest or other payment actually paid at such time to refinance the Indebtedness, plus, in either case, the amount of expenses of the Issuer incurred in connection with

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such refinancing and (A) in the case of Subordinated Indebtedness such new Indebtedness is expressly subordinated in right of payment to the Notes or the Guarantees, as the case may be, at least to the same extent as the Subordinated Indebtedness to be refinanced and (B) in the case of Pari Passu Indebtedness or Subordinated Indebtedness, such refinancing does not reduce the Average Life to Stated Maturity or the Stated Maturity of such Indebtedness;

(11) Indebtedness created due to a change in generally accepted accounting principles of the United States, as applied to the Issuer and the Restricted Subsidiaries, or international financial reporting standards, should such standards become applicable to the Issuer and the Restricted Subsidiaries;

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(12) Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price, or cost of construction or improvement, of property (real or personal), plant or equipment used in the business of the Issuer or any of its Restricted Subsidiaries, and any renewals, extensions, substitutions, refinancings, or replacements of such Indebtedness, in an aggregate principal amount not to exceed \$100,000,000 at any time outstanding; and

(13) Indebtedness of the Issuer in addition to that described in clauses (1) through (12) above, and any renewals, extensions, substitutions, refinancings, or replacements of such Indebtedness, so long as the aggregate principal amount of all such Indebtedness shall not exceed \$100,000,000 at any time outstanding.

In the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify such item of Indebtedness on the date of incurrence and may later reclassify such item of Indebtedness in any manner that complies with this covenant and only be required to include the amount and type of such Indebtedness in one of such clauses; provided that all Indebtedness outstanding on the date of the Indenture under the Bank Credit Agreement shall be deemed incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4) of the second paragraph of this covenant and may not later be reclassified.

Limitation on Restricted Payments

(a) We will not, and will not permit any Restricted Subsidiary to, directly or indirectly:

(1) declare or pay any dividend on, or make any distribution to holders of, any of the Issuer's Equity Interests (other than dividends or distributions payable solely in its Qualified Equity Interests);

(2) purchase, redeem or otherwise acquire or retire for value, directly or indirectly, any Equity Interest of the Issuer or any Affiliate thereof including any Subsidiary (except Equity Interests held by the Issuer or a Wholly Owned Restricted Subsidiary that is a Guarantor);

(3) make any principal payment on, or repurchase, redeem, defease, retire or otherwise acquire for value, prior to any scheduled principal payment, sinking fund or maturity, any Subordinated Indebtedness;

(4) declare or pay any dividend or distribution on any Equity Interests of any Restricted Subsidiary to any Person (other than the Issuer or any of its Wholly Owned Restricted Subsidiaries that are Guarantors);

(5) incur, create or assume any guarantee of Indebtedness of any Affiliate (other than a Wholly Owned Restricted Subsidiary); or

(6) make any Investment in any Person (other than any Permitted Investments);

(any of the foregoing payments described in clauses (1) through (6), other than any such action that is a Permitted Payment, collectively, Restricted Payments) unless after giving effect to the proposed Restricted Payment (the amount of any such Restricted Payment, if other than cash, as determined by our Board of Directors, whose determination shall be conclusive and evidenced by a Board resolution),

(1) no Default or Event of Default shall have occurred and be continuing and such Restricted Payment shall not be an event which is, or after notice or lapse of time or both, would be, an event of default under the terms of any Indebtedness of the Issuer or its Restricted Subsidiaries;

(2) immediately after giving effect to such transaction on a pro forma basis, the Issuer could incur \$1.00 of additional Indebtedness (other than Permitted Indebtedness) under the first paragraph of Limitation on Indebtedness; and

(3) the aggregate amount of all such Restricted Payments declared or made after the date of the Indenture does not exceed the sum of:

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(A) an amount equal to our Cumulative Operating Cash Flow less 1.4 times our Cumulative Consolidated Interest Expense;

(B) the aggregate Net Cash Proceeds received after October 29, 2009 by us from capital contributions (other than from a Subsidiary) or from the issuance or sale (other than to the Company or any of our Subsidiaries) of Qualified Equity Interests of us or, to the extent such net cash proceeds are actually contributed to us as equity, the Company (except, in each case, to the extent such proceeds are used to purchase, redeem or otherwise retire Equity Interests or Subordinated Indebtedness as set forth below);

(C) (i) to the extent that any Investment constituting a Restricted Payment (including an Investment in an Unrestricted Subsidiary) that was made after October 29, 2009 is sold or is otherwise liquidated or repaid, 100% of the amount (to the extent not included in Cumulative Operating Cash Flow) equal to the Net Cash Proceeds or Fair Market Value of marketable securities received with respect to such Investment (less the cost of the disposition of such Investment and net of taxes) and (ii) any cash contribution received by the Issuer from the Company as a result of any Investment constituting a Restricted Payment (including an Investment in an Unrestricted Subsidiary) that was made after October 29, 2009 (to the extent not included in Cumulative Operating Cash Flow); and

(D) \$100,000,000.

(b) Notwithstanding the foregoing, and in the case of clauses (2) through (9) below, so long as there is no Default or Event of Default continuing, the foregoing provisions shall not prohibit the following actions (clauses (1) through (9) being referred to as Permitted Payments):

(1) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment would be permitted by the provisions of paragraph (a) of this covenant and such payment shall be deemed to have been paid on such date of declaration for purposes of the calculation required by paragraph (a) of this covenant;

(2) any transaction with an officer or director of the Company or the Issuer entered into in the ordinary course of business (including compensation or employee benefit arrangements with any officer or director of the Company or the Issuer, including the payment of longevity bonuses in accordance therewith);

(3) the repurchase, redemption, or other acquisition or retirement of any of our or the Company's Equity Interests in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege where in connection therewith cash is paid in lieu of the issuance of fractional shares or scrip), or out of the Net Cash Proceeds of, a substantially concurrent issue and sale for cash (other than to a Subsidiary of the Issuer) of our or the Company's Qualified Equity Interests or from substantially concurrent contributions to the equity capital of the Issuer; provided that the Net Cash Proceeds from the issuance of such Qualified Equity Interests are excluded from clause (3)(B) of paragraph (a) of this covenant;

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(4) any repurchase, redemption, defeasance, retirement, refinancing or acquisition for value or payment of principal of any Subordinated Indebtedness in exchange for, or out of the net proceeds of, a substantially concurrent issuance and sale for cash (other than to the Company or any of our Subsidiaries) of any of our or the Company's Qualified Equity Interests or from substantially concurrent contributions to the equity capital of the Issuer, provided that the Net Cash Proceeds from the issuance of such Qualified Equity Interests are excluded from clause (3)(B) of paragraph (a) of this covenant;

(5) the repurchase, redemption, defeasance, retirement, refinancing or acquisition for value or payment of principal of any Subordinated Indebtedness (other than Disqualified Equity Interests) (a refinancing) through the issuance of new Subordinated Indebtedness of the Issuer, provided that any such new Indebtedness (A) shall be in a principal amount that does not exceed the principal amount so refinanced or, if such Subordinated Indebtedness provides for an amount less than the principal amount thereof to be due and payable upon a declaration or acceleration thereof, then such lesser amount as of the date of determination), plus the lesser of (I) the stated amount of any premium, interest or other payment required to be paid in connection with such a refinancing pursuant to the terms of the Indebtedness being refinanced or (II) the amount of premium, interest or other payment actually paid at such time to refinance the Indebtedness, plus, in either case, the amount of expenses we incurred in connection with such refinancing; (B) has an Average Life to Stated Maturity greater than the remaining Average Life to Stated Maturity of the Notes; (C) has a Stated Maturity for its final scheduled principal payment later than the Stated Maturity for the final scheduled principal payment of the Notes; and (D) is expressly subordinated in

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right of payment to the Notes and the Guarantees, as the case may be, at least to the same extent as the Subordinated Indebtedness to be refinanced;

(6) payments of cash dividends or other cash distributions or payments to the Company in an amount sufficient to enable the Company to make payments of cash interest required to be made in respect of the Existing Convertible Notes of any Indebtedness which refinances, replaces, redeems or repurchases the Existing Convertible Notes in accordance with clauses (9) and (10) of the second paragraph under Limitation on Indebtedness (but not to exceed such required amount) in accordance with the terms thereof in effect on the date of the Indenture, provided the Company is otherwise unable to pay such interest and such dividends are applied directly to the payment of such interest;

(7) (i) payments of cash dividends or other cash distributions or payments to the Company in an amount sufficient to enable the Company to repurchase, redeem, defease, retire, refinance or acquire for value or pay the principal of any Existing Convertible Notes in accordance with the terms thereof as in effect on the date of the Indenture and any reasonable fees and expenses incurred by the Company therewith, provided that such payments are applied directly to the repurchase, redemption, defeasance, retirement, refinancing or acquisition for value or payment of the principal of any Existing Convertible Notes and (ii) any repurchase, redemption, defeasance, retirement, refinancing or acquisition for value or payment of principal of any Existing Convertible Notes and the distribution or transfer of any such Existing Convertible Notes to the Company for retirement or cancellation;

(8) the distribution, dividend or other transfer of notes receivable (reflecting Indebtedness owed by any non-Designated SBG Subsidiary to the Issuer) in existence as of the date of the Indenture by the Issuer to the Company or any Unrestricted Subsidiary in connection with a Separation Transaction; provided that immediately after giving effect to such distribution, dividend or other transfer, on a pro forma basis the Issuer could incur \$1.00 of additional Indebtedness under the first paragraph of Certain Covenants Limitation on Indebtedness (other than Permitted Indebtedness); and

(9) payments of cash dividends, distributions, loans or other transfers by the Issuer to the Company in amounts required (but not in excess thereof) for the Company to pay, in each case without duplication:

(a) foreign, federal, state and local incomes taxes; to the extent such income taxes are either (1) attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries or (2) attributable to the income of the Company but not any of its subsidiaries, provided that in the case of clause (1) above, the amount of such payments in any fiscal year does not exceed the amount that the Issuer and its Restricted Subsidiaries would be required to pay in respect of foreign, federal, state and local taxes for such fiscal year were the Issuer, its Restricted Subsidiaries and its Unrestricted Subsidiaries (to the extent described above) to pay such taxes separately from any such parent entity;

(b) fees and expenses (including franchise or similar taxes) required to maintain its corporate existence, customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers, directors and employees of any direct or indirect parent of the Issuer, if applicable, and general corporate overhead expenses of any direct or indirect parent of the Issuer in each case to the extent such fees and expenses are attributable to the ownership or operation of the Issuer, if applicable, and its Restricted Subsidiaries (provided, that for so long as such direct or indirect parent owns no assets other than the Equity Interests in the Issuer or another direct or indirect parent of the Issuer,

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such fees and expenses shall be deemed for purposes of this clause (9) to be so attributable to such ownership or operation);

(c) amounts payable on the Company's lease(s) for the corporate headquarters;

(d) general and administrative overhead (except for longevity bonuses) of subsidiaries of the Company (other than Restricted Subsidiaries) so long as the aggregate payments pursuant to this clause (d) shall not in any fiscal year exceed an amount equal to \$25,000,000 minus any payments made pursuant to clause (12) of the definition of Permitted Investments;

(e) capital expenditures of the Company so long as the amount of all payments pursuant to this clause (e) shall not exceed \$25,000,000 in the aggregate;

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(f) unfunded commitments relating to operating divisions other than broadcast, so long as the amount of all payments pursuant to this clause (f) shall not exceed in the aggregate an amount equal to \$75,000,000 minus any payments made pursuant to clause (13) of the definition of Permitted Investments;

(g) cash dividends on the Company's shares of common stock in the aggregate amount per fiscal quarter not to exceed \$0.20 per share for each share of common stock of the Company outstanding as of the one record date for dividends payable in respect of such fiscal quarter (as such amount shall be appropriately adjusted for any stock splits, stock dividends, reverse stock splits, stock consolidations and similar transactions); and

(h) repurchases of the Company's shares of common stock pursuant to open market or privately negotiated transactions in an aggregate amount not to exceed \$50,000,000.

provided that, notwithstanding anything herein to the contrary, no Designated SBG Subsidiary shall be permitted to make any dividend or other distributions, in cash or property (other than in its additional ownership interests), to the Company or any subsidiary of the Company that directly owns the ownership interests of such Designated SBG Subsidiary, including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such ownership interests or any option, warrant or other right to acquire any such ownership interests.

Limitation on Transactions with Affiliates

We will not, and will not permit any of our Restricted Subsidiaries to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of ours (other than us or a Wholly Owned Restricted Subsidiary) unless:

(1) such transaction or series of transactions is in writing and on terms that are no less favorable to us or such Restricted Subsidiary, as the case may be, than would be available in a comparable transaction in arm's-length dealings with an unrelated third party and

(2) with respect to any transaction or series of transactions involving aggregate payments in excess of \$5,000,000, we deliver an officers' certificate to the Trustee certifying that such transaction or series of related transactions complies with clause (1) above and such transaction or series of related transactions has been approved by a majority of the members of the Company's Board of Directors (and approved by a majority of Independent Directors or, in the event there is only one Independent Director, by such Independent Director), and

(3) with respect to any transaction or series of transactions involving aggregate payments in excess of \$10,000,000, an opinion to us or such Restricted Subsidiary from an independent investment banking, accounting or appraisal firm of nationally recognized standing that the terms of such transaction are not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

Notwithstanding the foregoing, this provision will not apply to (A) any transaction with an officer or director of the Issuer or the Company entered into in the ordinary course of business (including compensation or employee benefit arrangements with any officer or director of the Issuer or the Company), (B) any transaction entered into by us or one of our Wholly Owned Restricted Subsidiaries with a Wholly Owned Restricted Subsidiary of ours, (C) transactions in existence on the date of the Indenture and (D) any Restricted Payment permitted by the covenant described under Limitations on Restricted Payments.

Limitation on Liens

We will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or affirm any Lien of any kind upon any of its property or assets (including any intercompany notes), now owned or acquired after the date of the indenture, or any income or profits therefrom, except if the Notes are directly secured equally and ratably with (or prior to in the case of Liens with respect to Subordinated Indebtedness) the obligation or liability secured by such Lien, excluding, however, from the operation of the foregoing any of the Permitted Liens.

Notwithstanding the foregoing, any Lien securing the Notes granted pursuant to this covenant shall be automatically and unconditionally released and discharged upon (a) the release by the holders of the Indebtedness described above of their Lien on the

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property or assets of the Issuer or any Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness), (b) any sale, exchange or transfer to any person other than the Issuer or any Restricted Subsidiary of all or substantially all the assets of any Restricted Subsidiary creating such Lien in each case in accordance with the terms of the Indenture, (c) payment in full of the principal of, and accrued and unpaid interest, if any, on the Notes, or (d) a defeasance or discharge of the Notes in accordance with the procedures described below under Defeasance or Covenant Defeasance of the Indenture or Satisfaction and Discharge.

The following, collectively, shall constitute the Permitted Liens :

- (a) any Lien existing as of the date of the Indenture (other than Liens permitted under clause (c) below);

- (b) any Lien arising by reason of (1) any judgment, decree or order of any court not constituting an Event of Default, so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired; (2) taxes not yet delinquent or which are being contested in good faith; (3) security for payment of workers compensation or other insurance; (4) good faith deposits in connection with tenders, leases, contracts (other than contracts for the payment of money); (5) zoning restrictions, easements, licenses, reservations, provisions, covenants, conditions, waivers, restrictions on the use of property or minor irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee), none of which materially impairs the use of any parcel of property material to the operation of the business of the Issuer or any Subsidiary or the value of such property for the purpose of such business; (6) deposits to secure public or statutory obligations, or in lieu of surety or appeal bonds; (7) surveys, exceptions, title defects, encumbrances, reservations of, or rights of others for, rights of way, sewers, electric lines, telegraph or telephone lines and other similar purposes or zoning or other restrictions as to the use of real property not interfering with the ordinary conduct of the business of the Issuer or any of its Subsidiaries; or (8) operation of law in favor of mechanics, materialmen, laborers, employees or suppliers, incurred in the ordinary course of business for sums which are not yet delinquent or are being contested in good faith by negotiations or by appropriate proceedings which suspend the collection thereof;

- (c) any Lien now or hereafter existing on our property or any of our Restricted Subsidiaries securing Indebtedness incurred pursuant to clause (1) of the second paragraph under Limitation on Indebtedness and provided that the provisions described under Limitation on Issuances of Guarantees of and Pledges for Indebtedness are complied with;

- (d) any Lien securing Acquired Indebtedness created prior to (and not created in connection with, or in contemplation of) the incurrence of such Indebtedness by us or any Restricted Subsidiary, in each case which Indebtedness is permitted under the provisions of Limitation on Indebtedness ; provided that any such Lien only extends to the assets that were subject to such Lien securing such Acquired Indebtedness prior to the related transaction by the Issuer or its Subsidiaries;

- (e) any Lien securing Permitted Subsidiary Indebtedness;

- (f) Liens securing the Notes and Guarantees and any obligations owing to the Trustee under the Indenture;

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(g) Liens on property of the Issuer or any Restricted Subsidiary with respect to obligations that do not exceed \$50,000,000 at any one time outstanding;

(h) any Lien on property of the Issuer or any Restricted Subsidiary securing Indebtedness incurred pursuant to clause (2) of the second paragraph under Limitation on Indebtedness, provided that the provisions described under Limitation on Issuance of Guarantees of and Pledges for Indebtedness are complied with;

(i) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) and (c) through (h) so long as the Lien is limited to the same property and assets that secured the original Lien; and

(j) any Lien securing Indebtedness of the Issuer and any Restricted Subsidiary; provided, that the Secured Debt to Operating Cash Flow Ratio of the Issuer and its Restricted Subsidiaries at the time of the incurrence of such Indebtedness, after giving pro forma effect thereto and to the application of the proceeds, is 6.0:1 or less.

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Limitation on Sale of Assets

(a) We will not, and will not permit any of our Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless (1) at least 75% of the consideration from such Asset Sale (exclusive of assumed senior Indebtedness to which we and our Restricted Subsidiaries have received a full and unconditional release from such liability in connection with such Asset Sale) is received in cash and (2) we or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the shares or assets sold (other than in the case of an involuntary Asset Sale, as determined by our Board of Directors and evidenced in a Board resolution or in connection with an Asset Swap, as determined in writing by a nationally recognized investment banking or appraisal firm); provided, however, that in the event we or any Restricted Subsidiary engage in an Asset Sale with any third party and receives in consideration therefor, or simultaneously with such Asset Sale enters into, a Local Marketing Agreement with such third party or any Affiliate thereof, the Fair Market Value of such Local Marketing Agreement (as determined in writing by a nationally recognized investment banking or appraisal firm) shall be deemed cash and considered when determining whether such Asset Sale complies with the foregoing clauses (1) and (2). Notwithstanding the foregoing, clause (1) of the preceding sentence shall not be applicable to any Asset Swap. Any Designated Noncash Consideration received by us or any of our Restricted Subsidiaries in an Asset Sale shall be deemed cash for purposes of clause (1) of this provision.

(b) If all or a portion of the Net Cash Proceeds of any Asset Sale are required to be applied (by the terms of such secured Indebtedness) to permanently repay any secured Indebtedness that is secured by a Permitted Lien, the Issuer and the Restricted Subsidiaries may apply such Net Cash Proceeds to the repayment thereof within 12 months of the Asset Sale. If all or a portion of the Net Cash Proceeds of any Asset Sale are not required to be applied to repay permanently any secured Indebtedness that is secured by a Permitted Lien then outstanding as required by the terms thereof, or we determine not to apply such Net Cash Proceeds to the permanent prepayment of such secured Indebtedness that is secured by a Permitted Lien or if no such secured Indebtedness that is secured by a Permitted Lien that by its terms requires the repayment thereof is then outstanding, then we may within 12 months of the Asset Sale, (1) invest the Net Cash Proceeds in properties and assets that (as determined by our Board of Directors) replace the properties and assets that were the subject of the Asset Sale or in properties and assets that will be used in any businesses conducted or proposed to be conducted (as described in this prospectus or any document incorporated herein) by us or our Restricted Subsidiaries on the date of the Indenture or reasonably related thereto or (2) permanently repay any secured Indebtedness that is secured by a Permitted Lien; provided, however, that the Issuer or the applicable Restricted Subsidiary will be deemed to have complied with this clause (b) if, within 12 months of such Asset Sale, the Issuer or the applicable Restricted Subsidiary shall have commenced and not completed or abandoned an expenditure or Investment, or a binding agreement with respect to an expenditure or Investment, in compliance with this clause (b), and that expenditure or Investment is substantially completed within a date that is 12 months and 180 days after the date of such Asset Sale. The amount of such Net Cash Proceeds not used or invested as set forth in the first two sentences of this clause (b) constitutes Excess Proceeds. Pending the final application of any Net Cash Proceeds pursuant to this clause (b), the Issuer or the applicable Restricted Subsidiary may apply such Net Cash Proceeds temporarily to reduce Indebtedness outstanding under a revolving credit facility or otherwise invest such Net Cash Proceeds in any manner not prohibited by the Indenture.

(c) Within 30 days after the aggregate amount of Excess Proceeds exceeds \$25,000,000, we shall apply the Excess Proceeds to the repayment of the Notes and, at the option of the Issuer, any Pari Passu Indebtedness required to be repurchased under the instrument governing such Pari Passu Indebtedness as follows:

(A) we shall make an offer to purchase (an Offer) from all holders of the Notes in accordance with the procedures set forth in the Indenture in the maximum principal amount (expressed as a multiple of \$1,000) of Notes that may be purchased out of an amount (the Note Amount) equal to the product of such Excess Proceeds multiplied by a fraction, the numerator of which is the outstanding principal amount of the Notes, and the denominator of which is the sum of the outstanding principal amount of the Notes and such Pari Passu Indebtedness (subject to proration in the event such amount is less than the aggregate Offered Price of all Notes tendered), and

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(B) to the extent required by such Pari Passu Indebtedness to permanently reduce the principal amount of such Pari Passu Indebtedness, we shall make an offer to purchase or otherwise repurchase or redeem Pari Passu Indebtedness (a Pari Passu Offer) in an amount (the Pari Passu Debt Amount) equal to the excess of the Excess Proceeds over the Note Amount; provided that in no event shall the Pari Passu Debt Amount exceed the principal amount of such Pari Passu Indebtedness plus the amount of any premium required to be paid to repurchase such Pari Passu Indebtedness.

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The offer price shall be payable in cash in an amount equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date (the Offer Date) such Offer is consummated (the Offered Price), in accordance with the procedures set forth in the Indenture. To the extent that the aggregate Offered Price of the Notes tendered pursuant to the Offer is less than the Note Amount relating thereto or the aggregate amount of Pari Passu Indebtedness that is purchased is less than the Pari Passu Debt Amount (the amount of such shortfall, if any, constituting a Deficiency), we shall use such Deficiency in our business and that of our Restricted Subsidiaries. Upon completion of the purchase of all the Notes tendered pursuant to an Offer and repurchase of the Pari Passu Indebtedness pursuant to a Pari Passu Offer, the amount of Excess Proceeds, if any, shall be reset at zero. The Issuer may make an Offer before the end of the 366 days and/or in an amount of less than \$25,000,000.

(d) Whenever the Excess Proceeds we receive exceed \$25,000,000, such Excess Proceeds shall be set aside by us in a separate account pending (i) deposit with the depository or a paying agent of the amount required to purchase the Notes or Pari Passu Indebtedness tendered in an Offer or a Pari Passu Offer, (ii) delivery by us of the Offered Price to the holders of the Notes or Pari Passu Indebtedness tendered in an Offer or a Pari Passu Offer and (iii) application, as set forth above, of Excess Proceeds in our business and that of our Restricted Subsidiaries. Such Excess Proceeds may be invested in Temporary Cash Investments, provided that the maturity date of any such investment made after the amount of Excess Proceeds exceeds \$25,000,000 shall not be later than the Offer Date. We shall be entitled to any interest or dividends accrued, earned or paid on such Temporary Cash Investments, provided that we shall not withdraw such interest from the separate account if an Event of Default has occurred and is continuing.

(e) If we become obligated to make an Offer pursuant to clause (c) above, the Notes shall be purchased by us, at the option of the holder thereof, in whole or in part in amounts of \$2,000 or an integral multiple of \$1,000 in excess thereof, on a date that is not earlier than 45 days and not later than 60 days from the date the notice is given to holders, or such later date as may be necessary for us to comply with the requirements under the Exchange Act, subject to proration in the event the Note Amount is less than the aggregate Offered Price of all Notes tendered.

(f) We shall comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations in connection with an Offer, provided that to the extent that the provisions of any such securities laws or regulations conflict with any provisions of such an Offer, the Issuer will comply with those securities laws and regulations and will not be deemed to have breached its obligations under any provisions of such an Offer by virtue of such conflict.

(g) We will not, and will not permit any Restricted Subsidiary to, create or permit to exist or become effective any restriction (other than restrictions existing under Indebtedness as in effect on the date of the Indenture as such Indebtedness may be refinanced from time to time, provided that such restrictions are no less favorable to the holders of the Notes than those existing on the date of the Indenture) that would materially impair our ability to make an Offer to purchase the Notes or, if such Offer is made, to pay for the Notes tendered for purchase.

Limitation on Issuances of Guarantees of and Pledges for Indebtedness

(a) We will not permit any Restricted Subsidiary, other than the Guarantors, directly or indirectly, to guarantee, assume or in any other manner become liable with respect to any of our Indebtedness (other than guarantees in existence on the date of the Indenture) unless such guarantee is otherwise permitted under the Indenture and such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a guarantee of payment of the Notes by such Restricted Subsidiary, which guarantee shall be on the same terms as the guarantee of such Indebtedness, except that the guarantee of the Notes need not be secured; provided that if such Indebtedness

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is Subordinated Indebtedness, any such assumption, guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary's guarantee of the Notes at least to the same extent as such Indebtedness is subordinated to the Notes.

(b) Each guarantee created pursuant to the provisions described in the foregoing paragraph is referred to as a Guarantee and the issuer of each such Guarantee is referred to as a Guarantor. Notwithstanding the foregoing, any Guarantee by a Restricted Subsidiary of the Notes shall provide by its terms that it shall be automatically and unconditionally released and discharged upon

(1) any sale, exchange or transfer, to any Person not an Affiliate of the Issuer, of all of the Company's or the Issuer's Equity Interest in, or all or substantially all the assets of, such Restricted Subsidiary, which is in compliance with the Indenture or

(2) with respect to any Guarantees created after the date of the Indenture, the release by the holders of our Indebtedness described in clause (a) above of their guarantee by such Restricted Subsidiary (including any deemed release upon payment

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in full of all obligations under such Indebtedness), at a time when (A) no other of our Indebtedness has been secured or guaranteed by such Restricted Subsidiary, as the case may be, or (B) the holders of all such other Indebtedness which is secured or guaranteed by such Restricted Subsidiary also release their Guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness).

Restriction on Transfer of Assets

We and the Guarantors will not sell, convey, transfer or otherwise dispose of our respective assets or property to any of our Restricted Subsidiaries (other than any Guarantor), except for sales, conveyances, transfers or other dispositions made in the ordinary course of business and except for capital contributions to any Restricted Subsidiary, the only material assets of which are Broadcast Licenses, in each case subject to compliance with Limitation on Sale of Assets. For purposes of this provision, any sale, conveyance, transfer, lease or other disposition of property or assets, having a Fair Market Value in excess of (a) \$1,000,000 for any sale, conveyance, transfer, lease or disposition or series of related sales, conveyances, transfers, leases and dispositions and (b) \$10,000,000 in the aggregate for all such sales, conveyances, transfers, leases or dispositions in any fiscal year of the Issuer shall not be considered in the ordinary course of business.

Purchase of Notes upon a Change of Control

If a Change of Control shall occur at any time, then each holder of Notes shall have the right to require that we purchase such holder's Notes in whole or in part in amounts of \$2,000 and integral multiples of \$1,000 thereof, at a purchase price (the Change of Control Purchase Price) in cash in an amount equal to 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to the date of purchase (the Change of Control Purchase Date), pursuant to the offer described below (the Change of Control Offer) and the other procedures set forth in the Indenture.

Within 30 days following any Change of Control, unless we have exercised our right to redeem all of the Notes as described under Optional Redemption, we shall notify the Trustee thereof and give written notice of such Change of Control to each holder of Notes, by first-class mail, postage prepaid, at the address appearing in the security register, stating, among other things, the purchase price and that the purchase date shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act; that any Note not tendered will continue to accrue interest; that, unless we default in the payment of the purchase price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

If a Change of Control Offer is made, there can be no assurance that we will have available funds sufficient to pay the Change of Control Purchase Price for all of the Notes that might be delivered by holders of the Notes seeking to accept the Change of Control Offer. A Change of Control will also result in an event of default under the Bank Credit Agreement and could result in the acceleration of all indebtedness under the Bank Credit Agreement. See Description of Other Indebtedness Sinclair Television Group, Inc. Bank Credit Agreement. Moreover, the Bank Credit Agreement prohibits the repurchase of the Notes by us. Our failure to make or consummate the Change of Control Offer or pay the Change of Control Purchase Price when due will result in an Event of Default under the Indenture.

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The Change of Control provisions described below may deter certain mergers, tender offers and other takeover attempts involving the Company or the Issuer by increasing the capital required to effectuate such transactions. In addition, the term "all or substantially all" as used in the definition of "Change of Control" has not been interpreted under New York law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in the event the holders of the Notes elected to exercise their rights under the Indenture and we elected to contest such election, there could be no assurance as to how a court interpreting New York law would interpret the phrase.

The Issuer will not be required to make a Change of Control Offer if a third party makes an offer in the manner, at the times and otherwise in compliance with the requirements for a Change of Control Offer to be made by the Issuer and such third party purchases all the Notes properly tendered and not withdrawn under its offer.

The existence of a holder's right to require us to repurchase such holder's Notes upon a Change of Control may deter a third party from acquiring us in a transaction which constitutes a Change of Control.

Change of Control means the occurrence of any of the following events:

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(1) any person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total outstanding Voting Stock of the Company or the Issuer, provided that in the case of the Company, the Permitted Holders beneficially own (as so defined) a lesser percentage of such Voting Stock than such other Person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company or the Issuer;

(2) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company or the Issuer (together with any new directors whose election to such Board, or whose nomination for election by the shareholders of the Company or the Issuer, was approved by a vote of at least 66 $\frac{2}{3}$ % of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of such Board of Directors then in office;

(3) the Company or the Issuer consolidates with or merges with or into any Person or conveys, transfers or leases all or substantially all of its assets to any Person, or any corporation consolidates with or merges into or with the Company or the Issuer, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company or the Issuer is changed into or exchanged for cash, securities or other property, other than any such transaction where the outstanding Voting Stock of the Company or the Issuer is not changed or exchanged at all (except to the extent necessary to reflect a change in the jurisdiction of incorporation of the Company or the Issuer) or where (A) the outstanding Voting Stock of the Company or the Issuer is changed into or exchanged for (x) Voting Stock of the surviving corporation which is not Disqualified Equity Interests or (y) cash, securities and other property (other than Equity Interests of the surviving corporation) in an amount which could be paid by the Company or the Issuer as a Restricted Payment as described under Limitation on Restricted Payments (and such amount shall be treated as a Restricted Payment subject to the provisions in the Indenture described under Limitation on Restricted Payments) and (B) no person or group other than Permitted Holders owns immediately after such transaction, directly or indirectly, more than the greater of (1) 50% of the total outstanding Voting Stock of the surviving corporation and (2) the percentage of the outstanding Voting Stock of the surviving corporation owned, directly or indirectly, by Permitted Holders immediately after such transaction; or

(4) the Company or the Issuer is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under Consolidation, Merger, Sale of Assets.

A Change of Control would be triggered at such time as, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company or the Issuer (together with any new directors whose election to such Board or whose nomination for election by the shareholders of the Company or the Issuer, was approved by a vote of at least 66 $\frac{2}{3}$ % of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approve) cease for any reason to constitute a majority of such Board of Directors then in office. You should note, however, that recent case law suggest that, in the event that incumbent directors are replaced as a result of a contested election, issuers may nevertheless avoid triggering a Change of Control under a clause similar to the provision described in the prior sentence if the outgoing directors were to approve the new directors for the purpose of such Change of Control clause.

Permitted Holders means as of the date of determination (1) any of David D. Smith, Frederick G. Smith, J. Duncan Smith and Robert E. Smith; (2) family members or the relatives of the Persons described in clause (1); (3) any trusts created for the benefit of the Persons described in clauses (1), (2) or (4) or any trust for the benefit of any such trust; or (4) in the event of the incompetence or death of any of the Persons described in clauses (1) and (2), such Person's estate, executor, administrator, committee or other personal representative or beneficiaries, in each

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case who at any particular date shall beneficially own or have the right to acquire, directly or indirectly, Equity Interests of the Company or the Issuer. With respect to the Issuer, the Company and each Wholly Owned Restricted Subsidiary shall be a Permitted Holder.

The provisions of the Indenture will not afford holders of Notes the right to require us to repurchase the Notes in the event of a highly leveraged transaction or certain transactions with the Company's or the Issuer's management or its Affiliates, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Company or the Issuer by management or its Affiliates) involving the Company or the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control. A transaction involving the Company's or the Issuer's management or

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its Affiliates, or a transaction involving a recapitalization of the Company or the Issuer, will only result in a Change of Control if it is the type of transaction specified by such definition.

We will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations in connection with a Change of Control Offer, provided that to the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the Notes, the Issuer will comply with those securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control Offer provisions of the Notes by virtue of any such conflict.

Limitation on Subsidiary Equity Interests

We will not permit any Restricted Subsidiary of ours to issue any Equity Interests, except for (1) Equity Interests issued to and held by us or a Wholly Owned Restricted Subsidiary, and (2) Equity Interests issued by a Person prior to the time (A) such Person becomes a Restricted Subsidiary, (B) such Person merges with or into a Restricted Subsidiary or (C) a Restricted Subsidiary merges with or into such Person; provided that such Equity Interests were not issued or incurred by such Person in anticipation of the type of transaction contemplated by subclause (A), (B) or (C).

Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries

We will not, and will not permit any of our Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary of ours to

- (1) pay dividends or make any other distribution on its Equity Interests,
- (2) pay any Indebtedness owed to us or a Restricted Subsidiary,
- (3) make any Investment in us or a Restricted Subsidiary or
- (4) transfer any of its properties or assets to us or any Restricted Subsidiary of ours.

However, this covenant will not prohibit

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- (1) any encumbrance or restriction pursuant to an agreement in effect on the date of the Indenture or contained in any other indenture or instrument governing debt or preferred securities that are no more restrictive than those contained in the Indenture;
- (2) any encumbrance or restriction, with respect to a Restricted Subsidiary that is not a Subsidiary of ours on the date of the Indenture, in existence at the time such Person becomes a Restricted Subsidiary of ours and not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary, provided that such encumbrances and restrictions are not applicable to the Issuer or any Restricted Subsidiary or the properties or assets of the Issuer or any Restricted Subsidiary other than such Subsidiary which is becoming a Restricted Subsidiary;
- (3) any encumbrance or restriction existing under, by reason of or with respect to any agreement of us or any Restricted Subsidiary of ours; provided that (a) such encumbrances or restrictions are ordinary and customary in light of the type of agreement involved and (b) such encumbrances will not affect in any material respect our or any Guarantor's ability to make principal and interest payments on the Notes, as determined in good faith by us;
- (4) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1), (2) and (3), or in this clause (4), provided that the terms and conditions of any such encumbrances or restrictions are not materially less favorable to the holders of the Notes than those under or pursuant to the agreement evidencing the Indebtedness so extended, renewed, refinanced or replaced or are not more restrictive than those set forth in the Indenture; and
- (5) any encumbrance or restriction created pursuant to an asset sale agreement, stock sale agreement or similar instrument pursuant to which an Asset Sale permitted under Limitation on Sale of Assets is to be consummated, so long

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as such restriction or encumbrance shall be effective only for a period from the execution and delivery of such agreement or instrument through a termination date not later than 270 days after such execution and delivery.

Limitation on Unrestricted Subsidiaries

We will not make, and will not permit any of our Restricted Subsidiaries to make, any Investments in Unrestricted Subsidiaries if, at the time thereof, the aggregate amount of such Investments would exceed the amount of Restricted Payments then permitted to be made pursuant to the

Limitation on Restricted Payments covenant. Any Investments in Unrestricted Subsidiaries permitted to be made pursuant to this covenant (1) will be treated as the payment of a Restricted Payment in calculating the amount of Restricted Payments made by us and (2) may be made in cash or property.

Provision of Financial Statements

The Indenture provides that, whether or not the Company is subject to Section 13(a) or 15(d) of the Exchange Act, it will, to the extent permitted under the Exchange Act, file with the Commission the annual reports, quarterly reports and other documents which it would have been required to file with the Commission pursuant to such Section 13(a) or 15(d) if it were so subject, such documents to be filed with the Commission on or prior to the respective dates by which it would have been required so to file such documents if it were so subject (the Required Filing Dates); provided, however, that if the Company is not permitted by the Commission to file such

reports with the Commission, it shall post the annual reports, quarterly reports and other documents that it would have been required to file with the Commission pursuant to such Section 13(a) or 15(d) if it were so subject on its website accessible to each holder of Notes by the applicable Required Filing Date.

The Company will also in any event (x) within 15 days of each Required Filing Date (1) transmit by mail to all holders, as their names and addresses appear in the Note register, without cost to such holders and (2) file with the Trustee copies of the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act if it were subject to such Sections and (y) if the Company's filing such documents with the Commission is not permitted under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective holder at its expense. Notwithstanding the foregoing, the Company will be deemed to have furnished such reports referred to above to the holders if it has filed such reports with the Commission via the Commission's Electronic Data Gathering, Analysis, and Retrieval Filing System (EDGAR) and such reports are publicly available.

In addition, the Indenture will provide that if at any time the financial statements of the Company do not include the consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows of the Issuer and the Guarantors presented in accordance with Rule 3-10 of Regulation S-X under the Securities Act, then the Issuer will furnish to each holder of Notes (including by posting on a website accessible to each holder of Notes) (a) within 120 days after the end of each fiscal year of the Issuer, the audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of the Issuer and its Subsidiaries (excluding Unrestricted Subsidiaries) as of the end of and for such year, setting forth in comparative form the figures for the previous fiscal year, all reported on by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing and (b) within 60 days after the end of each of the first three quarters of each fiscal year of the Issuer, the unaudited consolidated balance sheet and related statements of operations, stockholder's equity and cash flows of the Issuer and its Subsidiaries (excluding Unrestricted Subsidiaries) as of the end of and for such fiscal quarter and then elapsed portion of such fiscal year, setting forth in comparative form the figures for the corresponding period or periods of the

previous fiscal year, all certified by a financial officer of the Issuer.

The Indenture will also provide that, so long as any of the Notes remain outstanding, we will make available to any prospective purchaser of Notes or beneficial owner of Notes in connection with any sale of Notes the information required by Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Securities Act.

Effectiveness of Covenants upon an Investment Grade Rating Event

(a) Upon and after the occurrence of an Investment Grade Rating Event, the covenants under the foregoing sections of this prospectus will be suspended:

- (1) Limitation on Indebtedness;
- (2) Limitation on Restricted Payments;

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- (3) Limitation on Transactions with Affiliates;
- (4) Limitation on Sale of Assets;
- (5) Limitation on Issuances of Guarantees of and Pledges for Indebtedness;
- (6) Restrictions on Transfer of Assets;
- (7) Limitation on Subsidiary Equity Interests;
- (8) Limitation on Dividends and other Payment Restrictions Affecting Subsidiaries;
- (9) Limitation on Unrestricted Subsidiaries; and
- (10) Provision of Financial Statements.

(b) Upon and after the occurrence of an Investment Grade Rating Event, the provision set forth in clause (3) of the covenant described below Consolidation, Merger, Sale of Assets will be suspended.

During any period that the foregoing covenants have been suspended, the Issuer's Board of Directors may not designate any of the Issuer's Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption Limitation on Unrestricted Subsidiaries.

Notwithstanding the foregoing, if the rating assigned by either Rating Agency should subsequently decline to below an Investment Grade Rating, the foregoing covenants will be reinstated as of and from the date of such rating decline; provided, however, no

Default, Event of Default or breach of any kind shall be deemed to exist or have occurred under the Indenture, the Notes or the Guarantees with respect to the foregoing suspended covenants based on, and none of the Issuer or any of the Restricted Subsidiaries or Guarantors shall bear any liability for, any actions taken or events occurring during the period the foregoing covenants were suspended, or any actions taken at any time pursuant to any contractual obligation arising prior to the date the foregoing covenants were reinstated, regardless of whether such actions or events would have been permitted if the applicable suspended covenants remained in effect during such period. On the date the foregoing covenants are reinstated, all Indebtedness incurred during the suspension period will be deemed to have been outstanding on the date of the Indenture, so that it is classified as permitted under clause (4) of Limitation on Indebtedness. Calculations under the reinstated Limitation on Restricted Payments covenant will be made as if the Limitation on Restricted Payments covenant had been in effect since the date of the indenture except that no Default or Event of Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

Additional Covenants

The Indenture also contains covenants with respect to the following matters: (i) payment of principal, premium and interest; (ii) maintenance of an office or agency; (iii) arrangements regarding the handling of money held in trust; (iv) maintenance of corporate existence; (v) payment of

taxes and other claims; (vi) maintenance of properties; and (vii) maintenance of insurance.

Consolidation, Merger, Sale of Assets

We shall not, in a single transaction or a series of related transactions, consolidate with or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of our properties and assets to any Person or group of affiliated Persons, or permit any of our Subsidiaries to enter into any such transaction or transactions if such transaction or transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of us and our Subsidiaries on a Consolidated basis to any other Person or group of affiliated Persons, unless at the time and after giving effect thereto:

(1) either (a) we shall be the continuing corporation or (b) the Person (if other than the Issuer) formed by such consolidation or into which we are merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of us and our Subsidiaries on a Consolidated basis (the **Surviving Entity**) shall be a corporation duly organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia and such Person assumes, by a supplemental indenture in a form reasonably satisfactory to the Trustee, all of our obligations under the Notes and the Indenture and the Registration Rights Agreement, and the Indenture and the Registration Rights Agreement shall remain in full force and effect;

(2) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

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(3) immediately before and immediately after giving effect to such transaction on a pro forma basis (on the assumption that the transaction occurred on the first day of the four-quarter period immediately prior to the consummation of such transaction with the appropriate adjustments with respect to the transaction being included in such pro forma calculation), we (or the Surviving Entity if we are not the continuing obligor under the Indenture) could incur \$1.00 of additional Indebtedness under the provisions of Certain Covenants Limitation on Indebtedness (other than Permitted Indebtedness);

(4) each Guarantor, if any, unless it is the other party to the transactions described above, shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations under the Indenture and the Notes;

(5) if any of our property or assets or any of our Subsidiaries would thereupon become subject to any Lien, the provisions of Certain Covenants Limitation on Liens are complied with; and

(6) we or the Surviving Entity shall have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an officers' certificate and an opinion of counsel, each to the effect that such consolidation, merger, transfer, sale, assignment, lease or other transaction and the supplemental indenture in respect thereto comply with the provisions of the Indenture and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

Each Guarantor will not, and we will not permit a Guarantor to, in a single transaction or series of related transactions merge or consolidate with or into any other corporation (other than us or any other Guarantor) or other entity, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets on a Consolidated basis to any entity (other than us or any other Guarantor) unless at the time and giving effect thereto:

(1) either (a) such Guarantor shall be the continuing corporation or (b) the entity (if other than such Guarantor) formed by such consolidation or into which such Guarantor is merged or the entity which acquires by sale, assignment, conveyance, transfer, lease or disposition the properties and assets of such Guarantor shall be a corporation duly organized and validly existing under the laws of the United States, any state thereof or the District of Columbia and shall expressly assume by a supplemental indenture, executed and delivered to the Trustee, in a form reasonably satisfactory to the Trustee, all the obligations of such Guarantor under the Notes and the Indenture and the Registration Rights Agreement;

(2) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(3) such Guarantor shall have delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or disposition and such supplemental indenture comply with the Indenture, and thereafter all obligations of the predecessor shall terminate.

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The provisions of this paragraph shall not apply to any transaction (including an Asset Sale made in accordance with Certain Covenants Limitation on Sale of Assets) with respect to any Guarantor if the Guarantee of such Guarantor is released in connection with such transaction in accordance with paragraph (b) of Certain Covenants Limitation on Issuances of Guarantees of and Pledges for Indebtedness.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraphs in which we or any Guarantor is not the continuing corporation, the successor Person formed or remaining shall succeed to, and be substituted for, and may exercise every right and power of, us or such Guarantor, as the case may be, and we or such Guarantor, as the case may be, would be discharged from its obligations under the Indenture, the Notes or its Guarantee, as the case may be, and the Registration Rights Agreement.

Events of Default

An Event of Default will occur under the Indenture if:

- (1) there shall be a default in the payment of any interest on any Note when it becomes due and payable, and such default shall continue for a period of 30 days;

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(2) there shall be a default in the payment of the principal of (or premium, if any, on) any Note at its Maturity (upon acceleration, optional or mandatory redemption, required repurchase or otherwise);

(3) (a) there shall be a default in the performance, or breach, of any covenant or agreement of ours or any Guarantor under the Notes, the Guarantees or the Indenture (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with in clause (1) or (2) or in clause (b), (c) or (d) of this clause (3)) and such default or breach shall continue for a period of 30 days after written notice has been given, by certified mail, (x) to us by the Trustee or (y) to us and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Notes; (b) there shall be a default in the performance or breach of the provisions described in Consolidation, Merger, Sale of Assets ; (c) we shall have failed to make or consummate an Offer in accordance with the provisions of Certain Covenants Limitation on Sale of Assets ; or (d) we shall have failed to make or consummate a Change of Control Offer in accordance with the provisions of Certain Covenants Purchase of Notes upon a Change of Control;

(4) one or more defaults shall have occurred under any agreements, indentures or instruments under which we, any Guarantor or any Restricted Subsidiary then has outstanding Indebtedness in excess of \$25,000,000 in the aggregate and, if not already matured at its final maturity in accordance with its terms, such Indebtedness shall have been accelerated;

(5) any Guarantee shall for any reason cease to be, or be asserted in writing by any Guarantor or us not to be, in full force and effect, enforceable in accordance with its terms, except to the extent contemplated by the Indenture and any such Guarantee;

(6) one or more judgments, orders or decrees for the payment of money in excess of \$50,000,000, either individually or in the aggregate (net of amounts covered by insurance, bond, surety or similar instrument) shall be entered against us, any Guarantor or any Restricted Subsidiary or any of their respective properties and shall not be discharged and either (a) any creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or (b) there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal or otherwise, shall not be in effect;

(7) there shall have been the entry by a court of competent jurisdiction of (a) a decree or order for relief in respect of the Company, the Issuer or any Significant Subsidiary in an involuntary case or proceeding under any applicable Bankruptcy Law or (b) a decree or order adjudging the Company, the Issuer or any Significant Subsidiary bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company, the Issuer or any Significant Subsidiary under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company, the Issuer or any Significant Subsidiary or of any substantial part of their respective properties, or ordering the winding up or liquidation of their affairs, and any such decree or order for relief shall continue to be in effect, or any such other decree or order shall be unstayed and in effect, for a period of 60 consecutive days; or

(8) (a) the Company, the Issuer or any Significant Subsidiary commences a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent,

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(b) the Company, the Issuer or any Significant Subsidiary consents to the entry of a decree or order for relief in respect of the Company, the Issuer or any Significant Subsidiary in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it,

(c) the Company, the Issuer or any Significant Subsidiary files a petition or answer or consent seeking reorganization or relief under any applicable federal or state law,

(d) the Company, the Issuer or any Significant Subsidiary (x) consents to the filing of such petition or the appointment of, or taking possession by, a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company, the Issuer or any Significant Subsidiary or of any substantial part of their respective property, (y) makes an assignment for the benefit of creditors or (z) admits in writing its inability to pay its debts generally as they become due or

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(e) the Company, the Issuer or any Significant Subsidiary takes any corporate action in furtherance of any such actions in this paragraph (8).

If an Event of Default (other than as specified in clauses (7) and (8) of the prior paragraph) shall occur and be continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes outstanding may, and the Trustee at the request of such holders shall, declare all unpaid principal of, premium, if any, and accrued interest on, all the Notes to be due and payable immediately by a notice in writing to us (and to the Trustee if given by the holders of the Notes); provided that so long as the Bank Credit Agreement is in effect, such declaration shall not become effective until the earlier of (a) five business days after receipt of such notice of acceleration from the holders or the Trustee by the agent under the Bank Credit Agreement or (b) acceleration of the Indebtedness under the Bank Credit Agreement. Thereupon the Trustee may, at its discretion, proceed to protect and enforce the rights of the holders of Notes by appropriate judicial proceeding. If an Event of Default specified in clause (7) or (8) of the prior paragraph occurs and is continuing, then all the Notes shall ipso facto become and be immediately due and payable, in an amount equal to the principal amount of the Notes, together with accrued and unpaid interest, if any, to the date the Notes become due and payable, without any declaration or other act on the part of the Trustee or any holder. The Trustee or, if notice of acceleration is given by the holders of the Notes, the holders of the Notes shall give notice to the agent under the Bank Credit Agreement of such acceleration.

After a declaration of acceleration, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of Notes outstanding, by written notice to us and the Trustee, may rescind and annul such declaration if (a) we have paid or deposited with the Trustee a sum sufficient to pay (1) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, (2) all overdue interest on all Notes, (3) the principal of and premium, if any, on any Notes which have become due otherwise than by such declaration of acceleration and interest thereon at a rate borne by the Notes and (4) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Notes; and (b) all Events of Default, other than the non-payment of principal of the Notes which have become due solely by such declaration of acceleration, have been cured or waived.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may on behalf of the holders of all the Notes waive any past default under the Indenture and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Note, or in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each Note outstanding.

We are also required to notify the Trustee within five Business Days of the occurrence of any Default. We are required to deliver to the Trustee, on or before a date not more than 60 days after the end of each fiscal quarter and not more than 120 days after the end of each fiscal year, a written statement as to compliance with the Indenture, including whether or not any default has occurred. The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the Notes unless such holders offer to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred thereby.

The Trust Indenture Act contains limitations on the rights of the Trustee, should it become a creditor of ours or any Guarantor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, provided that if it acquires any conflicting interest it must eliminate such conflict upon the occurrence of an Event of Default or else resign.

Defeasance or Covenant Defeasance of the Indenture

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We may, at our option, at any time, elect to have our obligations, each of the Guarantors and any other obligor upon the Notes discharged with respect to the outstanding Notes and the Indenture (defeasance). Such defeasance means that we, each of the Guarantors and any other obligor under the Indenture shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, except for

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due,

(2) our obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes, and the maintenance of an office or agency for payment and money for security payments held in trust,

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(3) the rights, powers, trusts, duties and immunities of the Trustee, and

(4) the defeasance provisions of the Indenture.

In addition, we may, at our option and at any time, elect to have the obligations of the Issuer and any Guarantor released with respect to certain covenants that are described in the Indenture (covenant defeasance) and any omission to comply with such obligations shall not constitute a Default or an Event of Default with respect to the Notes. In the event covenant defeasance occurs, certain events (not including non-payment, enforceability of any Guarantee, bankruptcy and insolvency events) described under Events of Default will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either defeasance or covenant defeasance,

(1) we must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in United States dollars, U.S. Government Obligations (as defined in the Indenture), or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants or a nationally recognized investment banking firm expressed in a written certification thereof delivered to the Trustee, to pay and discharge the principal of, premium, if any, and interest on the outstanding Notes on the Stated Maturity of such principal or installment of principal or interest (or on any date after the initial redemption date, if any, for such outstanding Notes (such date being referred to as the Defeasance Redemption Date), if when exercising either defeasance or covenant defeasance, we have delivered to the Trustee an irrevocable notice to redeem all of the outstanding Notes on the Defeasance Redemption Date);

(2) in the case of defeasance, we shall have delivered to the Trustee an opinion of independent counsel in the United States stating that (A) we have received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of independent counsel in the United States shall confirm that, the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(3) in the case of covenant defeasance, we shall have delivered to the Trustee an opinion of independent counsel in the United States to the effect that the holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as clause (7) or (8) under the first paragraph under Events of Default are concerned, at any time during the period ending on the 91st day after the date of deposit;

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(5) such defeasance or covenant defeasance shall not cause the Trustee for the Notes to have a conflicting interest with respect to any securities of the Issuer or any Guarantor;

(6) such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default under, the Indenture or any other material agreement or instrument to which we or any Guarantor is a party or by which it is bound;

(7) we shall have delivered to the Trustee an opinion of independent counsel to the effect that (A) the trust funds will not be subject to any rights of holders of Indebtedness that ranks *pari passu* with the Notes or the Guarantees, including, without limitation, those arising under the Indenture and (B) after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(8) we shall have delivered to the Trustee an officers' certificate stating that the deposit was not made by us with the intent of preferring the holders of the Notes or any Guarantee over the other creditors of the Issuer or any Guarantor with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer, any Guarantor or others;

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(9) no event or condition shall exist that would prevent us from making payments of the principal of, premium, if any, and interest on the Notes on the date of such deposit or at any time ending on the 91st day after the date of such deposit; and

(10) we shall have delivered to the Trustee an officers certificate and an opinion of independent counsel, each stating that all conditions precedent provided for relating to either the defeasance or the covenant defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(a) either:

(1) all Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid) have been delivered to the Trustee for cancellation; or

(2) all Notes not theretofore delivered to the Trustee for cancellation (a) have become due and payable, or (b) will become due and payable at their Stated Maturity within one year, or (c) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer and we or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, including principal of, premium, if any, and accrued interest at such Stated Maturity or redemption date;

(b) we or any Guarantor has paid or caused to be paid all other sums payable under the Indenture relating to the Notes by us or any Guarantor; and

(c) we have delivered to the Trustee an officers certificate and an opinion of counsel stating that (1) all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture relating to the Notes have been complied with and (2) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture relating to the Notes or any other material agreement or instrument to which we or any Guarantor is a party or by which we or any Guarantor is bound.

Modifications and Amendments

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Modifications and amendments of the Indenture relating to the Notes may be made by us, any Guarantor and the Trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided, however*, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which the principal of any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the Stated Maturity thereof (or in the case of redemption, on or after the redemption date) (other than provisions relating to the covenants set forth under Certain Covenants Limitation on Sale of Assets);

(2) amend, change or modify our obligation to make and consummate a Change of Control Offer in the event of a Change of Control in accordance with Certain Covenants Purchase of Notes upon a Change of Control, including amending, changing or modifying any definitions with respect thereto;

(3) reduce the percentage in principal amount of outstanding Notes, the consent of whose holders is required for any supplemental indenture, or the consent of whose holders is required for any waiver or compliance with certain provisions of the Indenture or certain defaults or with respect to any Guarantee;

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(4) modify any of the provisions relating to supplemental indentures requiring the consent of holders or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Notes required for such actions or to provide that certain other provisions of the Indenture relating to the Notes cannot be modified or waived without the consent of the holder of each Note affected thereby;

(5) except as otherwise permitted under Consolidation, Merger, Sale of Assets, consent to the assignment or transfer by us or any Guarantor of any of its rights and obligations under the Indenture; or

(6) amend or modify any of the provisions of the Indenture relating to the ranking of the Notes or any Guarantee in any manner adverse to the holders of the Notes or any Guarantee;

provided further, that no such modification or amendment may, without the consent of the holders of 662/3% of the outstanding Notes affected thereby, amend, change or modify our obligation to make and consummate an Offer with respect to any Asset Sale or Asset Sales in accordance with Certain Covenants Limitation on Sale of Assets including amending, changing or modifying any definitions with respect thereto.

Without the consent of any holders, we and the Guarantors, when authorized by a resolution of the board of directors and upon delivery of an Opinion of Counsel to the effect that such supplemental indentures or agreements are permitted under the Indenture, and the Trustee, at any time and from time to time, may enter into one or more supplemental indentures or agreements, or other instruments with respect to any Guarantee, in form and substance satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to us, any Guarantor or any other obligor upon the Notes, and the assumption by any such successor of our covenants or such Guarantor or obligor under the Indenture and in the Notes and in any Guarantee, in each case in compliance with the provisions of the Indenture;

(2) to add to the covenants of the Issuer, any Guarantor or any other obligor upon the Notes for the benefit of the holders, or to surrender any right or power conferred in the Indenture upon us, any Guarantor or any other obligor upon the Notes, as applicable, in the Indenture, in the Notes or in any Guarantee;

(3) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture or in any Guarantee, or to make any other provisions with respect to matters or questions arising under the Indenture, the Notes or any Guarantee; provided that, in each case, such provisions shall not adversely affect the interests of the holders;

(4) to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act, as contemplated by the Indenture or otherwise;

(5) to add a Guarantor pursuant to the requirements under Certain Covenants Limitation on Issuances of Guarantees of and Pledges for Indebtedness ;

(6) to evidence and provide the acceptance of the appointment of a successor trustee under the Indenture;

(7) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the holders as additional security for the payment and performance of the Indenture obligations, in any property or assets, including any which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to this Indenture or otherwise; or

(8) to provide for uncertificated Notes in place of or in addition to certificated Notes.

The holders of a majority in aggregate principal amount of the Notes outstanding may waive compliance with certain restrictive covenants and provisions of the Indenture relating to the Notes.

Governing Law

The Indenture, the Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to the conflicts of law principles thereof.

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Payment and Paying Agent

Payments in respect of the Notes shall be made to DTC, which shall credit the relevant accounts at DTC on the applicable payment dates or, if the Notes are not held by DTC, such payments shall be made at the office or agency of the Paying Agent maintained for such purpose, or at our option, by check mailed to the address of the holder entitled thereto as such address shall appear on the Notes Register. The Paying Agent shall initially be U.S. Bank National Association. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days written notice to us. In the event that U.S. Bank National Association chooses no longer to be the Paying Agent, we shall appoint a successor (which shall be a bank or trust company) acceptable to us to act as Paying Agent.

Registrar and Transfer Agent

U.S. Bank National Association will act as registrar and transfer agent for the Notes (the Notes Registrar).

As described under Book-Entry Securities; The Depository Trust Company; Delivery and Form, so long as the Notes are in book-entry form, registration of transfers and exchanges of Notes will be made through direct participants and indirect participants in DTC. If physical certificates representing the Notes are issued, registration of transfers and exchanges of Notes will be effected without charge by us or on our behalf, but, in the case of a transfer, upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

We will not be required to register or cause to be registered any transfer of Notes during a period beginning 15 days prior to the mailing of notice of redemption of Notes and ending on the day of such mailing.

Certain Definitions

Acquired Indebtedness means Indebtedness of a Person (1) existing at the time such Person becomes a Subsidiary or (2) assumed in connection with the acquisition of assets from such Person, in each case, other than Indebtedness incurred in connection with, or in contemplation of, such Person becoming a Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to be incurred on the date of the related acquisition of assets from any Person or the date the acquired Person becomes a Subsidiary.

Affiliate means, with respect to any specified Person, (1) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, (2) any executive officer or director of such Person or (3) any other Person 10% or more of the voting Equity Interests of which are beneficially owned or held directly or indirectly by such specified Person. For the purposes of this definition, control when used with respect to any specified Person means the power to direct the management and policies of such Person directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms controlling and controlled have meanings correlative to the foregoing.

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Applicable Premium means, with respect to a Note on any date of redemption, the greater of:

- (1) 1.0% of the principal amount of such Note; and
- (2) the excess, if any, of (a) the present value as of such date of redemption of (1) the redemption price of such Note on April 1, 2016, (each such redemption price being described under Optional Redemption) plus (2) all required interest payments due on such Note through April 1, 2016 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Treasury Rate as of such date of redemption plus 50 basis points, over (b) the then-outstanding principal of such Note.

Asset Sale means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or Sale and Leaseback Transaction) (collectively, a transfer), directly or indirectly, in one or a series of related transactions, of

- (1) any Equity Interest of any Restricted Subsidiary;
- (2) all or substantially all of the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or

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(3) any other properties or assets of the Issuer or any Restricted Subsidiary, other than in the ordinary course of business.

For the purposes of this definition, the term **Asset Sale** shall not include any transfer of properties and assets (A) that is governed by the provisions described under **Consolidation, Merger, Sale of Assets**, (B) that is by the Issuer to any Wholly Owned Restricted

Subsidiary that is a Guarantor, or by any Restricted Subsidiary to the Issuer or any Wholly Owned Restricted Subsidiary that is a Guarantor in accordance with the terms of the Indenture or (C) that aggregates not more than \$25,000,000 in gross proceeds.

Asset Swap means an Asset Sale by the Issuer or any Restricted Subsidiary in exchange for properties or assets that will be used in the business of the Issuer and its Restricted Subsidiaries existing on the date of the Indenture or reasonably related thereto.

Average Life to Stated Maturity means, as of the date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from the date of determination to the date or dates of each successive scheduled principal payment of such Indebtedness multiplied by (b) the amount of each such principal payment by (2) the sum of all such principal payments.

Bank Credit Agreement means the Fourth Amended and Restated Credit Agreement, dated as of October 29, 2009, as amended on August 19, 2010, March 15, 2011, December 16, 2011 and September 20, 2012, between the Issuer, the guarantors party thereto, the lenders named therein and J.P. Morgan Chase Bank, N.A., as agent, J.P. Morgan Securities LLC, as sole lead arranger and bookrunner, Wells Fargo Bank, National Association, as syndication agent, and Citadel Securities LLC, as documentation agent, as such agreement may be amended, renewed, extended, substituted, refinanced, restructured, replaced, supplemented or otherwise modified from time to time (including, without limitation, any successive renewals, extensions, substitutions, refinancings, restructurings, replacements, supplementations or other modifications of the foregoing and including, for the avoidance of doubt, any renewals, extensions, substitutions, refinancing, restructurings, replacements, supplements or any other modifications through any indenture, note purchase agreement or similar instrument). For all purposes under the Indenture, **Bank Credit Agreement** shall include any amendments, renewals, extensions, substitutions, refinancings, restructurings, replacements, supplements or any other modifications that increase the principal amount of the Indebtedness or the commitments to lend thereunder and have been made in compliance with **Certain Covenants Limitation on Indebtedness**; provided that, for purposes of the definition of **Permitted Indebtedness** set forth in **Certain Covenants Limitation on Indebtedness**, no such increase may result in the principal amount of Indebtedness of the Company under the Bank Credit Agreement exceeding the amount permitted by clause (1) of the definition of **Permitted Indebtedness**. References herein to the **Fifth Amended and Restated Credit Agreement** refer to the Bank Credit Agreement as of the date of the Indenture as proposed to be amended and restated as described in **Summary Recent Developments Amended and Restated Bank Credit Agreement**.

Bankruptcy Law means Title 11, United States Bankruptcy Code of 1978, as amended, or any similar United States federal or state law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

Broadcast Licenses means (a) the licenses, permits, authorizations or certificates to construct, own or operate the Stations granted by the FCC, and all extensions, additions and renewals thereto or thereof, and (b) the licenses, permits, authorizations or certificates which are necessary to construct, own or operate the Stations granted by administrative law courts or any state, county, city, town, village or other local government authority, and all extensions, additions and renewals thereto or thereof.

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Business Day means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

Capital Lease Obligation means any obligation of the Issuer and the Restricted Subsidiaries on a Consolidated basis under any capital lease of real or personal property which, in accordance with GAAP, has been recorded as a capitalized lease obligation.

Commission means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

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Company means Sinclair Broadcast Group, Inc., a corporation incorporated under the laws of the State of Maryland, until a successor Person shall have become such pursuant to the applicable provisions of the Indenture, and thereafter Company shall mean such successor Person.

Consolidated Interest Expense means, without duplication, for any period, the sum of

(a) the cash interest expense of the Issuer and its Consolidated Restricted Subsidiaries for such period, on a Consolidated basis, including, without limitation,

(1) amortization of debt discount,

(2) the net cost under interest rate contracts (including amortization of discounts),

(3) the interest portion of any deferred payment obligation, and

(4) accrued interest, plus

(b) the interest component of the Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by the Issuer during such period, and all capitalized interest of the Issuer and its Consolidated Restricted Subsidiaries, minus

(c) cash interest income of the Issuer and its Consolidated Restricted Subsidiaries for such period, on a Consolidated basis,

in each case as determined in accordance with GAAP consistently applied; provided that, for the avoidance of doubt, Consolidated Interest Expense shall not include any cash interest expense associated with the Existing Convertible Notes.

Consolidated Net Income (Loss) means, for any period, the Consolidated net income (or loss) of the Issuer and its Consolidated Restricted Subsidiaries for such period as determined in accordance with GAAP consistently applied, adjusted, to the extent included in calculating such net income (or loss), (a) by excluding, without duplication,

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- (1) all extraordinary gains but not losses (less all fees and expenses relating thereto),

- (2) the portion of net income (or loss) of the Issuer and its Consolidated Restricted Subsidiaries allocable to interests in unconsolidated Persons or Unrestricted Subsidiaries, except to the extent of the amount of dividends or distributions actually paid to the Issuer or its Consolidated Restricted Subsidiaries by such other Person during such period,

- (3) any gain or loss, net of taxes, realized upon the termination of any employee pension benefit plan,

- (4) net gains but not losses (less all fees and expenses relating thereto) in respect of dispositions of assets other than in the ordinary course of business,

- (5) the net income of the Issuer or any Restricted Subsidiary to the extent that the declaration of dividends or similar distributions by the Issuer or that Restricted Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to the Issuer, that Restricted Subsidiary or its shareholders,

- (6) any impairment charge or asset write-off, in each case, pursuant to GAAP and the amortization of intangibles and other assets or any depreciation expense, in each case, pursuant to GAAP, or

- (7) expenses relating to the issuance of the Notes and the Initial Debt Transactions;

and (b) by including, to the extent excluded in calculating such net income (or loss), without duplication, any cash contributions to the Issuer or any Restricted Subsidiary by Unrestricted Subsidiaries.

Solely for purposes of the calculation of Consolidated Net Income (Loss) Any cash amounts dividended, distributed, loaned or otherwise transferred to the Company by the Issuer or its Restricted Subsidiaries pursuant to clause (9) of the second paragraph of the

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covenant described under **Certain Covenants Limitation on Restricted Payments**, without duplication of any amounts otherwise deducted in calculating Consolidated Net Income (Loss), the funds for which are provided by the Issuer and/or the Restricted Subsidiaries shall be deducted in calculating the Consolidated Net Income of the Issuer and the Restricted Subsidiaries.

Consolidation means, with respect to any Person, the consolidation of the accounts of such Person and each of its subsidiaries (other than any Unrestricted Subsidiaries) if and to the extent the accounts of such Person and each of its subsidiaries (other than any Unrestricted Subsidiaries) would normally be consolidated with those of such Person, all in accordance with GAAP consistently applied. The term **Consolidated** shall have a similar meaning.

Contract Stations means (a) each television or radio station identified as such in a schedule to the Indenture, (b) each television or radio station that is the subject of an acquisition referred to in clause (b) of the definition of **Acquisitions** in the Bank Credit Agreement consummated by the Issuer or any Subsidiary on or after the date hereof and (c) any television or radio station with which the Issuer or any Subsidiary has entered into any Local Marketing Agreement on or after the date hereof, in each case until such time, if any, as the Issuer or any Subsidiary acquires the Broadcast License of such television or radio station and such station becomes an Owned Station.

Cumulative Consolidated Interest Expense means, as of any date of determination, Consolidated Interest Expense from October 29, 2009 to the end of the Issuer's most recently ended full fiscal quarter prior to such date, taken as a single accounting period.

Cumulative Operating Cash Flow means, as of any date of determination, Operating Cash Flow from October 29, 2009 to the end of the Issuer's most recently ended full fiscal quarter prior to such date, taken as a single accounting period.

Cunningham means Cunningham Broadcasting Corporation, a Maryland corporation.

Debt to Operating Cash Flow Ratio means, as of any date of determination, the ratio of

(a) the aggregate principal amount of all outstanding Indebtedness of the Issuer and its Restricted Subsidiaries as of such date on a Consolidated basis plus the aggregate liquidation preference or redemption amount of all Disqualified Equity

Interests of the Issuer (excluding any such Disqualified Equity Interests held by the Issuer or a Wholly Owned Restricted Subsidiary of the Issuer) to

(b) Operating Cash Flow of the Issuer and its Restricted Subsidiaries on a Consolidated basis for the four most recent full fiscal quarters ending immediately prior to such date, determined on a pro forma basis (and after giving pro forma effect to

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- (1) the incurrence of such Indebtedness and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, at the beginning of such four-quarter period;
- (2) the incurrence, repayment or retirement of any other Indebtedness by the Issuer and its Restricted Subsidiaries since the first day of such four-quarter period as if such Indebtedness was incurred, repaid or retired at the beginning of such four-quarter period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average balance of such Indebtedness at the end of each month during such four-quarter period);
- (3) in the case of Acquired Indebtedness, the related acquisition as if such acquisition had occurred at the beginning of such four-quarter period; and
- (4) any acquisition or disposition by the Issuer and its Restricted Subsidiaries of any company or any business or any assets out of the ordinary course of business, or any related repayment of Indebtedness, in each case since the first day of such four-quarter period, assuming such acquisition or disposition had been consummated on the first day of such four-quarter period).

Default means any event which is, or after notice or passage of any time or both would be, an Event of Default.

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Designated Noncash Consideration means the Fair Market Value of non-cash consideration (other than any Local Marketing Agreement valuation treated as cash) received by the Issuer or any of its Restricted Subsidiaries in connection with an Asset Sale (other than an Asset Swap) that is conclusively designated pursuant to an Officers Certificate. The aggregate fair market value of the Designated Noncash Consideration, taken together with the fair market value at the time of receipt of all other Designated Noncash Consideration then held by the Issuer or its Restricted Subsidiaries, may not exceed \$25,000,000 at any time outstanding.

Designated SBG Subsidiary means (a) KDSM, LLC and KDSM Licensee, LLC and (b) each other Subsidiary of the Company that is designated as a Designated SBG Subsidiary after the date of the Indenture pursuant to the Indenture, in each case so long as such Subsidiary remains a Designated SBG Subsidiary.

Disqualified Equity Interests means any Equity Interests that, either by their terms or by the terms of any security into which they are convertible or exchangeable or otherwise, are, or upon the happening of an event or passage of time would be required to be, redeemed prior to any Stated Maturity of the principal of the Notes or are redeemable at the option of the holder thereof at any time prior to any such Stated Maturity (other than upon a change of control of or sale of assets by the Issuer in circumstances where the holders of the Notes would have similar rights), or are convertible into or exchangeable for debt securities at any time prior to any such Stated Maturity at the option of the holder thereof.

Equity Interest of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person, including any Preferred Equity Interests.

Equity Offering means a public or private offering for cash by the Issuer or the Company, as the case may be, of its Equity Interests, other than (x) public offerings with respect to the Issuer's or the Company's Equity Interests registered on Form S-4 or S-8, (y) an issuance to any Subsidiary or (z) any offering of Equity Interests issued in connection with a transaction that constitutes a Change of Control.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Existing Convertible Notes means the Company's existing 3.0% Convertible Senior Notes due 2027 and 4.875% Convertible Senior Notes due 2018.

Existing Secured Notes means the Issuer's 9.25% Senior Secured Second Lien Notes due 2017.

Existing Senior Notes means the Issuer's 8.375% Senior Notes due 2018 and 6.125% Senior Notes due 2022.

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Fair Market Value means, with respect to any asset or property, the sale value that would be obtained in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy.

Film Contract means contracts with suppliers that convey the right to broadcast specified films, videotape motion pictures, syndicated television programs or sports or other programming.

Generally Accepted Accounting Principles or **GAAP** means generally accepted accounting principles in the United States, consistently applied, which are in effect on the date of the Indenture.

Guarantee means the guarantee by any Guarantor of the Issuer's Indenture Obligations pursuant to a guarantee given in accordance with the Indenture.

Guaranteed Debt of any Person means, without duplication, all Indebtedness of any other Person referred to in the definition of Indebtedness guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement

(1) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness,

(2) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss,

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(3) to supply funds to, or in any other manner invest in, the debtor (including any agreement to pay for property or services without requiring that such property be received or such services be rendered),

(4) to maintain working capital or equity capital of the debtor, or otherwise to maintain the net worth, solvency or other financial condition of the debtor or

(5) otherwise to assure a creditor against loss;

provided that the term guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

Guarantor means (1) initially the Company, the subsidiaries of the Issuer listed as guarantors in the Indenture, each SBG Guarantor and any other guarantor of the Indenture Obligations. The Guarantors include WLFL, Inc., a Maryland corporation, Sinclair Media I, Inc., a Maryland corporation, WSMH, Inc., a Maryland corporation, WSTR Licensee, Inc., a Maryland corporation, WGME, Inc., a Maryland corporation, Sinclair Media III, Inc., a Maryland corporation, WTTO, Inc., a Maryland corporation, WTVZ, Inc., a Maryland corporation, KOCB, Inc., an Oklahoma corporation, WDKY, Inc., a Delaware corporation, WYZZ Licensee, Inc., a Delaware corporation, WSYX Licensee, Inc., a Maryland corporation, WTWC, Inc., a Maryland corporation, Sinclair Television of Nashville, Inc., a Tennessee corporation, Sinclair Acquisition VII, Inc., a Maryland corporation, Sinclair Acquisition VIII, Inc., a Maryland corporation, Sinclair Acquisition IX, Inc., a Maryland corporation, Sinclair Acquisition X, Inc., a Maryland corporation, Montecito Broadcasting Corporation, a Delaware corporation, Channel 33, Inc., a Nevada corporation, New York Television, Inc., a Maryland corporation, Sinclair Properties, LLC, a Virginia limited liability company, KBSI Licensee L.P., a Virginia limited partnership, KOKH, LLC, a Nevada limited liability company, WMMP Licensee L.P., a Virginia limited partnership, WSYT Licensee L.P., a Virginia limited partnership, WKEF Licensee L.P., a Virginia limited partnership, WGME Licensee, LLC, a Maryland limited liability company, WICD Licensee, LLC, a Maryland limited liability company, WICS Licensee, LLC, a Maryland limited liability company, KGAN Licensee, LLC, a Maryland limited liability company, WSMH Licensee, LLC, a Maryland limited liability company, WPGH Licensee, LLC, a Maryland limited liability company, KDNL Licensee, LLC, a Maryland limited liability company, WCWB Licensee, LLC, a Maryland limited liability company, WTVZ Licensee, LLC, a Maryland limited liability company, Chesapeake Television Licensee, LLC, a Maryland limited liability company, KABB Licensee, LLC, a Maryland limited liability company, WLOS Licensee, LLC, a Maryland limited liability company, KLGTV Licensee, LLC, a Maryland limited liability company, WCGV Licensee, LLC, a Maryland limited liability company, KUPN Licensee, LLC, a Maryland limited liability company, WEAR Licensee, LLC, a Maryland limited liability company, Illinois Television, LLC, a Maryland limited liability company, WLFL Licensee, LLC, a Maryland limited liability company, WTTO Licensee, LLC, a Maryland limited liability company, WTWC Licensee, LLC, a Maryland limited liability company, KOCB Licensee, LLC, a Maryland limited liability company, WDKY Licensee, LLC, a Maryland limited liability company, KOKH Licensee, LLC, a Maryland limited liability company, WUPN Licensee, LLC, a Maryland limited liability company, WUXP Licensee, LLC, a Maryland limited liability company, WCHS Licensee, LLC, a Maryland limited liability company, Birmingham (WABM-TV) Licensee, Inc., a Maryland corporation, Raleigh (WRDC-TV) Licensee, Inc., a Maryland corporation, San Antonio (KRRT-TV) Licensee, Inc., a Maryland corporation, WVTM Licensee, Inc., a Maryland corporation, WUHF Licensee, LLC, a Nevada limited liability company, Milwaukee Television, LLC, a Wisconsin limited liability company, WMSN Licensee, LLC, a Nevada limited liability company, WRLH Licensee, LLC, a Nevada limited liability company, WUTV Licensee, LLC, a Nevada limited liability company, WXLV Licensee, LLC, a Nevada limited liability company, WZTV Licensee, LLC, a Nevada limited liability company, WVAH Licensee, LLC, a Nevada limited liability company, WTAT Licensee, LLC, a Nevada limited liability company, WRGT Licensee, LLC, a Nevada limited liability company, KSAS Licensee, LLC, a Nevada limited liability company, WHP Licensee, LLC, a Nevada limited liability company, WKRC Licensee, LLC, a Nevada limited liability company, WOAI Licensee, LLC, a Nevada limited liability company, WTTA Licensee, LLC, a Nevada limited liability company, KDSM Licensee, LLC, a Maryland limited liability company, KDSM, LLC, a Maryland limited liability company, KFXA Licensee, LLC, a Nevada limited liability company, San Antonio Television, LLC, a Delaware limited liability company, Sinclair Communications, LLC, a Maryland limited liability company, Sinclair Programming Company, LLC, a Maryland limited liability company, WDKA Licensee, LLC, a Nevada limited liability company, WFGX Licensee, LLC, a Nevada limited liability company, WTVC Licensee, LLC, a Nevada limited liability company, KEYE Licensee, LLC, a Nevada limited liability company, KUTV Licensee, LLC, a Nevada limited liability company, WLWC Licensee, LLC, a Nevada limited liability company, WTVX Licensee, LLC, a Nevada limited

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liability company, WPEC Licensee, LLC, a Nevada limited liability company, WWMT Licensee, LLC, a Nevada limited liability company, WRGB Licensee, LLC, a Nevada limited liability company, WCWN Licensee, LLC, a Nevada limited liability company, WLAJ Licensee, LLC, a Nevada limited liability company, KTVL Licensee, LLC, a Nevada limited liability company, KFDM Licensee, LLC, a Nevada limited liability company, WUCW, LLC, a Maryland limited liability company, WWHO Licensee, LLC, a Nevada limited liability company, WNAB Licensee, LLC, a Nevada limited liability company, WNYS

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Licensee, LLC, a Nevada limited liability company, WRDC, LLC, a Nevada limited liability company, KFOX Licensee, LLC, a Nevada limited liability company, KRXI Licensee, LLC, a Nevada limited liability company, WTOV Licensee, LLC, a Nevada limited liability company, WJAC Licensee, LLC, a Nevada limited liability company, WFXL Licensee, LLC, a Nevada limited liability company, KVII Licensee, LLC, a Nevada limited liability company, KXRM Licensee, LLC, a Nevada limited liability company, WACH Licensee, LLC, a Nevada limited liability company, KGBT Licensee, LLC, a Nevada limited liability company, KTVO Licensee, LLC, a Nevada limited liability company, WPDE Licensee, LLC, a Nevada limited liability company, KHQA Licensee, LLC, a Nevada limited liability company, WSTQ Licensee, LLC, a Nevada limited liability company, WPBN Licensee, LLC, a Nevada limited liability company, KRCG Licensee, LLC, a Nevada limited liability company, WLUC Licensee, LLC, a Nevada limited liability company, WHOI Licensee, LLC, a Nevada limited liability company, WNWO Licensee, LLC, a Nevada limited liability company, Chesapeake Television, Inc., a Maryland corporation, Sinclair Television of Illinois, LLC, a Nevada limited liability company, and Chesapeake Media I, LLC, a Nevada limited liability company, and (2) each of the Issuer's Subsidiaries and each Designated SBG Subsidiary which becomes a Guarantor of the Notes pursuant to the provisions of the Indenture, and their successors, in each case, until released from its respective Guarantee pursuant to the Indenture.

Hedging Agreement means any swap agreement, cap agreement, collar agreement, put or call, future contract, forward contract or similar agreement or arrangement entered into to protect against or mitigate the effect of fluctuations in the price of the Issuer's publicly issued common stock or in interest rates, foreign exchange rates or prices of commodities used in the business of the Issuer and its Subsidiaries and any master agreement relating to any of the foregoing.

Indebtedness means, with respect to any Person, without duplication,

- (1) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities arising in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such Person in connection with any letters of credit issued under letter of credit facilities, acceptance facilities or other similar facilities and in connection with any agreement to purchase, redeem, exchange, convert or otherwise acquire for value any Equity Interests of such Person, or any warrants, rights or options to acquire such Equity Interests, now or hereafter outstanding,
- (2) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments,
- (3) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business,
- (4) all obligations under Interest Rate Agreements of such Person (but excluding any terminated derivatives being amortized),
- (5) all Capital Lease Obligations of such Person,

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(6) all Indebtedness referred to in clauses (1) through (5) above of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness,

(7) all Guaranteed Debt of such Person,

(8) all Disqualified Equity Interests valued at the greater of their voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends, and

(9) any amendment, supplement, modification, deferral, renewal, extension, refunding or refinancing of any liability of the types referred to in clauses (1) through (8) above;

provided, however, that the term Indebtedness shall not include any obligations of the Issuer and its Restricted Subsidiaries with respect to Film Contracts entered into in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be, without duplication, the principal amount that would be shown on a balance sheet of such Person prepared as of such date in

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accordance with GAAP and the maximum determinable liability of any Guaranteed Debt referred to in clause (7) above at such date. The Indebtedness of the Issuer and its Restricted Subsidiaries shall not include any Indebtedness of Unrestricted Subsidiaries so long as such Indebtedness is non-recourse to the Issuer and the Restricted Subsidiaries. For purposes hereof, the maximum fixed repurchase price of any Disqualified Equity Interests which do not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Equity Interests as if such Disqualified Equity Interests were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Equity Interests, such Fair Market Value to be determined in good faith by the Board of Directors of the issuer of such Disqualified Equity Interests. The amount of any Indebtedness outstanding as of any date shall be (1) the accreted value thereof in the case of any Indebtedness issued with original issue discount or the aggregate principal amount outstanding in the

case of Indebtedness issued with interest payable in kind and (2) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

Indenture Obligations means the obligations of the Issuer and any other obligor under the Indenture or under the Notes, including any Guarantor, to pay principal, premium, if any, and interest when due and payable, and all other amounts due or to become due under or in connection with the Indenture, the Notes and the performance of all other obligations to the Trustee and the holders under the Indenture and the Notes, according to the terms thereof.

Independent Director means a director of the Company other than a director (1) who (apart from being a director of the Company or any Subsidiary) is an employee, insider, associate or Affiliate of the Company or a Subsidiary or has held any such position during the previous five years or (2) who is a director, an employee, insider, associate or Affiliate of another party to the transaction in question.

Initial Debt Transactions means (1) the issuance of the Notes by the Issuer and the Guarantees by the Guarantors, and (2) the amendment of the Bank Credit Agreement, in each case as described in this prospectus.

Interest Rate Agreements means one or more of the following agreements which shall be entered into from time to time by one or more financial institutions: interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) and any obligations in respect of any Hedging Agreements.

Investment Grade Rating means a rating equal to or higher than Baa3 by Moody's (or the equivalent rating by a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution of the Board of Directors) which shall be substituted for Moody's) or BBB- by S&P (or the equivalent rating by a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution of the Board of Directors) which shall be substituted for S&P).

Investment Grade Rating Event means the first day on which the Notes are assigned an Investment Grade Rating by both Rating Agencies and no Default or Event of Default has occurred and is continuing.

Investments means, with respect to any Person, directly or indirectly, any advance, loan (including guarantees), or other extension of credit or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or

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use of others), or any purchase, acquisition or ownership by such Person of any Equity Interests, bonds, notes, debentures or other securities or assets issued or owned by any other Person and all other items that would be classified as investments on a balance sheet prepared in accordance with GAAP.

Lien means any mortgage, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation or other encumbrance upon or with respect to any property of any kind (including any conditional sale or other title retention agreement, any leases in the nature thereof, and any agreement to give any security interest), real or personal, movable or immovable, now owned or hereafter acquired.

Local Marketing Agreement means a local marketing arrangement, sale agreement, time brokerage agreement, management agreement, outsourcing agreement, joint sale agreement, shared services agreement, program services agreement or similar arrangement pursuant to which a Person

- (1) obtains the right to sell at least a majority of the advertising inventory of a television station on behalf of a third party,
- (2) purchases at least a majority of the air time of a television station to exhibit programming and sell advertising time,

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- (3) manages the selling operations of a television station with respect to at least a majority of the advertising inventory of such station,
- (4) manages or controls the acquisition of programming for a television station,
- (5) acts as a program consultant for a television station,
- (6) manages the operation of a television station generally,
- (7) obtains the right to negotiate retransmission consent on behalf of a third party,
- (8) provides non-programming related management and/or consulting services to a television station, or
- (9) any put or option agreement entered into in connection with any agreement referred to in clauses (1) through (8) above that provides a right to acquire or sell the license or non-license assets of a television station.

Maturity, when used with respect to any Note, means the date on which the principal of such Note becomes due and payable as provided in the Note or as provided in the Indenture, whether at Stated Maturity, the offer date, or the redemption date and whether by declaration of acceleration, Offer in respect of excess proceeds, Change of Control, call for redemption or otherwise.

Moody's means Moody's Investors Service Inc. and any successor to the rating agency business thereto.

Net Cash Proceeds means

- (a) with respect to any Asset Sale by any Person, the proceeds thereof in the form of cash or Temporary Cash Investments including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Temporary Cash Investments (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary) net of

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- (1) brokerage commissions and other reasonable fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale,
- (2) provisions for all taxes payable as a result of such Asset Sale,
- (3) payments made to retire Indebtedness where payment of such Indebtedness is secured by the assets or properties the subject of such Asset Sale,
- (4) amounts required to be paid to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale and
- (5) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officers Certificate delivered to the Trustee and
- (b) with respect to any issuance or sale of Equity Interests, or debt securities or Equity Interests that have been converted into or exchanged for Equity Interests, as referred to under Certain Covenants Limitation on Restricted Payments, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Temporary Cash Investments (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

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Operating Cash Flow means, for any period, the Consolidated Net Income (Loss) of the Issuer and its Restricted Subsidiaries for such period, plus (a) extraordinary net losses and net losses on sales of assets outside the ordinary course of business during such period, to the extent such losses were deducted in computing Consolidated Net Income (Loss), plus (b) provision for taxes based on income or profits, to the extent such provision for taxes was included in computing such Consolidated Net Income (Loss), and any provision for taxes utilized in computing the net losses under clause (a) hereof, plus (c) Consolidated Interest Expense of the Issuer and its Restricted Subsidiaries for such period, plus (d) depreciation, amortization and all other non-cash charges, to the extent such depreciation, amortization and other non-cash charges were deducted in computing such Consolidated Net Income (Loss)(including amortization of goodwill and other intangibles, including Film Contracts and write-downs of Film Contracts), plus (e) to the extent deducted from Consolidated Net Income (Loss), all transaction costs relating to the Initial Debt Transactions, plus (f) cash distributions received from Unrestricted Subsidiaries, minus (g) any cash payments contractually required to be made with respect to Film Contracts (to the extent not previously included in computing such Consolidated Net Income (Loss)).

Owned Stations means (a) each television or radio station identified as such in a schedule to the Indenture and (b) any television or radio station the Broadcast Licenses of which are owned or held by the Issuer or any of its Subsidiaries on or after the date hereof.

Pari Passu Indebtedness means any Indebtedness of the Issuer or any Guarantor that is pari passu in right of payment to the Notes or any Guarantees, as the case may be.

Permitted Investment means

- (1) Investments in the Issuer or any Wholly Owned Restricted Subsidiary;
- (2) Indebtedness of the Issuer or a Restricted Subsidiary described under clauses (5) and (6) of the definition of Permitted Indebtedness set forth in Certain Covenants Limitation on Indebtedness ;
- (3) Temporary Cash Investments;
- (4) Investments acquired by the Issuer or any Restricted Subsidiary in connection with an Asset Sale permitted under Certain Covenants Limitation on Sale of Assets, to the extent such Investments are non-cash proceeds as permitted under such covenant;
- (5) guarantees of Indebtedness otherwise permitted by the Indenture;
- (6) Investments in existence on the date of this Indenture;

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- (7) loans up to an aggregate of \$1,000,000 outstanding at any time to employees pursuant to benefits available to the employees of the Issuer or any Restricted Subsidiary from time to time in the ordinary course of business;
- (8) any Investments in the Notes;
- (9) a Guarantee by any Guarantor and any other guarantee given by a Guarantor of any Indebtedness of the Issuer in accordance with this Indenture;
- (10) Investments by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment (I) such Person becomes a Restricted Subsidiary or (II) such Person is merged, consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;
- (11) other Investments relating to broadcast divisions that do not exceed \$100,000,000 at any time outstanding
- (12) any Investments in any subsidiary of the Company (other than Restricted Subsidiaries) to allow for the payment of general and administrative overhead of subsidiaries of the Company so long as the aggregate payments pursuant to this clause (12) shall not in any fiscal year exceed an amount equal to \$25,000,000 minus any payments made pursuant to clause (9)(d) of the definition of Permitted Payments set forth in Certain Covenants Limitation on Restricted Payments;
- (13) any Investments in any subsidiary of the Company (other than Restricted Subsidiaries) that allow for the payment of unfunded commitments relating to operating divisions other than broadcast divisions, so long as the amount of all payments

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pursuant to this clause (13) shall not exceed an amount equal to \$75,000,000 in the aggregate minus any payments made pursuant to clause (9)(f) of the definition of Permitted Payments set forth in Certain Covenants Limitation on Restricted Payments;

(14) (a) Investments in Local Marketing Agreement purchase options (other than Local Marketing Agreement purchase options with Cunningham or a wholly-owned subsidiary of Cunningham or in existence as of the date of the Indenture) in an amount of up to \$100,000,000 in the aggregate plus customary closing fees and expenses and (b) Investments in Local Marketing Agreement purchase options with Cunningham or a wholly-owned subsidiary of Cunningham;

(15) if otherwise permitted pursuant to FCC rules and regulations and the terms and conditions of the Bank Credit Agreement, the acquisition of any television station which is subject to an option agreement, merger agreement or any similar agreement existing between the Company, the Issuer and any of their respective subsidiaries and the owners of such television station; and

(16) any Investments in the Existing Convertible Notes or any Investments which refinance, replace, redeem or repurchase the Existing Convertible Notes in accordance with clauses (9) and (10) of the second paragraph under Limitation on Indebtedness.

Permitted Subsidiary Indebtedness means: (1) Indebtedness of any Guarantor under Capital Lease Obligations incurred in the ordinary course of business; and (2) Indebtedness of any Guarantor (a) issued to finance or refinance the purchase or construction of any assets of such Guarantor or (b) secured by a Lien on any assets of such Guarantor where the lender's sole recourse is to the assets so encumbered, in either case (x) to the extent the purchase or construction prices for such assets are or should be included in property and equipment in accordance with GAAP and (y) if the purchase or construction of such assets is not part of any acquisition of a Person or business unit.

Person means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivisions thereof.

Preferred Equity Interest, as applied to the Equity Interests of any Person, means an Equity Interest of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such person, over Equity Interests of any other class of such Person.

Qualified Equity Interests of any Person means any and all Equity Interests of such Person other than Disqualified Equity Interests.

Rating Agency means each of S&P and Moody's, or if S&P or Moody's or both shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution of the Board of Directors) which shall be substituted for S&P and Moody's, or both, as the case may be.

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Restricted Subsidiary means a Subsidiary of the Issuer (including, for the avoidance of doubt, any Designated SBG Subsidiary) other than an Unrestricted Subsidiary.

S&P means Standard & Poor's Ratings Services, a division of Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc., and any successor to the rating agency business thereto.

Sale and Leaseback Transaction means any transaction or series of related transactions pursuant to which the Company or a Restricted Subsidiary sells or transfers any property or asset in connection with the leasing, or the resale against installment payments, of such property or asset to the seller or transferor.

SBG Guarantor means each Designated SBG Subsidiary and each other Subsidiary of the Company that becomes a Guarantor after the date of the Indenture pursuant to the terms of the Indenture, in each case, so long as such Subsidiary remains an SBG Guarantor under the Indenture.

Secured Debt to Operating Cash Flow Ratio means, as of the date of determination, the ratio of

(a) the aggregate principal amount of all outstanding secured Indebtedness of the Issuer and the Restricted Subsidiaries as of such date on a Consolidated basis to

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(b) Operating Cash Flow of the Issuer and the Restricted Subsidiaries on a Consolidated basis for the four most recent full fiscal quarters ending immediately prior to such date, determined on a pro forma basis (and after giving pro forma effect to

(1) the incurrence of such Indebtedness and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, at the beginning of such four-quarter period;

(2) the incurrence, repayment or retirement of any other Indebtedness by the Issuer and the Restricted Subsidiaries since the first day of such four-quarter period as if such Indebtedness was incurred, repaid or retired at the beginning of such four-quarter period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average balance of such Indebtedness at the end of each month during such four-quarter period);

(3) in the case of Acquired Indebtedness, the related acquisition as if such acquisition had occurred at the beginning of such four-quarter period; and

(4) any acquisition or disposition by the Issuer and the Restricted Subsidiaries of any company or any business or any assets out of the ordinary course of business, or any related repayment of Indebtedness, in each case since the first day of such four-quarter period, assuming such acquisition or disposition had been consummated on the first day of such four-quarter period).

Separation Transaction means the sale or separation of the non-television business of the Company and its Subsidiaries in whole or in part, whether by asset sale or otherwise.

Significant Subsidiary means, at any date of determination: (1) each Guarantor or Restricted Subsidiary that, together with its Subsidiaries that constitute Restricted Subsidiaries, (A) for the most recent fiscal year of the Company accounted for more than 10% of the consolidated revenues of the Company and the Restricted Subsidiaries or (B) as of the end of such fiscal year, owned more than 10% of the consolidated assets of the Company and the Restricted Subsidiaries, all as set forth on the consolidated financial statements of the Company and the Restricted Subsidiaries for such year in conformity with GAAP; and (2) any Restricted Subsidiary which, when aggregated with all other Restricted Subsidiaries that are not otherwise Significant Subsidiaries and as to which any event described in clause (7) or (8) of the section Events of Default has occurred, would constitute a Significant Subsidiary under clause (1) of this definition.

Stated Maturity, when used with respect to any Indebtedness or any installment of interest thereon, means the date specified in such Indebtedness as the fixed date on which the principal of such Indebtedness or such installment of interest is due and payable.

Stations means the Owned Stations and the Contracted Stations.

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Subordinated Indebtedness means Indebtedness of the Issuer or any Guarantor subordinated in right of payment to the Notes or any Guarantee, as the case may be.

Subsidiary means any Person a majority of the equity ownership or the Voting Stock of which is at the time owned, directly or indirectly, by the Issuer or by one or more other Subsidiaries, or by the Issuer and one or more other Subsidiaries; provided that each Designated SBG Subsidiary shall be deemed to be a Subsidiary of the Issuer for all purposes of the Notes and the Indenture (unless the context requires otherwise).

Temporary Cash Investments means

(1) any evidence of Indebtedness, maturing not more than one year after the date of acquisition, issued by the United States of America, or an instrumentality or agency thereof and guaranteed fully as to principal, premium, if any, and interest by the United States of America,

(2) any certificate of deposit, maturing not more than one year after the date of acquisition, issued by, or time deposit of, a commercial banking institution that is a member of the Federal Reserve System and that has combined capital and

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surplus and undivided profits of not less than \$500,000,000, whose debt has a rating, at the time as of which any investment therein is made, of P-1 (or higher) according to Moody's or any successor rating agency or A-1 (or higher) according to S&P or any successor rating agency,

(3) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate or Subsidiary of the Issuer) organized and existing under the laws of the United States of America with a rating, at the time as of which any investment therein is made, of P-1 (or higher) according to Moody's or A-1 (or higher) according to S&P and

(4) any money market deposit accounts issued or offered by a domestic commercial bank having capital and surplus in excess of \$500,000,000.

Treasury Rate means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data)) most nearly equal to the period from the redemption date to April 1, 2016; provided, however, that if the period from the redemption date to April 1, 2016 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to April 1, 2016 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Trustee means U.S. Bank National Association, a national banking association organized under the laws of the United States of America, or any successor trustee that shall have become such pursuant to the applicable provisions of the Indenture.

Trust Indenture Act means the Trust Indenture Act of 1939, as amended.

Unrestricted Subsidiary means (1) any Subsidiary of the Issuer that at the time of determination shall be an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer, as provided below) and (2) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary (and remove any Designated SBG Subsidiary as a Restricted Subsidiary and a Subsidiary) if all of the following conditions apply: (a) such Subsidiary is not liable, directly or indirectly, with respect to any Indebtedness other than Unrestricted Subsidiary Indebtedness and (b) any Investment in such Subsidiary made as a result of designating such Subsidiary an Unrestricted Subsidiary shall not violate the provisions of the Certain Covenants Limitation on Unrestricted Subsidiaries covenant. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a Board resolution giving effect to such designation and an Officers Certificate certifying that such designation complies with the foregoing conditions. The Board of Directors of the Issuer may designate any Unrestricted Subsidiary as a Restricted Subsidiary; provided that immediately after giving effect to such designation, the Issuer could incur \$1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the restrictions under the Certain Covenants Limitation on Indebtedness covenant.

Unrestricted Subsidiary Indebtedness of any Unrestricted Subsidiary means Indebtedness of such Unrestricted Subsidiary (1) as to which neither the Issuer nor any Restricted Subsidiary is directly or indirectly liable (by virtue of the Issuer or any such Restricted Subsidiary being the

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primary obligor on, guarantor of, or otherwise liable in any respect to, such Indebtedness), except Guaranteed Debt of the Issuer or any Restricted Subsidiary to any Affiliate, in which case (unless the incurrence of such Guaranteed Debt resulted in a Restricted Payment at the time of incurrence) the Issuer shall be deemed to have made a Restricted Payment equal to the principal amount of any such Indebtedness to the extent guaranteed at the time such Affiliate is designated an Unrestricted Subsidiary and (2) which, upon the occurrence of a default with respect thereto, does not result in, or permit any holder of any indebtedness of the Issuer or any Restricted Subsidiary to declare, a default on such Indebtedness of the Issuer or any Restricted Subsidiary or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

Voting Stock means stock of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of a corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

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Wholly Owned Restricted Subsidiary means a Restricted Subsidiary all the Equity Interest of which is owned by the Issuer or another Wholly Owned Restricted Subsidiary. The Wholly Owned Restricted Subsidiaries of the Issuer currently consist of all the Issuer's Restricted Subsidiaries.

Book-Entry Securities; The Depository Trust Company; Delivery and Form

The Notes will be issued only in fully registered form, without interest coupons, in denominations of \$2,000 and integral multiples of \$1,000 thereof. Notes will not be issued in bearer form.

Rule 144A and Regulation S Global Notes

Notes issued in accordance with Rule 144A are represented by one or more Notes in registered, global form without interest coupons (collectively, the Rule 144A Global Note). Notes issued in accordance with Regulation S are represented by one or more Notes in registered, global form without interest coupons (collectively, the Regulation S Global Note) and, together with the Rule 144A Global Note, the Global Notes). The Global Notes have been deposited with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.

Exchanges between the Rule 144A Global Note and the Regulation S Global Note

Beneficial interests in one Global Note may be exchanged for beneficial interests in another Global Note, subject to compliance with the certification requirements of the Trustee. Any beneficial interest in one of the Global Notes that is exchanged for an interest in the other Global Note will cease to be an interest in such Global Note and will become an interest in the other Global Note. Accordingly, such interest will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Exchange of Book-Entry Notes for Certificated Notes

A beneficial interest in a Global Note may not be exchanged for a Note in certificated form unless:

- (1) DTC (a) notifies us that it is unwilling or unable to continue as depository for the Global Note or (b) has ceased to be a clearing agency registered under the Exchange Act, and in either case we thereupon fail to appoint a successor Depository within 90 days,

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(2) we, at our option, notify the Trustee in writing that we elect to cause the issuance of the Notes in certificated form or

(3) there shall have occurred and be continuing an Event of Default or any event which after notice or lapse of time or both would be an Event of Default with respect to the Notes.

In all cases, certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depositary (in accordance with its customary procedures). Any certificated Note issued in exchange for an interest in a Global Note will bear the legend restricting transfers that is borne by such Global Note. Any such exchange will be effected through the DWAC system and an appropriate adjustment will be made in the records of the Notes Registrar to reflect a decrease in the principal amount of the relevant Global Note.

Certain Book-Entry Procedures for Global Notes

The descriptions of the operations and procedures of DTC, Euroclear System (Euroclear) and Clearstream Banking, société anonyme (Clearstream) that follow are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. We take no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that it is:

- a limited purpose trust company organized under the laws of the State of New York,

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- a banking organization within the meaning of the New York Banking Law,
- a member of the Federal Reserve System, and
- a clearing corporation within the meaning of the Uniform Commercial Code and a Clearing Agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants (participants) and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical transfer and delivery of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (indirect participants).

DTC has advised us that its current practice, upon the issuance of the Rule 144A Global Notes and the Regulation S Global Note, is to credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Notes to the accounts with DTC of the participants through which such interests are to be held. Ownership of beneficial interest in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominees (with respect to interest of participants) and the records of participants and indirect participants (with respect to interests of persons other than participants).

As long as DTC, or its nominee, is the registered holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. Except in the limited circumstances described above under Exchanges of Book-Entry Notes for Certificated Notes, owners of beneficial interests in a Global Note will not be entitled to have any portions of such Global Note registered in their names, and will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders of the Global Note (or any Notes represented thereby) under the Indenture or the Notes.

Investors may hold their interests in the Rule 144A Global Note directly through DTC, if they are participants in such system, or indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Investors may, and during the Restricted Period must, hold their interests in the Regulation S Global Note through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations which are participants in such systems. After the expiration of the Restricted Period (but not earlier), investors may also hold their interests in the Regulation S Global Note through organizations other than Euroclear and Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their participants through customers securities accounts in their respective names on the books of their respective depositories. The depositories, in turn, will hold such interests in the Regulation S Global Note in customers securities accounts in the depositories names on the books of DTC. All interests in a Global Note, including those held through Euroclear or Clearstream, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream will also be subject to the procedures and requirements of such system. Transfers and exchanges of interests in a Global Note will also be subject to the procedures described above under Exchanges between the Rule 144A Global Note and the Regulation S Global Note, if applicable.

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The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited to that extent. Because DTC can act only on behalf of its participants, which in turn act on behalf of indirect participants and certain banks, the ability of a Person having beneficial interests in a Global Note to pledge such interest to Persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Payments of the principal, of, premium, if any, and interest on Global Notes will be made to DTC or its nominee as the registered owner thereof. Neither the Issuer, the Trustee nor any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that DTC or its nominee, upon receipt of any payment of principal of, premium, if any, or interest in respect of a Global Note representing any Notes held by it or its nominee, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note for such Notes as shown on the records of DTC or its

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nominee. We also expect that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in street name. Such payments will be the responsibility of such participants. None of the Issuer or the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the Notes, and the Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee as the registered owner of the Notes for all purposes.

Except for trades involving only Euroclear and Clearstream participants, interests in the Global Notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its participants. Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be affected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer and exchange restrictions applicable to the Notes described elsewhere herein, cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected by DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interest in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures or same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the DTC settlement date. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC has advised us that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose accounts with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute such Notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfer of beneficial ownership interests in the Global Notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations, including maintaining, supervising or reviewing the records relating to or payments made on account of, beneficial ownership interests in Global Notes.

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PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for original notes where such original notes were acquired as a result of market-making activities or other trading activities. The Issuer has agreed that, starting on the expiration date of the exchange offer and ending one hundred and eighty days after such date, it will make this prospectus available to any broker-dealer for use in connection with any such resale.

The Issuer will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such exchange notes may be deemed to be an underwriter within the meaning of the Securities Act and any profit of any such resale of exchange notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

For a period of 180 days after the expiration of the exchange offer, the Issuer will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests these documents in the letter of transmittal. The Issuer will indemnify the holders of the original notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of material U.S. federal income tax consequences to a holder who exchanges its original notes for exchange notes pursuant to the exchange offer. This summary is based upon existing U.S. federal income tax law, which is subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation which may be important to particular investors in light of their individual investment circumstances, such as original notes held by investors subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, tax-exempt organizations (including private foundations) and partnerships and their partners), or to persons that hold the original notes as part of a straddle, hedge, conversion, constructive sale, or other integrated security transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address any state, local, or non-U.S. tax considerations.

EACH HOLDER SHOULD CONSULT ITS TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL, STATE AND LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF EXCHANGING ORIGINAL NOTES FOR EXCHANGE NOTES PURSUANT TO THE EXCHANGE OFFER AND OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE EXCHANGE NOTES.

Exchange of an Original Note for an Exchange Note Pursuant to the Exchange Offer

The exchange of an original note for an exchange note pursuant to the exchange offer will not be a taxable event to holders for U.S. federal income tax purposes. Consequently, a holder of original notes will not recognize gain or loss, for U.S. federal income tax purposes, as a result of exchanging original notes for exchange notes pursuant to the exchange offer. In addition, an exchanging holder will have a holding period in the exchange notes that includes the holding period of the original notes exchanged therefor, such holder's adjusted tax basis in the exchange notes received will be the same as the adjusted tax basis of the original notes exchanged therefor immediately before such exchange.

LEGAL MATTERS

The validity of the exchange notes being offered hereby and certain other legal matters regarding the exchange notes will be passed upon for us by Pillsbury Winthrop Shaw Pittman LLP, our special securities counsel.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this Prospectus by reference to Sinclair's Annual Report on Form 10-K for the year ended December 31, 2012 have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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The combined financial statements of the High Plains Broadcasting Operating Company LLC Stations and Newport Television LLC Stations in Cincinnati, OH; Harrisburg, PA; Mobile, AL; Rochester, NY; San Antonio, TX; and Wichita, KS as of December 31, 2011 and for the year then ended incorporated by reference in this prospectus and elsewhere in the registration statement have been so incorporated by reference in reliance upon the report of Grant Thornton LLP, independent certified public accountants, upon the authority of said firm as experts in accounting and auditing in giving said reports.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and later information that we file with the SEC will automatically update and supersede this information. The documents we incorporate by reference are:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed with the SEC on March 12, 2013; and

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- our Current Reports on Form 8-K, filed with the SEC on February 15, 2013, March 1, 2013, March 15, 2013, March 21, 2013 and April 4, 2013.

We are also incorporating by reference the documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, other than reports or portions thereof furnished under Item 2.02 or 7.01 on Form 8-K and not specifically incorporated by reference, between the date of this prospectus and termination of the exchange offer. Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or any other subsequently filed document that is deemed to be incorporated by reference herein modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of any or all of the documents incorporated by reference in this prospectus, at no cost, by writing or calling our offices at the following address:

Sinclair Broadcast Group, Inc.
10706 Beaver Dam Road
Hunt Valley, MD 21030
Attention: David B. Amy

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a registration statement on Form S-4 that we have filed with the SEC. The registration statement covers the exchange notes being offered and the guarantees of the exchange notes, and encompasses all amendments, exhibits, annexes, and schedules to the registration statement. This prospectus does not contain all the information in the exchange offer registration statement. For further information about the Issuer and the exchange offer, reference is made to the registration statement. This prospectus summarizes material provisions of agreements and other documents to which we refer herein. For a more complete understanding and description of such agreements or other documents, you should read the full text of these agreements and documents. We have filed such agreements and documents as exhibits to our registration statement.

We file periodic reports, proxy statements and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain further information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings also are available to the public over the Internet at the SEC's website at <http://www.sec.gov>.

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SINCLAIR TELEVISION GROUP, INC.

Offer to Exchange

\$600,000,000
5.375% Senior Notes due 2021, registered under the Securities Act of 1933,
for any and all outstanding 5.375% Senior Notes due 2021

PROSPECTUS

, 2013

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Officers and Directors

Our articles of incorporation and bylaws require us to indemnify our directors and officers to the fullest extent permitted by Maryland law. Under current Maryland law, we will indemnify (i) any director or officer who has been successful, on the merits or otherwise, in the defense of a proceeding to which he was made a party by reason of his service in that capacity, against reasonable expense incurred by him in connection with the proceeding and (ii) any present or former director or officer against any claim or liability unless it is established that (a) his act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty; (b) he actually received an improper personal benefit in money, property or services; or (c) in the case of a criminal proceeding, he had reasonable cause to believe that his act or omission was unlawful. In addition, our articles of incorporation and bylaws require us to pay or reimburse, in advance of the final disposition of a proceeding, expenses incurred by a director or officer to the fullest extent provided by Maryland law. Current Maryland law provides that we shall have received, before providing any such payment or reimbursement, (i) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by us as authorized by Maryland law and our bylaws and (ii) a written undertaking by or on his behalf to repay the amount paid or reimbursed by us if it shall ultimately be determined that the standard of conduct was not met. Our articles of association and bylaws also permit our Board of Directors to provide indemnification, payment or reimbursement of expenses to any of our employees or agents in such capacity. Our articles of incorporation also provide that no amendment thereto may limit or eliminate this limitation of liability with respect to events occurring prior to the effective date of such amendment.

Our bylaws also provide that each director shall perform his duties in good faith and with such care as an ordinarily prudent person in like position would use under similar circumstances. In performing his duties, each director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in which case prepared or presented by: (a) one or more officers or employees of ours whom the director reasonably believes to be reliable and competent in the matters presented; (b) counsel, certified public accountants or other persons as to matters which the director reasonably believes to be within such person's professional or expert competence; or (c) a Committee of our Board of Directors that has been duly designated upon which such director does not serve as to matters within its designated authority, which Committee such director reasonably believes to merit confidence. Our bylaws provide that a director shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance described above to be unwarranted. A director who performs his duties in compliance with the foregoing shall have no liability by reason of being or having been a director of ours.

Item 21. Exhibits and Financial Statement Schedules

- (a) The attached exhibit index is incorporated by reference herein.
- (b) No financial statement schedules are required to be filed herewith pursuant to this Item.

Item 22.

Undertakings

(a) The undersigned registrant (the Registrant) hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate

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jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in the volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that paragraphs (c) (1) (i) and (c) (1) (ii) do not apply if the information required to be included in a post-effective amendment by these paragraphs is contained in periodic reports filed by the registrants pursuant to Section 13 or Section 15(d) of the Securities and Exchange Act of 1934 that are incorporated by reference in the registration statement;

(2) That, for the purpose of determining liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the exchange offer.

(b) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this form within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in the documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(c) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning this transaction that was not the subject of and included in the Registration Statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant guarantor has duly caused this Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hunt Valley, State of Maryland, on April 4, 2013.

SINCLAIR BROADCAST GROUP, INC.

By: /s/ David B. Amy
Name:
Title: Executive Vice President and
Chief Financial Officer

SINCLAIR TELEVISION GROUP, INC., as Issuer

By: /s/ David B. Amy
Name: David B. Amy
Title: Secretary

OTHER GUARANTORS:

**WFLA, INC.
SINCLAIR MEDIA I, INC.
WSMH, INC.
WSTR LICENSEE, INC.
WGME, INC.
SINCLAIR MEDIA III, INC.
WTTO, INC.
WTVZ, INC.
KOCB, INC.
WDKY, INC.
WYZZ LICENSEE, INC.
WSYX LICENSEE, INC.
WTWC, INC.
SINCLAIR TELEVISION OF NASHVILLE, INC.
SINCLAIR ACQUISITION VII, INC.
SINCLAIR ACQUISITION VIII, INC.
SINCLAIR ACQUISITION IX, INC.
SINCLAIR ACQUISITION X, INC.
MONTECITO BROADCASTING CORPORATION
CHANNEL 33, INC.
NEW YORK TELEVISION, INC.
BIRMINGHAM (WABM-TV) LICENSEE, INC.
RALEIGH (WRDC-TV) LICENSEE, INC.
SAN ANTONIO (KRRT-TV) LICENSEE, INC.
WVTV LICENSEE, INC.
CHESAPEAKE TELEVISION, INC.**

SINCLAIR PROPERTIES, LLC

KBSI LICENSEE L.P.

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WMMP LICENSEE L.P.
WSYT LICENSEE L.P.
By: **Sinclair Properties, LLC, General Partner**

WKEF LICENSEE L.P.
By: **Sinclair Communications, LLC, General Partner**
By: **Sinclair Television Group, Inc., Sole Member of
Sinclair Communications, LLC**

WGME LICENSEE, LLC
By: **WGME, Inc., Member**

WICD LICENSEE, LLC
WICS LICENSEE, LLC
By: **Illinois Television, LLC, Member**
By: **Sinclair Communications, LLC, Sole Member of
Illinois Television, LLC**
By: **Sinclair Television Group, Inc., Sole Member of
Sinclair Communications, LLC**

WSMH LICENSEE, LLC
By: **WSMH, Inc., Member**

WPGH LICENSEE, LLC
KDNL LICENSEE, LLC
WCWB LICENSEE, LLC
By: **Sinclair Media I, Inc., Member**

WTVZ LICENSEE, LLC
By: **WTVZ, Inc., Member**

KLGT LICENSEE, LLC
By: **WUCW, LLC, Sole Member**
By: **Sinclair Communications, LLC, Sole Member of
WUCW, LLC**
By: **Sinclair Television Group, Inc., Sole Member of
Sinclair Communications, LLC**

WCGV LICENSEE, LLC
By: **Milwaukee Television, LLC, Sole Member**
By: **Sinclair Communications, LLC, Sole Member of
Milwaukee Television, LLC**
By: **Sinclair Television Group, Inc., Sole Member of
Sinclair Communications, LLC**

WLFL LICENSEE, LLC
WRDC, LLC
By: **WLFL, Inc., Member**

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WTTO LICENSEE, LLC

By: WTTO, Inc., Member

WTWC LICENSEE, LLC

By: WTWC, Inc., Member

KOCB LICENSEE, LLC

By: KOCB, Inc., Member

WDKY LICENSEE, LLC

KOKH, LLC

By: WDKY, Inc., Member

KOKH LICENSEE, LLC

By: KOKH, LLC, Member of KOKH Licensee, LLC

By: WDKY, Inc., Member of KOKH, LLC

WCHS LICENSEE, LLC

WVAH LICENSEE, LLC

By: Sinclair Media III, Inc., Member

WZTV LICENSEE, LLC

WUXP LICENSEE, LLC

WNAB LICENSEE, LLC

WTVC LICENSEE, LLC

By: Sinclair Television of Nashville, Inc., Member

CHESAPEAKE TELEVISION LICENSEE, LLC

KABB LICENSEE, LLC

WLOS LICENSEE, LLC

SAN ANTONIO TELEVISION, LLC

KEYE LICENSEE, LLC

KUTV LICENSEE, LLC

WLWC LICENSEE, LLC

WTVX LICENSEE, LLC

WPEC LICENSEE, LLC

WWMT LICENSEE, LLC

WRGB LICENSEE, LLC

WCWN LICENSEE, LLC

WLAJ LICENSEE, LLC

KTVL LICENSEE, LLC

KFDM LICENSEE, LLC

WUCW, LLC

WWHO LICENSEE, LLC

WFGX LICENSEE, LLC

KUPN LICENSEE, LLC

WEAR LICENSEE, LLC

ILLINOIS TELEVISION, LLC

KGAN LICENSEE, LLC

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KFXA LICENSEE, LLC
WUPN LICENSEE, LLC
WUTV LICENSEE, LLC
WXLV LICENSEE, LLC
WMSN LICENSEE, LLC
WUHF LICENSEE, LLC
MILWAUKEE TELEVISION, LLC
WTAT LICENSEE, LLC
WRLH LICENSEE, LLC
WRGT LICENSEE, LLC
KSAS LICENSEE, LLC
WHP LICENSEE, LLC
WKRC LICENSEE, LLC
WOAI LICENSEE, LLC
WTTA LICENSEE, LLC
KFOX LICENSEE, LLC
KRXI LICENSEE, LLC
WTOV LICENSEE, LLC
WJAC LICENSEE, LLC
WFXL LICENSEE, LLC
KVII LICENSEE, LLC
KXRM LICENSEE, LLC
WACH LICENSEE, LLC
KGBT LICENSEE, LLC
KTVO LICENSEE, LLC
WPDE LICENSEE, LLC
KHQA LICENSEE, LLC
WSTQ LICENSEE, LLC
WPBN LICENSEE, LLC
KRCG LICENSEE, LLC
WLUC LICENSEE, LLC
WHOI LICENSEE, LLC
WNWO LICENSEE, LLC

By: Sinclair Communications, LLC, Sole Member
By: Sinclair Television Group, Inc., Sole Member of
Sinclair Communications, LLC

SINCLAIR PROGRAMMING COMPANY, LLC
SINCLAIR COMMUNICATIONS, LLC

By: Sinclair Television Group, Inc., Member

KDSM, LLC

By: Sinclair Broadcast Group, Inc., Member

KDSM LICENSEE, LLC

By: KDSM, LLC, Sole Member of KDSM Licensee,
LLC

By: Sinclair Broadcast Group, Inc., Sole Member of
KDSM, LLC

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WDKA LICENSEE, LLC

WNYS LICENSEE, LLC

By: Sinclair Properties, LLC, Member

CHESAPEAKE MEDIA I, LLC

By: Sinclair Television Group, Inc., Member

SINCLAIR TELEVISION OF ILLINOIS, LLC

By: Illinois Television, LLC, Sole Member of Sinclair Television of Illinois, LLC

By: Sinclair Communications, LLC, Sole Member of Illinois Television, LLC

By: Sinclair Television Group, Inc., Sole Member of Sinclair Communications, LLC

By: /s/ David B. Amy
David B. Amy, in his capacity as
Executive Vice President, Secretary
or Manager, as the case may be

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that the individuals whose signatures appear below constitute and appoint David D. Smith, David B. Amy and David R. Bochenek, and each of them, his true and lawful attorney-in-fact and agents with full and several power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in fact and agents, and each of them full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form S-4 has been signed by the following persons in the capacities and on April 4, 2013.

SIGNATURE	TITLE
/s/ David D. Smith David D. Smith	Chairman of the Board, Chief Executive Officer, President of Sinclair Broadcast Group, Inc. and Sinclair Television Group, Inc. and Director, or such other capacity identified above, of the Guarantors (Principal Executive Officer of Sinclair Broadcast Group, Inc., Sinclair Television Group, Inc. and the other Guarantors listed above)
/s/ David B. Amy David B. Amy	Executive Vice President and Chief Financial Officer of Sinclair Broadcast Group, Inc. and Treasurer and Director of Sinclair Television Group, Inc. and Director, or such other capacity identified above, of the Guarantors listed above (Principal Financial Officer)

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/s/ David R. Bochenek
David R. Bochenek

Vice President and Chief Accounting Officer
(Principal Accounting Officer)

/s/ Frederick G. Smith
Frederick G. Smith

Director

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/s/ J. Duncan Smith J. Duncan Smith	Director
/s/ Robert E. Smith Robert E. Smith	Director
/s/ Daniel C. Keith Daniel C. Keith	Director
/s/ Martin R. Leader Martin R. Leader	Director
/s/ Lawrence E. McCanna Lawrence E. McCanna	Director
/s/ Basil A. Thomas Basil A. Thomas	Director

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EXHIBIT INDEX

Exhibit	Description of Exhibit
4.1	Indenture related to the 5.375% Senior Notes due 2021, dated as of April 2, 2013, among Sinclair Television Group, Inc., the guarantors named therein and U.S. Bank National Association, as trustee (including forms of 5.375% Senior Notes due 2021) (incorporated by reference to the indicated exhibit filed with Sinclair's Current Report on Form 8-K filed April 4, 2013).
4.2	Form of Note relating to the original notes (included in Exhibit 4.1).
4.3	Form of Note relating to the exchange notes (included in Exhibit 4.1).
4.4	Registration Rights Agreement, dated as of April 2, 2013, among Sinclair Television Group, Inc., the guarantors named therein, and J.P. Morgan Securities LLC as representative for J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., RBC Capital Markets, LLC, and SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC (incorporated by reference to the indicated exhibit filed with Sinclair's Current Report on Form 8-K filed April 4, 2013).
5.1*	Opinion of Pillsbury Winthrop Shaw Pittman LLP.
12.1*	Computation of Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of the Registrant (incorporated by reference to the indicated exhibit filed with Sinclair's Annual Report on Form 10-K filed March 12, 2013).
23.1*	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
23.2*	Consent of Grant Thornton LLP, Independent Certified Public Accountants
23.3*	Consent of Pillsbury Winthrop Shaw Pittman LLP (included in Exhibit 5.1).
24.1*	Power of Attorney (included on the signature pages hereof).
25.1*	Statement of Eligibility of Trustee.
99.1*	Form of Letter of Transmittal.
99.2*	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees.
99.3*	Form of Letter to Clients.
99.4*	Form of Notice of Guaranteed Delivery.
99.5*	Form of Instructions from Beneficial Owner.

* Filed herewith.