

NEXSTAR BROADCASTING GROUP INC

Form 10-Q

May 09, 2008

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

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

for the quarterly period ended March 31, 2008

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: 000-50478

**NEXSTAR BROADCASTING GROUP, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

**Delaware**  
(State of Organization or Incorporation)

**23-3083125**  
(IRS Employer Identification No.)

**5215 N. O Connor Blvd., Suite 1400**

**Irving, Texas 75039**  
(Address of Principal Executive Offices, including Zip Code)

**(972) 373-8800**  
(Registrant's Telephone Number, Including Area Code)

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 it 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 April 30, 2008 the Registrant had outstanding:

15,007,839 shares of Class A Common Stock

and 13,411,588 shares of Class B Common Stock

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
ITEM 1. <u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets at March 31, 2008 and December 31, 2007</u>	1
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2008 and 2007</u>	2
<u>Condensed Consolidated Statement of Changes in Stockholders' Deficit for the three months ended March 31, 2008</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2008 and 2007</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	38
ITEM 4. <u>Controls and Procedures</u>	38
<b><u>PART II OTHER INFORMATION</u></b>	
ITEM 1. <u>Legal Proceedings</u>	39
ITEM 1A. <u>Risk Factors</u>	39
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
ITEM 3. <u>Defaults Upon Senior Securities</u>	39
ITEM 4. <u>Submission of Matters to a Vote of Security Holders</u>	39
ITEM 5. <u>Other Information</u>	39
ITEM 6. <u>Exhibits</u>	39
<b><u>EXHIBIT INDEX</u></b>	

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****NEXSTAR BROADCASTING GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share information)**

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 58,474	\$ 16,226
Accounts receivable, net of allowance for doubtful accounts of \$1,205 and \$1,208, respectively	51,242	55,346
Current portion of broadcast rights	10,036	13,885
Taxes receivable		351
Prepaid expenses and other current assets	2,511	2,482
Deferred tax asset	15	15
<b>Total current assets</b>	<b>122,278</b>	<b>88,305</b>
Property and equipment, net	120,095	111,612
Broadcast rights	7,456	7,674
Goodwill	152,272	151,686
FCC licenses	166,455	163,795
Other intangible assets, net	173,346	178,611
Other noncurrent assets	5,747	6,399
Deferred tax asset	616	620
<b>Total assets</b>	<b>\$ 748,265</b>	<b>\$ 708,702</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Current portion of debt	\$ 50,391	\$ 50,391
Current portion of broadcast rights payable	10,163	13,943
Accounts payable	10,776	8,334
Accrued expenses	10,907	13,563
Taxes payable	595	478
Interest payable	2,963	6,499
Deferred revenue	7,285	6,569
Other liabilities	1,335	
<b>Total current liabilities</b>	<b>94,415</b>	<b>99,777</b>
Debt	678,485	630,785
Broadcast rights payable	9,127	9,569
Deferred tax liabilities	46,071	44,555
Deferred revenue	2,077	2,096
Deferred gain on sale of assets	5,259	5,368
Deferred representation fee incentive	6,450	
Other liabilities	10,441	5,942

Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Total liabilities	852,325	798,092
<b>Commitments and contingencies</b>		
Stockholders' deficit:		
Preferred stock \$0.01 par value, authorized 200,000 shares; no shares issued and outstanding at both March 31, 2008 and December 31, 2007		
Common stock:		
Class A Common \$0.01 par value, authorized 100,000,000 shares; issued and outstanding 15,007,839 and 15,005,839 at March 31, 2008 and December 31, 2007, respectively	150	150
Class B Common \$0.01 par value, authorized 20,000,000 shares; issued and outstanding 13,411,588 at both March 31, 2008 and December 31, 2007	134	134
Class C Common \$0.01 par value, authorized 5,000,000 shares; issued and outstanding no shares at March 31, 2008 and December 31, 2007, respectively		
Additional paid-in capital	396,951	396,293
Accumulated deficit	(501,295)	(485,967)
Total stockholders' deficit	(104,060)	(89,390)
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 748,265</b>	<b>\$ 708,702</b>

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

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share amounts)**

	<b>Three Months Ended March 31, 2008      2007 (Unaudited)</b>	
Net revenue	\$ 63,712	\$ 62,054
Operating expenses (income):		
Direct operating expenses (exclusive of depreciation and amortization shown separately below)	19,496	18,156
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	20,885	20,298
Non-cash contract termination fees	7,167	
Amortization of broadcast rights	5,335	5,892
Amortization of intangible assets	6,372	6,465
Depreciation	5,333	4,988
Gain on asset exchange	(850)	
Loss on asset disposal, net	35	152
<b>Total operating expenses</b>	<b>63,773</b>	<b>55,951</b>
Income (loss) from operations	(61)	6,103
Interest expense, including amortization of debt financing costs	(13,989)	(13,720)
Interest and other income	401	116
Loss before income taxes	(13,649)	(7,501)
Income tax expense	(1,679)	(1,532)
<b>Net loss</b>	<b>\$ (15,328)</b>	<b>\$ (9,033)</b>
Net loss per common share:		
Basic and diluted	\$ (0.54)	\$ (0.32)
Weighted average number of common shares outstanding:		
Basic and diluted	28,418	28,393

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

Table of Contents

## NEXSTAR BROADCASTING GROUP, INC.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS DEFICIT

For the Three Months Ended March 31, 2008

(in thousands, except share information)

	Class A		Common Stock Class B		Class C		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balance at January 1, 2008</b> <b>(unaudited)</b>	15,005,839	\$ 150	13,411,588	\$ 134		\$	\$ 396,293	\$ (485,967)	\$ (89,390)
Stock-based compensation expense							647		647
Issuance of common shares related to exercise of stock options	2,000						11		11
Net loss								(15,328)	(15,328)
<b>Balance at March 31, 2008</b> <b>(unaudited)</b>	15,007,839	\$ 150	13,411,588	\$ 134		\$	\$ 396,951	\$ (501,295)	\$ (104,060)

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

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

	<b>Three Months Ended March 31, 2008      2007 (Unaudited)</b>	
<b>Cash flows from operating activities:</b>		
Net loss	\$ (15,328)	\$ (9,033)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred income taxes	1,520	1,423
Provision for bad debts	266	90
Depreciation of property and equipment	5,333	4,988
Amortization of intangible assets	6,372	6,465
Amortization of debt financing costs	265	261
Amortization of broadcast rights, excluding barter	2,246	2,262
Payments for broadcast rights	(2,141)	(2,254)
Gain on asset exchange	(850)	
Loss on asset disposal, net	35	152
Deferred gain recognition	(109)	(109)
Amortization of debt discount	3,571	3,199
Stock-based compensation expense, including restricted stock award	647	482
Non-cash contract termination fees	7,167	
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	4,919	(75)
Prepaid expenses and other current assets	(17)	493
Taxes receivable	351	109
Other noncurrent assets	(216)	(119)
Accounts payable and accrued expenses	(1,181)	(1,701)
Taxes payable	117	
Interest payable	(3,536)	(3,578)
Deferred revenue	697	214
Other noncurrent liabilities	149	137
<b>Net cash provided by operating activities</b>	<b>10,277</b>	<b>3,406</b>
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(4,246)	(5,858)
Proceeds from sale of assets		4
Acquisition of broadcast properties and related transaction costs	(7,923)	
<b>Net cash used for investing activities</b>	<b>(12,169)</b>	<b>(5,854)</b>
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	(5,871)	(872)
Proceeds from revolver draws	50,000	
Proceeds from issuance of common shares related to exercise of stock options	11	9
<b>Net cash provided by (used for) financing activities</b>	<b>44,140</b>	<b>(863)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>42,248</b>	<b>(3,311)</b>



Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Cash and cash equivalents at beginning of period	16,226	11,179
Cash and cash equivalents at end of period	\$ 58,474	\$ 7,868
<b>Supplemental schedule of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest	\$ 13,616	\$ 13,838
Income taxes, net	\$ 44	\$
<b>Non-cash investing activities:</b>		
Purchase of software	\$ 4,968	\$

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

---

**Table of Contents**

**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Business Operations**

As of March 31, 2008, Nexstar Broadcasting Group, Inc. ( Nexstar ) owned, operated, programmed or provided sales and other services to 50 television stations, all of which were affiliated with the NBC, ABC, CBS, Fox, MyNetworkTV or The CW television networks, in markets located in New York, Pennsylvania, Illinois, Indiana, Missouri, Texas, Louisiana, Arkansas, Alabama, Montana and Maryland. Through various local service agreements, Nexstar provided sales, programming and other services to stations owned and/or operated by independent third parties. Nexstar operates in one reportable television broadcasting segment. The economic characteristics, services, production process, customer type and distribution methods for Nexstar s operations are substantially similar and are therefore aggregated as a single reportable segment.

Nexstar is highly leveraged, which makes it vulnerable to changes in general economic conditions. Nexstar s ability to repay or refinance its debt will depend on, among other things, financial, business, market, competitive and other conditions, many of which are beyond Nexstar s control.

**2. Summary of Significant Accounting Policies**

***Interim Financial Statements***

The condensed consolidated financial statements as of March 31, 2008 and for the three months ended March 31, 2008 and 2007 are unaudited. However, in the opinion of management, such financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary for the fair statement of the financial information included herein in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) and pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ). The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Results of operations for interim periods are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in Nexstar s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

***Principles of Consolidation***

The condensed consolidated financial statements include the accounts of Nexstar and its subsidiaries. Also included in the financial statements are the accounts of independently-owned Mission Broadcasting, Inc. ( Mission ) (Nexstar and Mission are collectively referred to as the Company ) and may include certain other entities where it is determined that the Company is the primary beneficiary of a variable interest entity ( VIE ) in accordance with Financial Accounting Standards Board ( FASB ) Interpretation No. 46 (revised 2003), Consolidation of Variable Interest Entities, an interpretation on Accounting Research Bulletin No. 51 ( FIN No. 46R ).

All intercompany account balances and transactions have been eliminated in consolidation.

***Mission***

Mission is included in these condensed consolidated financial statements because Nexstar is deemed to have a controlling financial interest in Mission for financial reporting purposes in accordance with FIN No. 46R as a result of (a) local service agreements Nexstar has with the Mission stations, (b) Nexstar s guarantee of the obligations incurred under Mission s senior credit facility and (c) purchase options (which expire on various dates between 2008 and 2014) granted by Mission s sole shareholder which will permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to Federal Communications Commission ( FCC ) consent. The Company expects these option agreements to be renewed upon expiration. As of March 31, 2008, the assets of Mission consisted of current assets of \$4.6 million (excluding broadcast rights), broadcast rights of \$4.1 million, FCC licenses of \$31.4 million, goodwill of \$17.7 million, other intangible assets of \$36.2 million, property and equipment of \$23.8 million and other noncurrent assets of \$0.5 million. Substantially all of Mission s assets, except for its FCC licenses, collateralize its secured debt obligation. See Note 17 for a presentation of condensed consolidating financial information of the

Company, which includes the accounts of Mission.

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****2. Summary of Significant Accounting Policies (Continued)**

Nexstar has entered into local service agreements with Mission to provide sales and/or operating services to the Mission stations. The following table summarizes the various local service agreements Nexstar had in effect with Mission as of March 31, 2008:

<b>Service Agreements</b>	<b>Mission Stations</b>
TBA Only <sup>(1)</sup>	WFXP and KHMT
SSA & JSA <sup>(2)</sup>	KJTL, KJBO-LP, KOLR, KCIT, KCPN-LP, KAMC, KRBC, KSAN, WUTR, WFXW, WYOU, KODE, WTVO and KTVE

- (1) Nexstar has a time brokerage agreement ( TBA ) with each of these stations which allows Nexstar to program most of each station's broadcast time, sell each station's advertising time and retain the advertising revenue generated in exchange for monthly payments to Mission.
- (2) Nexstar has both a shared services agreement ( SSA ) and a joint sales agreement ( JSA ) with each of these stations. The SSA allows the Nexstar station in the market to provide services including news production, technical maintenance and security, in exchange for Nexstar's right to receive certain payments from Mission as described in the SSAs. The JSA permits Nexstar to sell and retain a percentage of the net revenue from the station's advertising time in return for monthly payments to Mission of the remaining percentage of net revenue as described in the JSAs.

Nexstar does not own Mission or Mission's television stations; however, Nexstar is deemed to have a controlling financial interest in them under U.S. GAAP while complying with the FCC's rules regarding ownership limits in television markets. In order for both Nexstar and Mission to comply with FCC regulations, Mission maintains complete responsibility for and control over programming, finances, personnel and operations of its stations.

**Variable Interest Entities**

The Company may determine that a station is a VIE as a result of local service agreements entered into with the owner-operator of stations in markets in which the Company owns and operates a station. Local service agreement is a general term used to refer to a contract between two separately owned television stations serving the same market, whereby the owner-operator of one station contracts with the owner-operator of the other station to provide it with administrative, sales and other services required for the operation of its station. Nevertheless, the owner-operator of each station retains control and responsibility for the operation of its station, including ultimate responsibility over all programming broadcast on its station.

VIEs in connection with local service agreements entered into with stations in markets in which the Company owns and operates a station are discussed below.

Nexstar has determined that it has variable interests in WYZZ, the Fox affiliate in Peoria, Illinois and WUHF, the Fox affiliate in Rochester, New York, each owned by a subsidiary of Sinclair Broadcasting Group, Inc. ( Sinclair ), as a result of outsourcing agreements it has entered into with Sinclair. Nexstar also has determined that it had a variable interest in KTVE, the NBC affiliate in El Dorado, Arkansas, during the time it was owned by Piedmont Television of Monroe/El Dorado LLC ( Piedmont ), as a result of a JSA and SSA entered into with Piedmont. Nexstar's JSA and SSA with Piedmont terminated upon Mission's acquisition of KTVE on January 16, 2008. Nexstar also has determined that it has a variable interest in WHP, the CBS affiliate in Harrisburg, Pennsylvania, which is owned by Clear Channel TV, Inc. ( Clear Channel ), as a result of Nexstar becoming successor-in-interest to a TBA entered into by a former owner of WLYH. Nexstar has evaluated its arrangements with Sinclair, Piedmont and Clear Channel and has determined that it is not the primary beneficiary of the variable interests, and therefore, has not consolidated these stations under FIN No. 46R. Nexstar made payments to Sinclair under the outsourcing agreements of \$0.6 million and \$0.7 million for the three months ended March 31, 2008 and 2007, respectively. Nexstar received payments from Piedmont under the JSA of \$0.2 million the three months ended March 31, 2007. Nexstar received payments from Clear Channel under the TBA of \$13 thousand for both the three months ended March 31, 2008 and 2007.

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Under the outsourcing agreements with Sinclair, Nexstar pays for certain operating expenses of WYZZ and WUHF, and therefore may have unlimited exposure to any potential operating losses. Nexstar's management believes that Nexstar's minimum exposure to loss under the Sinclair outsourcing agreements consist of the fees paid to Sinclair. Additionally, Nexstar indemnifies the owners of WHP, WYZZ and WUHF from and against all liability and claims arising out of or resulting from its activities, acts or omissions in connection with the agreements. The maximum potential amount of future payments Nexstar could be required to make for such indemnification is undeterminable at this time.

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****2. Summary of Significant Accounting Policies (Continued)*****Stock-Based Compensation***

The Company accounts for Nexstar's stock-based employee compensation plans in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)), which requires companies to expense the fair value of employee stock options and other forms of stock-based employee compensation in the financial statements over the period that an employee provides service in exchange for the award. Under SFAS No. 123(R), the Company measures compensation cost related to stock options based on the grant-date fair value of the award using the Black-Scholes option-pricing model and recognizes it ratably, less estimated forfeitures, over the vesting term of the award. The Company uses the Black-Scholes option-pricing model to estimate the grant-date fair value of its employee stock options.

The Company recognized stock-based compensation expense of \$0.6 million and \$0.5 million for the three months ended March 31, 2008 and 2007, respectively, which was included in selling, general and administrative expenses in the Company's condensed consolidated statements of operations. The Company does not currently recognize a tax benefit resulting from compensation costs expensed in the financial statements because the Company provides a valuation allowance against the deferred tax asset resulting from this type of temporary difference since it expects that it will not have sufficient future taxable income to realize such benefit. Accordingly, SFAS No. 123(R) has had no impact on income tax expense reported in the financial statements.

At March 31, 2008, there was approximately \$7.4 million of total unrecognized compensation cost, net of estimated forfeitures, related to stock options that is expected to be recognized over a weighted-average period of 3.39 years. The total intrinsic value and cash received for stock options exercised during the three months ended March 31, 2008 was \$1 thousand and \$11 thousand, respectively.

***Loss Per Share***

Basic loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period using the treasury stock method. Potential common shares consist of stock options and the unvested portion of restricted stock granted to employees. For the three months ended March 31, 2008 and 2007 there was no difference between basic and diluted net loss per share since the effect of potential common shares were anti-dilutive, and therefore excluded from the computation of diluted net loss per share.

The following table summarizes information about anti-dilutive potential common shares (not presented in thousands):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(weighted-average shares outstanding)</b>	
Stock options excluded as the exercise price of the options was greater than the average market price of the common stock	2,447,912	1,714,600
In-the-money stock options excluded as the Company had a net loss during the period	1,839,121	1,905,700

***Nonmonetary Asset Exchanges***

In connection with a spectrum allocation exchange ordered by the FCC within the 1.9 GHz band, Sprint Nextel Corporation (Nextel) is required to replace certain existing analog equipment with comparable digital equipment. The Company has agreed to accept the substitute equipment that Nextel will provide and in turn must relinquish its existing equipment to Nextel. Neither party will have any continuing involvement in the

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

equipment transferred following the exchange. We account for this arrangement as an exchange of assets in accordance with Accounting Principles Board No. 29, *Accounting for Nonmonetary Transactions*, as amended by SFAS No. 153, *Exchanges of Nonmonetary Assets*. The equipment the Company receives under this arrangement is recorded at their estimated fair market value and depreciated over estimated useful lives ranging from 5 to 15 years. Management's determination of the fair market value is derived from the most recent prices paid to manufacturers and vendors for the specific equipment acquired. As equipment is exchanged, the Company records a gain to the extent that the fair market value of the equipment received exceeds the carrying amount of the equipment relinquished.

---

**Table of Contents**

**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (Continued)**

***Recent Accounting Pronouncements***

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* Including an amendment of FASB No. 115 ( SFAS No. 159 ), which provides a fair value measurement option for eligible financial assets and liabilities. Under SFAS No. 159, an entity is permitted to elect to apply fair value accounting to a single eligible item, subject to certain exceptions, without electing it for other identical items. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be included in earnings. The fair value option established by this Statement is irrevocable, unless a new election date occurs. This standard reduces the complexity in accounting for financial instruments and mitigates volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007 which for the Company is January 1, 2008. The Company has adopted the provisions of this Statement in the first quarter of 2008. Management determined that the adoption of SFAS No. 159 did not have a material effect on its consolidated financial position or results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, *Business Combinations* ( SFAS No. 141R ), which establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning after December 15, 2008. Early adoption is not permitted. Management is currently evaluating the impact the adoption of SFAS No. 141R will have on the Company's consolidated financial statements, but does not presently anticipate it will have a material impact on its consolidated financial position or results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 ( SFAS No. 160 ), which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. Management is currently evaluating the impact the adoption of SFAS No. 160 will have on the Company's consolidated financial statements, but does not presently anticipate it will have a material effect on its consolidated financial position or results of operations.

**3. Fair Value Measurements**

The Company adopted SFAS No. 157 effective January 1, 2008 for financial assets and financial liabilities measured on a recurring basis. SFAS No. 157 applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis. There was no impact for adoption of SFAS No. 157 to the Unaudited Condensed Consolidated Financial Statements as it relates to financial assets and financial liabilities. SFAS No. 157 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurement be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

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

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).



## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

The Company invests in short-term interest bearing obligations with original maturities less than 90 days, primarily money market funds. We do not enter into investments for trading or speculative purposes. As of March 31, 2008, there were no investments in marketable securities.

As of March 31, 2008, the Company had \$2.9 million invested in a money market investment. These investments are required to be measured at fair value on a recurring basis. The Company has determined that the money market investment is defined as Level 1 in the fair value hierarchy. As of March 31, 2008, the fair value of the money market investment was an asset of \$2.9 million.

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Fair Value Measurements (Continued)**

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157, which defers the effective date for us to January 1, 2009 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis (that is, at least annually). The Company elected to delay the application of SFAS 157 to nonfinancial assets and nonfinancial liabilities, as allowed by FASB Staff Position SFAS 157-2.

**4. Pending Transaction with Mission**

On April 11, 2006, Nexstar and Mission filed an application with the FCC for consent to assignment of the license of KFTA Channel 24 (Ft. Smith, Arkansas) from Nexstar to Mission. Consideration for this transaction is set at \$5.6 million. On August 28, 2006, Nexstar and Mission entered into a local service agreement whereby (a) Mission pays Nexstar \$5 thousand per month for the right to broadcast Fox programming on KFTA during the Fox network programming time periods and (b) Nexstar pays Mission \$20 thousand per month for the right to sell all advertising time on KFTA within the Fox network programming time periods. Also in 2006, Mission entered into an affiliation agreement with the Fox network which provides Fox programming to KFTA. The local service agreement between Nexstar and Mission will terminate upon assignment of KFTA's FCC license from Nexstar to Mission. Upon completing the assignment of KFTA's license, Mission plans to enter into a JSA and SSA with Nexstar-owned KNWA in Fort Smith-Fayetteville-Springdale-Rogers, Arkansas, whereby KNWA will provide local news, sales and other non-programming services to KFTA. Nexstar's KNWA Channel 51, licensed to Rogers, Arkansas, has renewed its affiliation agreement for KNWA to continue as the NBC affiliate in Ft. Smith-Fayetteville-Springdale-Rogers, Arkansas through 2014.

In March 2008, the FCC granted the application to assign the license for KFTA from Nexstar to Mission. The closing on the transaction is likely to occur on or before June 30, 2008.

**5. Acquisition**

On June 27, 2007, Mission entered into a purchase agreement with Piedmont Television Holdings LLC to acquire substantially all the assets of KTVE, the NBC affiliate serving the Monroe, Louisiana/El Dorado, Arkansas market. On January 16, 2008, Mission completed the acquisition of KTVE for total additional consideration of \$7.9 million, inclusive of transaction costs of \$0.5 million which is included in goodwill. Pursuant to the terms of the agreement, Mission made a down payment of \$0.4 million against the purchase price in June 2007 and paid the remaining \$7.4 million, exclusive of transaction costs, on January 16, 2008 from available cash on hand. Upon closing the purchase of KTVE, Mission entered into a JSA and SSA with Nexstar-owned KARD, the Fox affiliate in the market, whereby KARD provides local news, sales and other non-programming services to KTVE.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The allocation of the KTVE purchase consideration to the assets and liabilities acquired, including goodwill, has not been concluded due to the pending completion of tangible and intangible assets appraisals.

Accounts receivable	\$ 1,081
Current portion of broadcast rights	408
Prepaid expenses and other current assets	12
Property and equipment	3,534
Intangible assets	3,808
Goodwill	586

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Total assets acquired	9,429
Less: current portion of broadcast rights payable	152
Less: accounts payable	113
Less: accrued expenses and other liabilities	854
<b>Net assets acquired</b>	<b>\$ 8,310</b>

Of the \$3.8 million of acquired intangible assets, \$2.7 million was assigned to FCC licenses that are not subject to amortization and \$1.1 million was assigned to network affiliation agreements (estimated useful life of 15 years). Goodwill of \$0.6 million is expected to be deductible for tax purposes.

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Acquisition (Continued)***Unaudited Pro Forma Information*

The following unaudited pro forma information has been presented as if the acquisition of KTVE had occurred on January 1, 2007 and 2008:

	Three Months Ended March 31, 2008 (in thousands, except per share amounts)	Three Months Ended March 31, 2007 (in thousands, except per share amounts)
Net revenue	\$ 63,962	\$ 63,623
Income (loss) from operations	(55)	6,185
Loss before income taxes	(13,662)	(7,533)
Net loss	(15,346)	(9,093)
Basic and diluted net loss per share	\$ (0.54)	\$ (0.32)

The above selected unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of results of operations in future periods or results that would have been achieved had the Company owned the acquired station during the specified period.

**6. Property and Equipment**

As of March 31, 2008, included in net property and equipment is approximately \$4.9 million of costs related to the purchase of software. The asset is being amortized over the term of the contract. As of March 31, 2008, \$0.6 million representing the current portion of the remaining liability associated with this contract is included in other current liabilities and \$4.3 million representing the long-term portion of the remaining liability associated with this contract is included in other non-current liabilities in the accompanying condensed balance sheet.

**7. Intangible Assets and Goodwill**

Intangible assets subject to amortization consisted of the following:

	Estimated useful life (years)	March 31, 2008			December 31, 2007		
		Gross	Accumulated Amortization (in thousands)	Net	Gross	Accumulated Amortization (in thousands)	Net
Network affiliation agreements	15	\$ 357,027	\$ (188,701)	\$ 168,326	\$ 355,878	\$ (182,848)	\$ 173,030
Other definite-lived intangible assets	1-15	15,846	(10,826)	5,020	15,775	(10,194)	5,581
Total intangible assets subject to amortization		\$ 372,873	\$ (199,527)	\$ 173,346	\$ 371,653	\$ (193,042)	\$ 178,611

Total amortization expense from definite-lived intangibles was \$6.4 and \$6.5 million for the three months ended March 31, 2008 and 2007, respectively. The Company's estimate of amortization expense for definite-lived intangible assets recorded on its books as of March 31, 2008 is

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

approximately \$25 million for each year for the years of 2008 through 2012.

The aggregate carrying value of indefinite-lived intangible assets, consisting of FCC licenses and goodwill, was \$318.7 million and \$315.5 million at March 31, 2008 and December 31, 2007, respectively. Indefinite-lived intangible assets are not subject to amortization, but are tested for impairment annually or whenever events or changes in circumstances indicate that such assets might be impaired. As of March 31, 2008, the Company did not identify any events that would trigger an impairment assessment.

The change in the carrying amount of goodwill for the three months ended March 31, 2008 was as follows:

	<b>March 31, 2008</b>
	<b>(in thousands)</b>
Beginning balance	\$ 151,686
Acquisition	586
Ending balance	\$ 152,272

During 2008, the consummation of Mission's acquisition of KTVE increased goodwill by \$0.6 million.

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Accrued Expenses**

Accrued expenses consisted of the following:

	March 31, 2008	December 31, 2007
	(in thousands)	
Compensation and related taxes	\$ 3,813	\$ 4,082
Sales commissions	1,506	1,514
Employee benefits	1,194	1,361
Property taxes	798	620
Other accruals related to operating expenses	3,596	5,986
	\$ 10,907	\$ 13,563

**9. Debt**

Long-term debt consisted of the following:

	March 31, 2008	December 31, 2007
	(in thousands)	
Term loans	\$ 327,788	\$ 328,659
Revolving credit facilities	73,000	28,000
7% senior subordinated notes due 2014, net of discount of \$1,912 and \$1,978	198,088	198,022
11.375% senior discount notes due 2013, net of discount of \$0 and \$3,505	130,000	126,495
	728,876	681,176
Less: current portion	(50,391)	(50,391)
	\$ 678,485	\$ 630,785

***The Nexstar Senior Secured Credit Facility***

The Nexstar senior secured credit facility (the "Nexstar Facility") consists of a Term Loan B and a \$82.5 million revolving loan. As of March 31, 2008 and December 31, 2007, Nexstar had \$159.4 million and \$159.8 million, respectively, outstanding under its Term Loan B and \$66.0 million and \$21.0 million, respectively, outstanding under its revolving loan.

The Term Loan B, which matures in October 2012, is payable in consecutive quarterly installments amortized at 0.25% quarterly, with the remaining 93.25% due at maturity. During the three months ended March 31, 2008, repayments of Nexstar's Term Loan B totaled \$0.4 million, all of which were scheduled maturities. The revolving loan is not subject to incremental reduction and matures in April 2012. During the three months ended March 31, 2008, repayments of Nexstar's revolving loan totaled \$5.0 million.

The total weighted-average interest rate of the Nexstar Facility was 4.31% and 6.52% at March 31, 2008 and December 31, 2007, respectively. Interest is payable periodically based on the type of interest rate selected. Additionally, Nexstar is required to pay quarterly commitment fees on

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

the unused portion of its revolving loan commitment ranging from 0.375% to 0.50% per annum, based on the consolidated senior leverage ratio of Nexstar Broadcasting, Inc. ( Nexstar Broadcasting ), an indirect subsidiary of Nexstar, and Mission for that particular quarter.

### ***The Mission Senior Secured Credit Facility***

The Mission senior secured credit facility (the Mission Facility ) consists of a Term Loan B and a \$15.0 million revolving loan. As of March 31, 2008 and December 31, 2007, Mission had \$168.4 million and \$168.8 million, respectively, outstanding under its Term Loan B and \$7.0 million of borrowings were outstanding under its revolving loan.

Terms of the Mission Facility, including repayment, maturity and interest rates, are the same as the terms of the Nexstar Facility described above. During the three months ended March 31, 2008, repayments of Mission s Term Loan B totaled \$0.4 million, all of which were scheduled maturities. The total weighted average interest rate of the Mission Facility was 4.43% and 6.61% at March 31, 2008 and December 31, 2007, respectively.

### ***Unused Commitments and Borrowing Availability***

Based on covenant calculations, as of March 31, 2008, all \$24.5 million of total unused revolving loan commitments under the Nexstar and Mission credit facilities were available for borrowing.

---

**Table of Contents**

**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9. Debt (Continued)**

*Debt Covenants*

The Nexstar Facility contains covenants which require the Company to comply with certain financial covenant ratios, including (1) a maximum total combined leverage ratio of Nexstar Broadcasting and Mission of 6.75 times the last twelve months operating cash flow (as defined in the credit agreement) at March 31, 2008, (2) a maximum combined senior leverage ratio of Nexstar Broadcasting and Mission of 4.75 times the last twelve months operating cash flow at March 31, 2008, (3) a minimum combined interest coverage ratio of 1.50 to 1.00, and (4) a fixed charge coverage ratio of 1.15 to 1.00. The covenants, which are formally calculated on a quarterly basis, are based on the combined results of Nexstar Broadcasting and Mission. Mission's bank credit facility agreement does not contain financial covenant ratio requirements, but does provide for default in the event Nexstar does not comply with all covenants contained in its credit agreement.

Effective on April 1, 2008 under our bank credit facility agreement, we are now required to include the remaining principal balance of Nexstar Finance Holdings 11.375% Notes in the calculation of our total leverage ratio. Accordingly, as of June 30, 2008, the outstanding principal of \$83.1 million on the 11.375% Notes will be included as debt outstanding in this covenant compliance ratio.

The senior subordinated notes and senior discount notes contain restrictive covenants customary for borrowing arrangements of this type.

*Collateralization and Guarantees of Debt*

The bank credit facilities described above are collateralized by a security interest in substantially all the combined assets, excluding FCC licenses, of Nexstar and Mission. Nexstar and its subsidiaries guarantee full payment of all obligations incurred under the Mission Facility in the event of Mission's default. Similarly, Mission is a guarantor of the Nexstar Facility and the senior subordinated notes issued by Nexstar Broadcasting.

In consideration of Nexstar's guarantee of Mission's senior credit facility, the sole shareholder of Mission has granted Nexstar a purchase option to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent. These option agreements (which expire on various dates between 2008 and 2014) are freely exercisable or assignable by Nexstar without consent or approval by the sole shareholder of Mission. The Company expects these option agreements to be renewed upon expiration.

**10. Contract Termination**

On March 31, 2008, Nexstar signed a new ten year agreement for national sales representation with two units of Katz Television Group, a subsidiary of Katz Media Group (Katz), transferring 24 stations in 14 of its markets from Petry Television Inc. (Petry) and Blair Television Inc. (Blair). Nexstar, Blair, Petry and Katz entered into a termination and mutual release agreement under which Blair agreed to release Nexstar from its future contractual obligations in exchange for payments totaling \$8.0 million. The payments will be paid by Katz on behalf of Nexstar as an inducement for Nexstar to enter into the new long-term contract with Katz. Nexstar recognized a \$7.2 million charge associated with terminating the contracts, which is reflected as a non-cash contract termination fees in the accompanying condensed consolidated statement of operations. The \$7.2 million charge was calculated as the present value of the future payments to be made by Katz. The liability established as a result of the termination represents an incentive received from Katz that will be accounted for as a termination obligation, and will be recognized as a non-cash reduction to operating expenses over the term of the agreement with Katz. As of March 31, 2008, the current portion of this deferred amount of approximately \$0.7 million was included in other current liabilities and the long-term portion in the amount of approximately \$6.5 million was included in other non-current liabilities in the accompanying condensed balance sheet.

**11. Other Non-Current Liabilities**



## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Other non-current liabilities consist of the following:

	March 31, 2008	December 31, 2007
	(in thousands)	
Deferred rent	\$ 5,627	\$ 5,397
Software agreement obligation	4,269	
Other	545	545
	\$ 10,441	\$ 5,942

**Table of Contents**

**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**12. Stock-Based Compensation Plans**

Nexstar's employee compensation plans (the "Equity Plans") provide for the granting of stock options, stock appreciation rights, restricted stock and performance awards to directors, employees of Nexstar or consultants. A maximum of 4,500,000 shares of Nexstar's Class A common stock can be issued under the Equity Plans and as of March 31, 2008, a total of 187,000 shares were available for future grant. Employee stock options are granted with an exercise price at least equal to the fair market value of the underlying shares of common stock on the date of the grant, vest over five years and expire ten years from the date of grant.

**13. Gain on Asset Exchange**

In 2004, the FCC approved a spectrum allocation exchange between Sprint Nextel Corporation ("Nextel") and public safety entities to eliminate interference being caused to public safety radio licensees by Nextel's operations. As part of this spectrum exchange, the FCC granted Nextel the right to certain spectrum within the 1.9 GHz band that is currently used by television broadcasters. In order to utilize this spectrum, Nextel is required to relocate the broadcasters to new spectrum by replacing all analog equipment currently used by broadcasters with comparable digital equipment. The Company has agreed to accept the substitute equipment that Nextel will provide and in turn must relinquish its existing equipment back to Nextel. This transition began on a market by market basis beginning in the second quarter of 2007. The equipment the Company receives under this arrangement is recorded at their estimated fair market value and depreciated over estimated useful lives ranging from 5 to 15 years. Management's determination of the fair market value is derived from the most recent prices paid to manufacturers and vendors for the specific equipment acquired. As equipment is exchanged, the Company records a gain to the extent that the fair market value of the equipment received exceeds the carrying amount of the equipment relinquished. For the three months ended March 31, 2008, the Company recognized a gain of \$0.9 million from the exchange of this equipment.

**14. Income Taxes**

The Company's provision for income taxes is primarily comprised of deferred income taxes created by an increase in the deferred tax liabilities position during the year resulting from the amortization of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. These deferred tax liabilities do not reverse on a scheduled basis and are not used to support the realization of deferred tax assets. The Company's deferred tax assets primarily result from federal and state net operating loss carryforwards ("NOLs"). The Company's NOLs are available to reduce future taxable income if utilized before their expiration. The Company has provided a valuation allowance for certain deferred tax assets as it believes they may not be realized through future taxable earnings.

As of January 1, 2008, the Company had gross unrecognized tax benefits of approximately \$3.7 million, which did not materially change as of March 31, 2008. If recognized, this amount would result in a favorable effect on the Company's effective tax rate excluding the impact on the Company's valuation allowance. As of March 31, 2008, the Company has not accrued interest on the unrecognized tax benefits as an unfavorable outcome upon examination would not result in a cash outlay but would reduce NOLs subject to a valuation allowance. The Company does not expect the amount of unrecognized tax benefits to significantly change in the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is subject to U.S. federal tax examinations for years after 2003. Additionally, any NOLs that were generated in prior years and will be utilized in the future may also be subject to examination by the Internal Revenue Service. State jurisdictions that remain subject to examination are not considered significant.

**15. FCC Regulatory Matters**

Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC, and empowers the FCC, among other things, to issue, revoke and modify broadcasting licenses, determine the location of television stations, regulate the equipment used by television stations, adopt regulations to carry out the provisions of the Communications Act and impose penalties for the violation of

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

such regulations. The FCC's ongoing rule making proceedings could have a significant future impact on the television industry and on the operation of the Company's stations and the stations it provides services to. In addition, the U.S. Congress may act to amend the Communications Act in a manner that could impact the Company's stations, the stations it provides services to and the television broadcast industry in general.

Some of the more significant FCC regulatory matters impacting the Company's operations are discussed below.

**Table of Contents**

**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**15. FCC Regulatory Matters (Continued)**

***Digital Television ( DTV ) Conversion***

Television broadcasting in the United States is moving from an analog transmission system to a digital transmission system. For the transition period, the FCC allotted each licensed television station a second channel for broadcast of a DTV signal. In 2006, President Bush signed into law legislation that establishes February 17, 2009 as the deadline for television broadcasters to broadcast on a single DTV channel and return their analog channel to the FCC. Prior to February 17, 2009, television stations may broadcast with both analog and DTV signals.

Except for stations that have requested waiver of the FCC's deadline for construction, broadcast television stations are required to be broadcasting a full-power DTV signal. As of March 31, 2008, Mission's stations WUTR, WTVO, WYOU, KRBC and KAMC and Nexstar's stations WBRE, WROC, KARK, KNWA, KFTA, WMBD, WTAJ, WLYH, KSFX, WQRF, KTAL, WCIA, WTVW, KTAB, KARD and KLBK are broadcasting with full-power DTV signals. The FCC has authorized Nexstar and Mission to operate DTV facilities for its remaining stations at low-power until certain dates established by the FCC. The FCC has established May 18, 2008 as the deadline for Nexstar stations KAMR, KBTW, KFDX, WDHN, WFFT, WFXV, WTWO, KMID and KSNF and Mission stations KJTL, KCIT, KSAN, WFXW, WFXP and KODE. The FCC also has established August 18, 2008 as the deadline for Nexstar stations KSVI and KLST and Mission station KHMT and has established February 17, 2009 as the deadline for Nexstar stations KQTV, WCFN, WJET and WHAG and Mission station KOLR.

Extension requests were filed with the FCC on March 19, 2008 for the Nexstar and Mission stations with permit expiration dates of May 18, 2008 unless the stations were expected to begin DTV full-power operations by the May 18, 2008 deadline. Extension requests will be filed with the FCC on or before June 19, 2008 (the due date for such filings) for the Nexstar and Mission stations with permit expiration dates of August 18, 2008 unless the stations were expected to begin DTV full-power operations by the August 18, 2008 deadline. All of the Nexstar stations with February 17, 2009 DTV construction deadlines are expected to be operating at DTV full-power on or before February 17, 2009.

DTV conversion expenditures were \$2.8 million and \$3.7 million, respectively, for the three months ended March 31, 2008 and 2007. The Company will incur various capital expenditures to modify the remaining Nexstar and Mission stations' DTV transmitting equipment for full-power DTV operations, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. The Company anticipates these expenditures will be funded through available cash on hand and cash generated from operations as incurred in future years.

***Media Ownership***

In 2006, the FCC initiated a rulemaking proceeding contemplating a comprehensive review of all of its media ownership rules, as required by the Communications Act. In a decision adopted on December 18, 2007 and released on February 4, 2008, the FCC made one change in its broadcasting ownership rules—allowing local newspaper/broadcasting cross-ownership under certain circumstances—but determined that it would not make any other changes in its media ownership rules. This FCC decision is being appealed. In addition, the FCC has a separate proceeding pending to determine whether to make television joint sales agreements attributable interests under its ownership rules.

**16. Commitments and Contingencies**

***Guarantee of Mission Debt***

Nexstar and its subsidiaries guarantee full payment of all obligations incurred under Mission's senior secured credit facility agreement. In the event that Mission is unable to repay amounts due under its credit facility, Nexstar will be obligated to repay such amounts. The maximum potential amount of future payments that Nexstar would be required to make under this guarantee would be generally limited to the amount of borrowings outstanding under the Mission credit facility. At March 31, 2008, Mission had \$175.4 million outstanding under its senior credit facility.

***Indemnification Obligations***

In connection with certain agreements that the Company enters into in the normal course of its business, including local service agreements, business acquisitions and borrowing arrangements, the Company enters into contractual arrangements under which the Company agrees to indemnify the third party to such arrangement from losses, claims and damages incurred by the indemnified party for certain events as defined within the particular contract. Such indemnification obligations may not be subject to maximum loss clauses and the maximum potential amount of future payments the Company could be required to make under these indemnification arrangements may be unlimited. Historically, payments made related to these indemnifications have been immaterial and the Company has not incurred significant costs to defend lawsuits or settle claims related to these indemnification agreements.

**Table of Contents**

**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**16. Commitments and Contingencies (Continued)**

*Litigation*

From time to time, the Company is involved with claims that arise out of the normal course of its business. In the opinion of management, any resulting liability with respect to these claims would not have a material adverse effect on the Company's financial position or results of operations.

**17. Condensed Consolidating Financial Information**

*Senior Discount Notes*

On March 27, 2003, Nexstar Finance Holdings, Inc. (Nexstar Finance Holdings), a 100% owned subsidiary of Nexstar, issued 11.375% senior discount notes (11.375% Notes) due in 2013. The 11.375% Notes are fully and unconditionally guaranteed by Nexstar. See Note 18.

The following condensed consolidating financial information presents the financial position, results of operations and cash flows of the Company and its 100%, directly or indirectly, owned subsidiaries. This information is presented in lieu of separate financial statements and other related disclosures of Nexstar Finance Holdings pursuant to Regulation S-X Rule 3-10 of the Securities Exchange Act of 1934, as amended, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or being Registered.

The Nexstar column presents the parent company's financial information. Nexstar is also the guarantor. The Nexstar Finance Holdings column presents the issuer's financial information. The Non-Guarantor Subsidiary column presents the financial information of Nexstar Broadcasting, a 100% owned subsidiary of Nexstar Finance Holdings. Nexstar Broadcasting's financial information includes the accounts of Mission Broadcasting, Inc., an entity which Nexstar Broadcasting is required to consolidate as a VIE under FIN No. 46R (see Note 2).

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Balance Sheet****March 31, 2008****(in thousands)**

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$	\$	\$ 58,474	\$	\$ 58,474
Other current assets		6	63,798		63,804
<b>Total current assets</b>		6	122,272		122,278
Investments in subsidiaries eliminated upon consolidation	(9,255)	121,100		(111,845)	
Amounts due from parents eliminated upon consolidation	398		1,575	(1,973)	
Property and equipment, net			120,095		120,095
Goodwill			152,272		152,272
FCC licenses			166,455		166,455
Other intangible assets, net			173,346		173,346
Other noncurrent assets	1	1,613	12,215	(10)	13,819
<b>Total assets</b>	<b>\$ (8,856)</b>	<b>\$ 122,719</b>	<b>\$ 748,230</b>	<b>\$ (113,828)</b>	<b>\$ 748,265</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>					
Current liabilities:					
Current portion of debt	\$	\$ 46,906	\$ 3,485	\$	\$ 50,391
Other current liabilities			44,024		44,024
<b>Total current liabilities</b>		46,906	47,509		94,415
Debt		83,094	595,391		678,485
Amounts due to subsidiary eliminated upon consolidation		1,973		(1,973)	
Other noncurrent liabilities			79,435	(10)	79,425
<b>Total liabilities</b>		131,973	722,335	(1,983)	852,325
Stockholders' equity (deficit):					
Common stock	284				284
Other stockholders' equity (deficit)	(9,140)	(9,254)	25,895	(111,845)	(104,344)
<b>Total stockholders' equity (deficit)</b>	<b>(8,856)</b>	<b>(9,254)</b>	<b>25,895</b>	<b>(111,845)</b>	<b>(104,060)</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ (8,856)</b>	<b>\$ 122,719</b>	<b>\$ 748,230</b>	<b>\$ (113,828)</b>	<b>\$ 748,265</b>





**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Balance Sheet****December 31, 2007****(in thousands)**

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated Company
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$	\$	\$ 16,226	\$	\$ 16,226
Other current assets	145	6	72,073	(145)	72,079
<b>Total current assets</b>	<b>145</b>	<b>6</b>	<b>88,299</b>	<b>(145)</b>	<b>88,305</b>
Investments in subsidiaries eliminated upon consolidation	5,361	132,130		(137,491)	
Amounts due from parents eliminated upon consolidation			2,377	(2,377)	
Property and equipment, net			111,612		111,612
Goodwill			151,686		151,686
FCC licenses			163,795		163,795
Other intangible assets, net			178,611		178,611
Other noncurrent assets	1	1,694	13,008	(10)	14,693
<b>Total assets</b>	<b>\$ 5,507</b>	<b>\$ 133,830</b>	<b>\$ 709,388</b>	<b>\$ (140,023)</b>	<b>\$ 708,702</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>					
Current liabilities:					
Current portion of debt	\$	\$ 46,906	\$ 3,485	\$	\$ 50,391
Other current liabilities			49,530	(144)	49,386
<b>Total current liabilities</b>		<b>46,906</b>	<b>53,015</b>	<b>(144)</b>	<b>99,777</b>
Debt		79,589	551,196		630,785
Amounts due to subsidiary eliminated upon consolidation	404	1,973		(2,377)	
Other noncurrent liabilities			67,541	(11)	67,530
<b>Total liabilities</b>	<b>404</b>	<b>128,468</b>	<b>671,752</b>	<b>(2,532)</b>	<b>798,092</b>
Stockholders' equity (deficit):					
Common stock	284				284
Other stockholders' equity (deficit)	4,819	5,362	37,636	(137,491)	(89,674)
<b>Total stockholders' equity (deficit)</b>	<b>5,103</b>	<b>5,362</b>	<b>37,636</b>	<b>(137,491)</b>	<b>(89,390)</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 5,507</b>	<b>\$ 133,830</b>	<b>\$ 709,388</b>	<b>\$ (140,023)</b>	<b>\$ 708,702</b>



**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended March 31, 2008**

(in thousands)

	<b>Nexstar</b>	<b>Nexstar Finance Holdings</b>	<b>Non-Guarantor Subsidiary</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
Net revenue	\$	\$	\$ 63,712	\$	\$ 63,712
Operating expenses (income):					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			19,496		19,496
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	1		20,884		20,885
Non-cash contract termination fees			7,167		7,167
Amortization of broadcast rights			5,335		5,335
Amortization of intangible assets			6,372		6,372
Depreciation			5,333		5,333
Gain on asset exchange			(850)		(850)
Loss on asset disposal, net			35		35
Total operating expenses (income)	1		63,772		63,773
Loss from operations	(1)		(60)		(61)
Interest expense, including amortization of debt financing costs		(3,586)	(10,403)		(13,989)
Equity in loss of subsidiaries	(14,616)	(11,030)		25,646	
Other income, net			401		401
Loss before income taxes	(14,617)	(14,616)	(10,062)	25,646	(13,649)
Income tax expense			(1,679)		(1,679)
Net loss	\$ (14,617)	\$ (14,616)	\$ (11,741)	\$ 25,646	\$ (15,328)

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended March 31, 2007****(in thousands)**

	<b>Nexstar</b>	<b>Nexstar Finance Holdings</b>	<b>Non-Guarantor Subsidiary</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
Net revenue	\$	\$	\$ 62,054	\$	\$ 62,054
Operating expenses:					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			18,156		18,156
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	15		20,283		20,298
Amortization of broadcast rights			5,892		5,892
Amortization of intangible assets			6,465		6,465
Depreciation			4,988		4,988
Loss on asset disposal, net			152		152
Total operating expenses (income)	15		55,936		55,951
Income from operations	(15)		6,118		6,103
Interest expense, including amortization of debt financing costs		(3,218)	(10,502)		(13,720)
Equity in loss of subsidiaries	(7,552)	(4,334)		11,886	
Other income, net			116		116
Loss before income taxes	(7,567)	(7,552)	(4,268)	11,886	(7,501)
Income tax expense			(1,532)		(1,532)
Net loss	\$ (7,567)	\$ (7,552)	\$ (5,800)	\$ 11,886	\$ (9,033)

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Three Months Ended March 31, 2008****(in thousands)**

	<b>Nexstar</b>	<b>Nexstar Finance Holdings</b>	<b>Non-Guarantor Subsidiary</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
<b>Cash flows provided by (used for) operating activities</b>	\$ (11)	\$	\$ 10,288	\$	\$ 10,277
<b>Cash flows from investing activities:</b>					
Additions to property and equipment, net			(4,246)		(4,246)
Acquisition of broadcast properties and related transaction costs			(7,923)		(7,923)
Other investing activities					
Net cash used for investing activities			(12,169)		(12,169)
<b>Cash flows from financing activities:</b>					
Repayment of long-term debt			(5,871)		(5,871)
Proceeds from revolver draws			50,000		50,000
Other financing activities	11				11
Net cash provided by financing activities	11		44,129		44,140
Net increase in cash and cash equivalents			42,248		42,248
Cash and cash equivalents at beginning of period			16,226		16,226
Cash and cash equivalents at end of period	\$	\$	\$ 58,474	\$	\$ 58,474

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Three Months Ended March 31, 2007****(in thousands)**

	<b>Nexstar</b>	<b>Nexstar Finance Holdings</b>	<b>Non-Guarantor Subsidiary</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
<b>Cash flows provided by (used for) operating activities</b>	\$ (9)	\$	\$ 3,415	\$	\$ 3,406
<b>Cash flows from investing activities:</b>					
Additions to property and equipment			(5,858)		(5,858)
Down payment on acquisition of stations					
Other investing activities			4		4
Net cash used for investing activities			(5,854)		(5,854)
<b>Cash flows from financing activities:</b>					
Repayment of long-term debt			(872)		(872)
Proceeds from revolver draws					
Other financing activities	9				9
Net cash provided by (used for) financing activities	9		(872)		(863)
Net decrease in cash and cash equivalents			(3,311)		(3,311)
Cash and cash equivalents at beginning of year			11,179		11,179
Cash and cash equivalents at end of year	\$	\$	\$ 7,868	\$	\$ 7,868

**Table of Contents**

**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**17. Condensed Consolidating Financial Information (Continued)**

*Senior Subordinated Notes*

On December 30, 2003 and April 1, 2005, Nexstar Broadcasting, a 100% owned subsidiary of Nexstar Finance Holdings, issued 7% senior subordinated notes ( 7% Notes ) due in January 2014. The 7% Notes are fully and unconditionally guaranteed by Nexstar.

The following condensed consolidating financial information presents the financial position, results of operations and cash flows of Nexstar and its 100%, directly or indirectly, owned subsidiaries and independently-owned Mission Broadcasting, Inc. This information is presented in lieu of separate financial statements and other related disclosures of Nexstar Broadcasting pursuant to Regulation S-X Rule 3-10 of the Securities Exchange Act of 1934, as amended, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or being Registered .

The Nexstar column presents the parent company s financial information. Nexstar is also a guarantor. The Nexstar Broadcasting column presents the issuer s financial information. The Mission column presents the financial information of Mission Broadcasting, Inc., an entity which Nexstar Broadcasting is required to consolidate as a VIE under FIN No. 46R (see Note 2). Mission is also a guarantor of the senior subordinated notes issued by Nexstar Broadcasting. The Non-Guarantor Subsidiary column presents the financial information of Nexstar Finance Holdings, the parent of Nexstar Broadcasting.

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Balance Sheet****March 31, 2008****(in thousands)**

	<b>Nexstar</b>	<b>Nexstar Broadcasting</b>	<b>Mission</b>	<b>Non-Guarantor Subsidiary</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$	\$ 54,829	\$ 3,645	\$	\$	\$ 58,474
Due from Mission		19,785			(19,785)	
Other current assets		60,420	3,378	6		63,804
Total current assets		135,034	7,023	6	(19,785)	122,278
Investments in subsidiaries eliminated upon consolidation	(9,255)			121,100	(111,845)	
Amounts due from parents eliminated upon consolidation	398	1,575			(1,973)	
Property and equipment, net		96,260	23,839		(4)	120,095
Goodwill		134,564	17,708			152,272
FCC licenses		135,059	31,396			166,455
Other intangible assets, net		137,179	36,167			173,346
Other noncurrent assets	1	9,952	2,263	1,613	(10)	13,819
Total assets	\$ (8,856)	\$ 649,623	\$ 118,396	\$ 122,719	\$ (133,617)	\$ 748,265
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>						
Current liabilities:						
Current portion of debt	\$	\$ 1,758	\$ 1,727	\$ 46,906	\$	\$ 50,391
Due to Nexstar Broadcasting			19,785		(19,785)	
Other current liabilities		38,492	5,532			44,024
Total current liabilities		40,250	27,044	46,906	(19,785)	94,415
Debt		421,735	173,656	83,094		678,485
Amounts due to subsidiary eliminated upon consolidation				1,973	(1,973)	
Other noncurrent liabilities		65,665	13,770		(10)	79,425
Total liabilities		527,650	214,470	131,973	(21,768)	852,325
Stockholders' equity (deficit):						
Common stock		284				284



Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Other stockholders equity (deficit)	(9,140)	121,973	(96,074)	(9,254)	(111,849)	(104,344)
Total stockholders equity (deficit)	(8,856)	121,973	(96,074)	(9,254)	(111,849)	(104,060)
Total liabilities and stockholders equity (deficit)	\$ (8,856)	\$ 649,623	\$ 118,396	\$ 122,719	\$ (133,617)	\$ 748,265

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Balance Sheet****December 31, 2007****(in thousands)**

	<b>Nexstar</b>	<b>Nexstar Broadcasting</b>	<b>Mission</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$	\$ 6,310	\$ 9,916	\$	\$	\$ 16,226
Due from Mission		18,485			(18,485)	
Other current assets	145	68,146	3,927	6	(145)	72,079
Total current assets	145	92,941	13,843	6	(18,630)	88,305
Investments in subsidiaries eliminated upon consolidation	5,361			132,130	(137,491)	
Amounts due from parents eliminated upon consolidation		2,377			(2,377)	
Property and equipment, net		91,558	20,061		(7)	111,612
Goodwill		134,564	17,122			151,686
FCC licenses		135,059	28,736			163,795
Other intangible assets, net		142,243	36,368			178,611
Other noncurrent assets	1	10,183	2,825	1,694	(10)	14,693
Total assets	\$ 5,507	\$ 608,925	\$ 118,955	\$ 133,830	\$ (158,515)	\$ 708,702
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>						
Current liabilities:						
Current portion of debt	\$	\$ 1,758	\$ 1,727	\$ 46,906	\$	\$ 50,391
Due to Nexstar Broadcasting			18,485		(18,485)	
Other current liabilities		43,904	5,626		(144)	49,386
Total current liabilities		45,662	25,838	46,906	(18,629)	99,777
Debt		377,109	174,087	79,589		630,785
Amounts due to subsidiary eliminated upon consolidation	404			1,973	(2,377)	
Other noncurrent liabilities		54,024	13,517		(11)	67,530
Total liabilities	404	476,795	213,442	128,468	(21,017)	798,092
Stockholders equity (deficit):						
Common stock	284					284
Other stockholders equity (deficit)	4,819	132,130	(94,487)	5,362	(137,498)	(89,674)

Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Total stockholders' equity (deficit)	5,103	132,130	(94,487)	5,362	(137,498)	(89,390)
Total liabilities and stockholders' equity (deficit)	\$ 5,507	\$ 608,925	\$ 118,955	\$ 133,830	\$ (158,515)	\$ 708,702

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended March 31, 2008****(in thousands)**

	<b>Nexstar</b>	<b>Nexstar Broadcasting</b>	<b>Mission</b>	<b>Non-Guarantor Subsidiary</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
Net broadcast revenue (including trade and barter)	\$	\$ 62,177	\$ 1,535	\$	\$	\$ 63,712
Revenue between consolidated entities		2,015	7,785		(9,800)	
<b>Net revenue</b>		<b>64,192</b>	<b>9,320</b>		<b>(9,800)</b>	<b>63,712</b>
Operating expenses (income):						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		17,967	1,529			19,496
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	1	20,247	637			20,885
Local service agreement fees between consolidated entities		7,785	2,015		(9,800)	
Non-cash contract termination fees		7,167				7,167
Amortization of broadcast rights		4,155	1,180			5,335
Amortization of intangible assets		5,024	1,348			6,372
Depreciation		4,469	867		(3)	5,333
Gain on asset exchange		(850)				(850)
Loss on asset disposal, net		35				35
<b>Total operating expenses</b>	<b>1</b>	<b>65,999</b>	<b>7,576</b>		<b>(9,803)</b>	<b>63,773</b>
<b>Income (loss) from operations</b>	<b>(1)</b>	<b>(1,807)</b>	<b>1,744</b>		<b>3</b>	<b>(61)</b>
Interest expense, including amortization of debt financing costs		(7,429)	(2,974)	(3,586)		(13,989)
Equity in loss of subsidiaries	(14,616)			(11,030)	25,646	
Other income, net		376	25			401
<b>Loss before income taxes</b>	<b>(14,617)</b>	<b>(8,860)</b>	<b>(1,205)</b>	<b>(14,616)</b>	<b>25,649</b>	<b>(13,649)</b>
Income tax expense		(1,297)	(382)			(1,679)
<b>Net loss</b>	<b>\$ (14,617)</b>	<b>\$ (10,157)</b>	<b>\$ (1,587)</b>	<b>\$ (14,616)</b>	<b>\$ 25,649</b>	<b>\$ (15,328)</b>



**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended March 31, 2007****(in thousands)**

	<b>Nexstar</b>	<b>Nexstar Broadcasting</b>	<b>Mission</b>	<b>Non-Guarantor Subsidiary</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
Net broadcast revenue (including trade and barter)	\$	\$ 60,387	\$ 1,667	\$	\$	\$ 62,054
Revenue between consolidated entities		1,965	7,172		(9,137)	
<b>Net revenue</b>		<b>62,352</b>	<b>8,839</b>		<b>(9,137)</b>	<b>62,054</b>
Operating expenses:						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		16,932	1,224			18,156
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	15	19,755	528			20,298
Local service agreement fees between consolidated entities		7,172	1,965		(9,137)	
Amortization of broadcast rights		4,942	950			5,892
Amortization of intangible assets		5,116	1,349			6,465
Depreciation		4,155	836		(3)	4,988
Loss on asset disposal, net		151	1			152
<b>Total operating expenses</b>	<b>15</b>	<b>58,223</b>	<b>6,853</b>		<b>(9,140)</b>	<b>55,951</b>
<b>Income (loss) from operations</b>	<b>(15)</b>	<b>4,129</b>	<b>1,986</b>		<b>3</b>	<b>6,103</b>
Interest expense, including amortization of debt financing costs		(7,376)	(3,126)	(3,218)		(13,720)
Equity in loss of subsidiaries	(7,552)			(4,334)	11,886	
Other income, net		96	20			116
<b>Loss before income taxes</b>	<b>(7,567)</b>	<b>(3,151)</b>	<b>(1,120)</b>	<b>(7,552)</b>	<b>11,889</b>	<b>(7,501)</b>
Income tax expense		(1,183)	(349)			(1,532)
<b>Net loss</b>	<b>\$ (7,567)</b>	<b>\$ (4,334)</b>	<b>\$ (1,469)</b>	<b>\$ (7,552)</b>	<b>\$ 11,889</b>	<b>\$ (9,033)</b>

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Three Months Ended March 31, 2008****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
<b>Cash flows provided by (used for) operating activities</b>	\$ (11)	\$ 7,093	\$ 3,195	\$	\$	\$ 10,277
<b>Cash flows from investing activities:</b>						
Additions to property and equipment, net		(3,134)	(1,112)			(4,246)
Acquisition of broadcast properties and related transaction costs			(7,923)			(7,923)
Other investing activities						
Net cash used for investing activities		(3,134)	(9,035)			(12,169)
<b>Cash flows from financing activities:</b>						
Repayment of long-term debt		(5,440)	(431)			(5,871)
Proceeds from revolver draws		50,000				50,000
Other financing activities	11					11
Net cash provided by (used for) financing activities	11	44,560	(431)			44,140
Net increase (decrease) in cash and cash equivalents		48,519	(6,271)			42,248
Cash and cash equivalents at beginning of period		6,310	9,916			16,226
Cash and cash equivalents at end of period	\$	\$ 54,829	\$ 3,645	\$	\$	\$ 58,474

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Three Months Ended March 31, 2007****(in thousands)**

	<b>Nexstar</b>	<b>Nexstar Broadcasting</b>	<b>Mission</b>	<b>Non-Guarantor Subsidiary</b>	<b>Eliminations</b>	<b>Consolidated Company</b>
<b>Cash flows provided by (used for) operating activities</b>	\$ (9)	\$ 4,344	\$ (929)	\$	\$	\$ 3,406
<b>Cash flows from investing activities:</b>						
Additions to property and equipment, net		(5,096)	(762)			(5,858)
Down payment on acquisition of stations						
Other investing activities		2	2			4
Net cash used for investing activities		(5,094)	(760)			(5,854)
<b>Cash flows from financing activities:</b>						
Repayment of long-term debt		(440)	(432)			(872)
Proceeds from revolver draws						
Other financing activities	9					9
Net cash provided by (used for) financing activities	9	(440)	(432)			(863)
Net decrease in cash and cash equivalents		(1,190)	(2,121)			(3,311)
Cash and cash equivalents at beginning of period		7,602	3,577			11,179
Cash and cash equivalents at end of period	\$	\$ 6,412	\$ 1,456	\$	\$	\$ 7,868



**Table of Contents**

**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**18. Subsequent Event**

On April 1, 2008, Nexstar redeemed a principal amount of approximately \$46.9 million of 11.375% senior discount notes ( 11.375% Notes ) outstanding in accordance with the terms of the debt agreement. This principal payment was funded from borrowings under its senior secured credit facility and with cash generated from operations.

---

## **Table of Contents**

### **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated balance sheet as of March 31, 2008, unaudited condensed consolidated statements of operations for the three months ended March 31, 2008 and 2007, unaudited condensed statement of changes in stockholders' deficit for the three months ended March 31, 2008, unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2008 and 2007 and related notes included elsewhere in this Quarterly Report on Form 10-Q and the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2007.

As used in the report, unless the context indicates otherwise, "Nexstar" refers to Nexstar Broadcasting Group, Inc. and its consolidated subsidiaries Nexstar Finance Holdings, Inc. and Nexstar Broadcasting, Inc., and "Mission" refers to Mission Broadcasting, Inc. All references to "we," "our," and "us" refer to Nexstar. All references to the "Company" refer to Nexstar and Mission collectively.

As a result of our controlling financial interest in Mission under accounting principles generally accepted in the United States of America ( "U.S. GAAP" ) and in order to present fairly our financial position, results of operations and cash flows, we consolidate the financial position, results of operations and cash flows of Mission as if it were a wholly-owned entity. We believe this presentation is meaningful for understanding our financial performance. As discussed in Note 2 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, we have considered the method of accounting under Financial Accounting Standards Board ( "FASB" ) Interpretation No. 46,

Consolidation of Variable Interest Entities, an interpretation on Accounting Research Bulletin No. 51 ( "FIN No. 46" ) as revised in December 2003 ( "FIN No. 46R" ) and have determined that we are required to continue consolidating Mission's financial position, results of operations and cash flows. Therefore, the following discussion of our financial condition and results of operations includes Mission's financial position and results of operations.

### **Executive Summary**

#### ***First Quarter 2008 Highlights***

Net revenue increased 2.7% during the first quarter of 2008 compared to the same period in 2007, primarily from increases in political advertising revenue, retransmission compensation and new media revenue. Political advertising revenue increased by \$1.6 million during the first quarter of 2008 mainly due to presidential and statewide primary elections that occurred during 2008. Total revenue from the retransmission consent agreements was approximately \$4.7 million for the three months ended March 31, 2008 (which included approximately \$3.3 million of retransmission compensation and approximately \$1.4 million of advertising revenue generated from the retransmission consent agreements), compared to \$3.8 million for the three months ended March 31, 2007 (which included approximately \$2.6 million of retransmission compensation and approximately \$1.2 million of advertising revenue generated from the retransmission consent agreements). New media revenue increased by \$1.7 million during the first quarter of 2008 as a result of all of our markets having implemented this web-based revenue source as of June 2007.

On March 31, 2008, we and Mission in total made repayments of \$5.9 million under the senior secured credit facilities, of which \$0.9 million were scheduled term loan maturities and \$5.0 million was a repayment of Nexstar's revolving loans.

On January 16, 2008, Mission completed its acquisition of KTVE, the NBC affiliate serving the Monroe, Louisiana/El Dorado, Arkansas market. The financial results for KTVE are included in three months ended March 31, 2008, but not in the corresponding period of 2007.

For the three months ended March 31, 2008, we recognized a non-cash contract termination fees of \$7.2 million resulting from the termination of the national sales representation agreement with our previous national sales representative firm.

#### ***Overview of Operations***

We owned and operated 32 television stations as of March 31, 2008. Through various local service agreements, we programmed or provided sales and other services to 18 additional television stations, including 16 television stations owned and operated by Mission as of March 31, 2008. All of the stations we program or provide sales and other services to, including Mission, are 100% owned by independent third parties.

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

The following table summarizes the various local service agreements we had in effect as of March 31, 2008 with Mission:

<b>Service Agreements</b>	<b>Mission Stations</b>
TBA Only <sup>(1)</sup>	WFXP and KHMT
SSA & JSA <sup>(2)</sup>	KJTL, KJBO-LP, KOLR, KCIT, KCPN-LP, KAMC, KRBC, KSAN, WUTR, WFXW, WYOU, KODE, WTOV and KTVE

- <sup>(1)</sup> We have a time brokerage agreement ( TBA ) with each of these stations which allows us to program most of each station 's broadcast time, sell each station 's advertising time and retain the advertising revenue generated in exchange for monthly payments to Mission.
- <sup>(2)</sup> We have both a shared services agreement ( SSA ) and a joint sales agreement ( JSA ) with each of these stations. The SSA allows us to provide certain services including news production, technical maintenance and security, in exchange for our right to receive certain payments from Mission as described in the SSAs. The JSA permits us to sell and retain a percentage of the net revenue from the station 's advertising time in return for monthly payments to Mission of the remaining percentage of net revenue as described in the JSAs.

## **Table of Contents**

Our ability to receive cash from Mission is governed by these agreements. The arrangements under the local service agreements have had the effect of us receiving substantially all of the available cash, after Mission's payments of operating costs and debt service, generated by the stations listed above. We anticipate that, through these local service agreements, we will continue to receive substantially all of the available cash, after Mission's payments of operating costs and debt service, generated by the stations listed above.

We also guarantee all obligations incurred under Mission's senior secured credit facility. Similarly, Mission is a guarantor of our senior secured credit facility and the senior subordinated notes we have issued. In consideration of our guarantee of Mission's senior credit facility, the sole shareholder of Mission has granted us a purchase option to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent, for consideration equal to the greater of (1) seven times the station's cash flow, as defined in the option agreement, less the amount of its indebtedness as defined in the option agreement, or (2) the amount of its indebtedness. These option agreements (which expire on various dates between 2008 and 2014) are freely exercisable or assignable by us without consent or approval by the sole shareholder of Mission. We expect these option agreements to be renewed upon expiration.

We do not own Mission or Mission's television stations. However, as a result of our guarantee of the obligations incurred under Mission's senior credit facility, our arrangements under the local service agreements and purchase option agreements with Mission, we are deemed under U.S. GAAP to have a controlling financial interest in Mission while complying with the FCC's rules regarding ownership limits in television markets. In order for both us and Mission to comply with FCC regulations, Mission maintains complete responsibility for and control over programming, finances, personnel and operations of its stations.

### ***Seasonality***

Advertising revenue is positively affected by strong local economies, national and regional political election campaigns, and certain events such as the Olympic Games or the Super Bowl. The stations' advertising revenue is generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to, and including, the holiday season. In addition, advertising revenue is generally higher during even-numbered years resulting from political advertising and advertising aired during the Olympic Games.

### ***Industry Trends***

The Television Bureau of Advertising has forecasted U.S. television spot advertising revenue (total of local and national advertising revenue, excluding political advertising revenue) in 2008 to increase by approximately 9% to 10% compared to 2007.

Our net revenue increased 2.7% to \$63.7 million for the three months ended March 31, 2008, compared to \$62.1 million for the three months ended March 31, 2007 primarily due to the increases in political advertising revenue in 2008 (as a result of the increase in the volume of advertising time purchased by campaigns for elective offices and for political issues) and in new media revenue (as a result of all markets having implemented this web-based revenue source as of June 2007).

Political advertising revenue was \$2.1 million for the three months ended March 31, 2008, a significant increase from the \$0.4 million for the three months ended March 31, 2007. The demand for political advertising is generally higher in even-numbered years, when congressional and presidential elections occur, than in odd-numbered years when there are no federal elections scheduled. During an election year, political advertising revenue makes up a significant portion of the increase in revenue in that year. Since 2008 is an election year, a significant percentage of the Company's revenue growth in 2008 is expected to be attributable to political revenue. However, even during an election year, political revenue is influenced by geography and the competitiveness of the election races. Since 2007 was a non-election year, we expect significantly more political advertising revenue to be reported in 2008 in relation to the amount of political advertising reported in 2007.

Automotive-related advertising, our largest advertising category, represented approximately 22% of our core local and national advertising revenue for both the three months ended March 31, 2008 and 2007. Our automotive-related advertising decreased approximately 4.8% for the three months ended March 31, 2008 as compared to the same period in 2007. Automotive-related advertising on a quarter-to-quarter comparison to the prior year has followed a consistent downward trend over the last two years. This trend is primarily due to the current condition of the automotive industry and resulting decline in the demand for advertising from this business category. A continued pattern of deterioration in advertising revenue from this source could materially affect our future results of operations.

### ***Recent Developments***

On June 27, 2007, Mission entered into a purchase agreement with Piedmont Television Holdings LLC to acquire substantially all the assets of KTVE, the NBC affiliate serving the Monroe, Louisiana/El Dorado, Arkansas market. On January 16, 2008, Mission completed the acquisition

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

of KTVE for total consideration of \$7.8 million, exclusive of transaction costs. Pursuant to the terms of the agreement, Mission made a down payment of \$0.4 million against the purchase price in June 2007 and paid the remaining \$7.4 million, exclusive of transaction costs, on January 16, 2008 from available cash on hand as of December 31, 2007. Upon closing the purchase of KTVE, Mission entered into a JSA and SSA with Nexstar-owned KARD, the Fox affiliate in the market, whereby KARD provides local news, sales and other non-programming services to KTVE.

**Table of Contents**

On April 11, 2006, we and Mission filed an application with the FCC for consent to assignment of the license of KFTA Channel 24 (Ft. Smith, Arkansas) from us to Mission. Consideration for this transaction is set at \$5.6 million. On August 28, 2006, we and Mission entered into a local service agreement whereby (a) Mission pays us \$5 thousand per month for the right to broadcast Fox programming on KFTA during the Fox network programming time periods and (b) we pay Mission \$20 thousand per month for the right to sell all advertising time on KFTA within the Fox network programming time periods. The local service agreement between us and Mission will terminate upon assignment of KFTA's FCC license from us to Mission. Upon completing the assignment of KFTA's license, Mission plans to enter into a JSA and SSA with our station KNWA in Fort Smith-Fayetteville-Springdale-Rogers, Arkansas, whereby KNWA will provide local news, sales and other non-programming services to KFTA. Our station KNWA Channel 51, licensed to Rogers, Arkansas, has renewed its affiliation agreement for KNWA to continue as the NBC affiliate in Ft. Smith-Fayetteville-Springdale-Rogers, Arkansas through 2014.

In March 2008, the FCC granted the application to assign the license for KFTA from Nexstar to Mission. The closing on the transaction is likely to occur on or before June 30, 2008.

**Historical Performance****Revenue**

The following table sets forth the principal types of revenue earned by the Company's stations for the periods indicated and each type of revenue (other than trade and barter) as a percentage of total gross revenue, as well as agency commissions:

	Three Months Ended March 31, 2008		2007	
	Amount	%	Amount	%
	(in thousands, except percentages)			
Local	\$ 41,916	62.7	\$ 41,597	64.6
National	16,165	24.2	17,350	27.0
Political	2,051	3.1	441	0.7
Retransmission compensation	3,276	4.9	2,626	4.1
Network compensation	849	1.3	1,225	1.9
New media revenue	2,002	3.0	259	0.4
Other	556	0.8	873	1.3
Total gross revenue	66,815	100.0	64,371	100.0
Less: Agency commissions	7,520	11.3	7,287	11.3
Net broadcast revenue	59,295	88.7	57,084	88.7
Trade and barter revenue	4,417		4,970	
Net revenue	\$ 63,712		\$ 62,054	

**Results of Operations**

The following table sets forth a summary of the Company's operations for the periods indicated and their percentages of net revenue:

	Three Months Ended March 31, 2008		2007	
	Amount	%	Amount	%
	(in thousands, except percentages)			
Net revenue	\$ 63,712	100.0	\$ 62,054	100.0
Operating expenses (income):				
Corporate expenses	3,223	5.1	3,046	4.9
Station direct operating expenses, net of trade	18,076	28.4	16,848	27.2

Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Selling, general and administrative expenses	17,662	27.7	17,252	27.8
Non-cash contract termination fees	7,167	11.2		
Gain on asset exchange	(850)	(1.3)		
Loss on asset disposal, net	35	0.1	152	0.2
Trade and barter expense	4,509	7.1	4,938	8.0
Depreciation and amortization.	11,705	18.4	11,453	18.5
Amortization of broadcast rights, excluding barter	2,246	3.5	2,262	3.6
Income (loss) from operations	\$ (61)		\$ 6,103	

---

**Table of Contents*****Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007.******Revenue***

Gross local advertising revenue was \$41.9 million for the three months ended March 31, 2008, compared to \$41.6 million for the same period in 2007, an increase of \$0.3 million, or 0.8%. Gross national advertising revenue was \$16.2 million for the three months ended March 31, 2008, compared to \$17.3 million for the same period in 2007, a decrease of \$1.1 million, or 6.8%. Net revenue for the three months ended March 31, 2008 grew 2.6% to \$63.7 million compared to \$62.1 million for the three months ended March 31, 2007. Increases in local, political, new media and retransmission consent revenues overcame declines in national, network compensation and trade and barter revenue. Advertising revenue from Financial Institutions, Paid Programming, Automotive and Fast Foods/Restaurants business categories, which decreased by approximately \$0.3 million, \$0.6 million, \$0.6 million and \$0.3 million during the first quarter of 2008 compared to the prior year, respectively, were offset by an increase in advertising revenue from the Insurance and Legal business categories, which increased by approximately \$0.5 million during the first quarter of 2008 compared to the prior year.

Gross political advertising revenue was \$2.1 million for the three months ended March 31, 2008, compared to \$0.4 million for the same period in 2007, an increase of \$1.7 million, or 365.1%. The increase in gross political revenue was mainly attributed to presidential and statewide primary elections and to statewide and/or local races (primarily in Texas, Pennsylvania and Missouri) that occurred during the three months ended March 31, 2008 as compared to nominal political advertising during the three months ended March 31, 2007.

Retransmission compensation was \$3.3 million for the three months ended March 31, 2008, compared to \$2.6 million for the same period in 2007, an increase of \$0.7 million, or 24.8%. The increase in retransmission compensation was primarily the result of (1) additional subscriber base for certain content distributors in 2008 compared to 2007, (2) annual rate increases in 2008 for certain retransmission consent agreements and (3) a few additional markets under retransmission consent agreements in 2008.

New media revenue, representing revenue generated from non-television web-based advertising, was \$2.0 million for the three months ended March 31, 2008, compared to \$0.3 million for the three months ended March 31, 2007. The increase in new media revenue was a result of having all of our markets complete implementation of this digital media platform initiative as of June 2007.

***Operating Expenses***

Corporate expenses, related to costs associated with the centralized management of Nexstar's and Mission's stations, were \$3.2 million for the three months ended March 31, 2008, compared to \$3.0 million for the three months ended March 31, 2007, an increase of \$0.2 million, or 5.8%. The increase during the three months ended March 31, 2008 was primarily attributed to additional payroll-related costs incurred in 2008 than in 2007.

Station direct operating expenses, consisting primarily of news, engineering and programming, net of trade, and selling, general and administrative expenses were \$35.7 million for the three months ended March 31, 2008, compared to \$34.1 million for the same period in 2007, an increase of \$1.6 million, or 4.8%. The increase in station direct operating expenses, net of trade, and selling, general and administrative expenses for the three months ended March 31, 2008 was primarily attributed to (1) the inclusion of such expenses for 2008 from Mission's newly acquired television station KTVE, and (2) additional payroll costs incurred in 2008 mainly as a result of annual merit increases and costs associated with a new department created to develop web-based revenue.

On March 31, 2008, we terminated our existing national sales representation agreement at 22 of our stations with Blair and Petry and entered into a new agreement with Katz, extending through March 2018. Nexstar, Petry, Blair and Katz entered into a tri-party mutual release agreement under which Petry and Blair agreed to release Nexstar from its future contractual obligation in exchange for payments totaling \$8.0 million, which will be paid by Katz on behalf of Nexstar as an inducement for Nexstar to enter into the new contract with Katz. Accordingly, we recorded a one-time non-cash charge of \$7.2 million.

Amortization of intangible assets was \$6.4 and \$6.5 million for the three months ended March 31, 2008 and 2007, respectively.

Depreciation of property and equipment was \$5.3 million for the three months ended March 31, 2008, compared to \$5.0 million for the same period in 2007, an increase of \$0.3 million, or 6.9%. The increase was primarily attributed to the depreciation of assets of approximately \$0.1 million for 2008 from Mission's newly acquired television station KTVE and \$0.1 million of amortization of software recorded in the quarter ended March 2008.



## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

For the three months ended March 31, 2008, we recognized a gain of \$0.9 million from the exchange of equipment under an arrangement we first transacted with Sprint Nextel Corporation during the second quarter of 2007.

**Table of Contents*****Income (loss) from Operations***

Loss from operations was \$0.1 million for the three months ended March 31, 2008, compared to income from operations of \$6.1 million for the same period in 2007, a decrease of \$6.2 million, or 101.0%. The decrease was primarily the result of an increase in operating expenses, particularly in non-cash contract termination fees of \$7.2 million, station direct operating expenses, net of trade, and selling, general and administrative expenses and depreciation for the three months ended March 31, 2008 compared to the same period in 2007, partially offset by the increase in net revenue and gain on asset exchange as described above.

***Interest Expense***

Interest expense, including amortization of debt financing costs, was \$14.0 million for the three months ended March 31, 2008, compared to \$13.7 million for the same period in 2007, an increase of \$0.3 million, or 2.0%. The increase in interest expense was primarily attributed to a greater amount of debt outstanding in 2008 under our and Mission's senior credit facilities than in 2007, partially offset by lower average interest rates incurred during the first quarter of 2008 compared to the first quarter of 2007 under our and Mission's senior credit facilities.

***Income Taxes***

Income tax expense was \$1.7 million for the three months ended March 31, 2008, compared to \$1.5 million for the same period in 2007, an increase of \$0.2 million, or 9.6%. The increase was primarily due to \$1.5 million of income tax expense in the first quarter of 2008 related to the increase in deferred tax liabilities in 2008 associated with Mission's newly acquired television station KTVE. Our provision for income taxes is primarily created by an increase in the deferred tax liabilities position during the year arising from the amortizing of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. No tax benefit was recorded with respect to the losses for 2008 and 2007, as the utilization of such losses is not likely to be realized in the foreseeable future.

**Liquidity and Capital Resources**

We and Mission are highly leveraged, which makes the Company vulnerable to changes in general economic conditions. Our and Mission's ability to meet the future cash requirements described below depends on our and Mission's ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other conditions, many of which are beyond our and Mission's control. Based on current operations and anticipated future growth, we believe that our and Mission's available cash, anticipated cash flow from operations and available borrowings under the Nexstar and Mission senior credit facilities will be sufficient to fund working capital, capital expenditure requirements, interest payments and scheduled debt principal payments for at least the next twelve months. In order to meet future cash needs we may, from time to time, borrow under credit facilities or issue other long- or short-term debt or equity, if the market and the terms of our existing debt arrangements permit, and Mission may, from time to time, borrow under its available credit facility. We will continue to evaluate the best use of Nexstar's operating cash flow among its capital expenditures, acquisitions and debt reduction.

***Overview***

The following tables present summarized financial information management believes is helpful in evaluating the Company's liquidity and capital resources:

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(in thousands)</b>	
Net cash provided by operating activities	\$ 10,277	\$ 3,406
Net cash used for investing activities	(12,169)	(5,854)
Net cash provided by (used for) financing activities	44,140	(863)
Net increase (decrease) in cash and cash equivalents	\$ 42,248	\$ (3,311)
Cash paid for interest	\$ 13,616	\$ 13,838
Cash paid for income taxes, net	\$ 44	\$

Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

	March 31, 2008	December 31, 2007
	(in thousands)	
Cash and cash equivalents	\$ 58,474	\$ 16,226
Long-term debt including current portion	\$ 728,876	\$ 681,176
Unused commitments under senior credit facilities <sup>(1)</sup>	\$ 24,500	\$ 69,500

<sup>(1)</sup> Based on covenant calculations, as of March 31, 2008, all \$24.5 million of total unused revolving loan commitments under the Nexstar and Mission credit facilities were available for borrowing.

---

## **Table of Contents**

### ***Cash Flows Operating Activities***

The comparative net cash flows provided by operating activities increased by \$6.9 million during the three months ended March 31, 2008 compared to the same period in 2007. The increase was primarily due to (1) an increase of \$4.2 million resulting from the timing of collections of accounts receivable, (2) an increase of \$1.3 million resulting from the timing of payments for accounts payable and accrued expenses and (3) an increase of \$0.5 million in cash flows from deferred revenue.

Cash paid for interest decreased by \$0.2 million during the three months ended March 31, 2008 compared to the same period in 2007. The decrease was due to a decrease in cash payments of interest on our and Mission's bank debt. Cash payments of interest on our and Mission's senior credit facilities were \$6.6 million for the three months ended March 31, 2008, compared to \$6.8 million for the three months ended March 31, 2007, a decrease of \$0.2 million. The decrease was due to lower average interest rates incurred during the three months ended March 31, 2008 compared to the same period in 2007, partially offset by a greater amount of debt outstanding in 2008 on the respective credit facilities.

Nexstar and its subsidiaries file a consolidated federal income tax return. Mission files its own separate federal income tax return. Additionally, Nexstar and Mission file their own state and local tax returns as are required. Due to our and Mission's recent history of net operating losses, we and Mission currently do not pay any federal income taxes. These net operating losses may be carried forward, subject to expiration and certain limitations, and used to reduce taxable earnings in future years. Through the use of available loss carryforwards, it is possible that we and Mission may not pay significant amounts of federal income taxes in the foreseeable future.

### ***Cash Flows Investing Activities***

The comparative net cash used for investing activities increased by \$6.3 million during the three months ended March 31, 2008 compared to the same period in 2007. The increase was primarily due to an increase in acquisition-related payments, partially offset by a decrease in purchases of property and equipment.

Acquisition-related payments for the three months ended March 31, 2008 consisted of additional consideration of \$7.9 million, inclusive of transaction costs of \$0.5 million which is included in goodwill, for Mission's acquisition of KTVE.

Capital expenditures were \$4.2 million for the three months ended March 31, 2008, compared to \$5.9 million for the three months ended March 31, 2007. The decrease was primarily attributable to digital conversion expenditures, which were \$2.8 million for the three months ended March 31, 2008 compared to \$3.7 million for the same period in 2007. We project that 2008 full-year capital expenditures will be approximately \$33 million, which is expected to include approximately \$30 million of digital conversion expenditures. We expect to conclude our digital conversion expenditures during 2008.

### ***Cash Flows Financing Activities***

The comparative net cash from financing activities increased by \$45.0 million during the three months ended March 31, 2008 compared to the same period in 2007, due primarily to an increase in proceeds from revolver draws, partially offset by the increase in repayments during 2008 under our and Mission's senior secured credit facilities.

During the three months ended March 31, 2008, there were \$50.0 million of revolving loan borrowings under our and Mission's senior secured credit facilities (primarily related to the 11.375% senior discount notes ( 11.375% Notes ) principal payment discussed below), compared to no borrowings for the three months ended March 31, 2007.

During the three months ended March 31, 2008, there were \$5.9 million of repayments under our and Mission's senior secured credit facilities, consisting of scheduled term loan maturities of \$0.9 million and a repayment of \$5.0 million of Nexstar's revolving loans.

During the three months ended March 31, 2007, there were \$0.9 million of repayments under our and Mission's senior secured credit facilities, all of which were scheduled term loan maturities.

Although the Nexstar and Mission senior credit facilities allow for the payment of cash dividends to common stockholders, we and Mission do not currently intend to declare or pay a cash dividend.

### ***Future Sources of Financing and Debt Service Requirements***

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

As of March 31, 2008, Nexstar and Mission had total combined debt of \$728.9 million, which represented 116.8% of Nexstar and Mission's combined capitalization. Our and Mission's high level of debt requires that a substantial portion of cash flow be dedicated to pay principal and interest on debt which reduces the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes.

**Table of Contents**

The following table summarizes the approximate aggregate amount of principal indebtedness scheduled to mature for the periods referenced as of March 31, 2008:

	Total	Remainder of 2008	2009-2010 (in thousands)	2011-2012	Thereafter
Nexstar senior credit facility	\$ 225,405	\$ 1,319	\$ 3,516	\$ 220,570	\$
Mission senior credit facility	175,383	1,295	3,454	170,634	
7% senior subordinated notes due 2014	200,000				200,000
11.375% senior discount notes due 2013	130,000	46,906			83,094
	\$ 730,788	\$ 49,520	\$ 6,970	\$ 391,204	\$ 283,094

On April 1, 2008, Nexstar redeemed a principal amount of approximately \$46.9 million of 11.375% Notes outstanding sufficient to ensure that the 11.375% Notes would not be applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code. This principal payment was funded with cash generated from borrowings under its senior secured credit facility and operations.

We make semiannual interest payments on our 7% Notes of \$7.0 million on January 15<sup>th</sup> and July 15<sup>th</sup> of each year. The 11.375% senior discount notes ( 11.375% Notes ) began to accrue cash interest on April 1, 2008. Commencing October 1, 2008, we will make semiannual interest payments on our 11.375% Notes on April 1<sup>st</sup> and October 1<sup>st</sup>. Interest payments on our and Mission's senior credit facilities are generally paid every one to three months and are payable based on the type of interest rate selected.

The terms of the Nexstar and Mission senior credit facilities, as well as the indentures governing our publicly-held notes, limit, but do not prohibit us or Mission from incurring substantial amounts of additional debt in the future.

We do not have any rating downgrade triggers that would accelerate the maturity dates of our debt. However, a downgrade in our credit rating could adversely affect our ability to renew existing, or obtain access to new, credit facilities or otherwise issue debt in the future and could increase the cost of such facilities.

**Debt Covenants**

Our bank credit facility agreement contains covenants which require us to comply with certain financial ratios, including: (a) maximum total and senior leverage ratios, (b) a minimum interest coverage ratio, and (c) a minimum fixed charge coverage ratio. The covenants, which are formally calculated on a quarterly basis, are based on the combined results of Nexstar Broadcasting and Mission. The senior subordinated notes and senior discount notes contain restrictive covenants customary for borrowing arrangements of this type. Mission's bank credit facility agreement does not contain financial covenant ratio requirements, but does provide for default in the event Nexstar does not comply with all covenants contained in its credit agreement.

As of March 31, 2008, we were in compliance with all covenants contained in the credit agreements governing our senior secured credit facility and the indentures governing the publicly-held notes. We anticipate compliance with all the covenants through December 31, 2008. For a discussion of the financial ratio requirements of these covenants, we refer you to Note 8 of our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

On April 1, 2008, we redeemed a principal amount of approximately \$46.9 million of our \$130.0 million 11.375% Notes outstanding sufficient to ensure that the 11.375% Notes would not be applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code. This principal payment was funded with cash generated from borrowings under our senior secured credit facility and from operations.

Effective on April 1, 2008 under our bank credit facility agreement, we are now required to include the remaining principal balance of Nexstar Finance Holdings 11.375% Notes in the calculation of our total leverage ratio. Accordingly, as of June 30, 2008, the outstanding principal of \$83.1 million on the 11.375% Notes will be included as debt outstanding in this covenant compliance ratio.

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

Given the impact of including the 11.375% notes in covenants in our bank credit facility including the requirement that as of June 30, 2008 our consolidated total leverage ratio (as defined therein) is no greater than 6.75 to 1.00 total leverage ratio, we are currently pursuing certain initiatives to enhance our ability to comply with this June 30, 2008 covenant. These initiatives included modifying certain vendor payment terms which will have a more favorable impact on our cash flows relative to covenant calculations, prior to June 30, 2008. We also have repositioned approximately \$13.0 million of capital expenditures originally planned for the first six months of 2008 into the last six months of 2008. In addition, we believe that we have certain other cash management and cost containment measures that could be implemented by the management team to ensure compliance with our covenants at June 30, 2008. Notwithstanding the operational initiatives described above, we would also have the ability to seek a debt covenant waiver from our lenders. There can be no assurance that the Company would be able to secure a bank waiver.

### ***Cash Requirements for Digital Television ( DTV ) Conversion***

Television broadcasting in the United States is moving from an analog transmission system to a digital transmission system. The conversion from broadcasting in the analog format to the digital format is expensive. The Company's conversion to a low-power DTV signal required an average initial capital expenditure of approximately \$0.2 million per station. All of the television stations that we and Mission own and operate are broadcasting at least a low-power digital television signal.

---

## **Table of Contents**

Except for stations that have requested waiver of the FCC's deadline for construction, broadcast television stations are required to be broadcasting a full-power DTV signal. As of March 31, 2008, Mission's stations WUTR, WTVO, WYOU, KRBC and KAMC and Nexstar's stations WBRE, WROC, KARK, KNWA, KFTA, WMBD, WTAJ, WLYH, KSFX, WQRF, KTAL, WCIA, WTVW, KTAB, KARD and KLBK are broadcasting with full-power DTV signals. The FCC has authorized Nexstar and Mission to operate DTV facilities for its remaining stations at low-power until certain dates established by the FCC. The FCC has established May 18, 2008 as the deadline for Nexstar stations KAMR, KBTW, KFDX, WDHN, WFFT, WFXV, WTWO, KMID and KSNF and Mission stations KJTL, KCIT, KSAN, WFXW, WFXP and KODE. The FCC also has established August 18, 2008 as the deadline for Nexstar stations KSVI and KLST and Mission station KHMT and has established February 17, 2009 as the deadline for Nexstar stations KQTV, WCFN, WJET and WHAG and Mission station KOLR.

Extension requests were filed with the FCC on March 19, 2008 for the Nexstar and Mission stations with permit expiration dates of May 18, 2008 unless the stations were expected to begin DTV full-power operations by the May 18, 2008 deadline. Extension requests will be filed with the FCC on or before June 19, 2008 (the due date for such filings) for the Nexstar and Mission stations with permit expiration dates of August 18, 2008 unless the stations were expected to begin DTV full-power operations by the August 18, 2008 deadline. All of the Nexstar stations with February 17, 2009 DTV construction deadlines are expected to be operating at DTV full-power on or before February 17, 2009.

DTV conversion expenditures were \$2.8 million and \$3.7 million, respectively, for the three months ended March 31, 2008 and 2007. We estimate that it will require an average capital expenditure of approximately \$1.5 million per station (for 22 stations as of March 31, 2008) to modify our and Mission's remaining stations' DTV transmitting equipment for full-power DTV operations, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. We anticipate these expenditures will be funded through available cash on hand and cash generated from operations as incurred in future years.

### ***No Off-Balance Sheet Arrangements***

At March 31, 2008, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. All of our arrangements with Mission are on-balance sheet arrangements. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

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

Our condensed consolidated financial statements have been prepared in accordance with U.S. GAAP which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenue and expenses during the period. On an ongoing basis, we evaluate our estimates, including those related to goodwill and intangible assets, bad debts, broadcast rights, trade and barter, income taxes, commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Results of operations for interim periods are not necessarily indicative of results for the full year.

Information with respect to our critical accounting policies which we believe could have the most significant effect on our reported results and require subjective or complex judgments by management is contained on pages 51 through 54 in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. Management believes that as of March 31, 2008 there has been no material change to this information.

### ***Recent Accounting Pronouncements***

Refer to Note 2 of our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a discussion of recently issued accounting pronouncements, including our expected date of adoption and effects on results of operations and financial position.

### ***Cautionary Note Regarding Forward-Looking Statements***

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including: any projections or expectations of earnings, revenue, financial performance, liquidity and capital resources or other financial items; any assumptions or projections about the television broadcasting industry; any statements of our plans, strategies and objectives for our future operations, performance, liquidity and capital resources or other financial items; any statements



Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 10-Q

concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions

**Table of Contents**

underlying any of the foregoing. Forward-looking statements may include the words may, will, should, could, would, predicts, potential, continue, expects, anticipates, future, intends, plans, believes, estimates and other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ from this projection or assumption in any of our forward-looking statements. Our future financial position and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties, including those described in our Annual Report on Form 10-K for the year ended December 31, 2007 and in our other filings with the Securities and Exchange Commission. The forward-looking statements made in this Quarterly Report on Form 10-Q are made only as of the date hereof, and we do not have or undertake any obligation to update any forward-looking statements to reflect subsequent events or circumstances unless otherwise required by law.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk*****Interest Rate Risk***

Our exposure to market risk for changes in interest rates relates primarily to our long-term debt obligations.

The term loan borrowings at March 31, 2008 under the senior credit facilities bear interest at a weighted average interest rate of 4.45%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. The revolving loan borrowings at March 31, 2008 under the senior credit facilities bear interest at a weighted average interest rate of 3.95%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. Interest is payable in accordance with the credit agreements.

The following table estimates the changes to cash flow from operations as of March 31, 2008 if interest rates were to fluctuate by 100 or 50 basis points, or BPS (where 100 basis points represents one percentage point), for a twelve-month period:

	Interest rate decrease		Interest rate increase	
	100 BPS	50 BPS	50 BPS	100 BPS
Senior credit facilities	\$ 4,008	\$ 2,004	\$ (2,004)	\$ (4,008)

(in thousands)

Our 7% senior subordinated notes due 2014 and our 11.375% senior discount notes due 2013 are fixed rate debt obligations and therefore do not result in a change in our cash flow from operations. As of March 31, 2008, we have no financial instruments in place to hedge against changes in the benchmark interest rates on this fixed rate debt.

***Impact of Inflation***

We believe that our results of operations are not affected by moderate changes in the inflation rate.

**ITEM 4. Controls and Procedures*****Evaluation of Disclosure Controls and Procedures***

Nexstar's management, with the participation of its President and Chief Executive Officer along with its Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report of the effectiveness of the design and operation of Nexstar's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934.

Based upon that evaluation, Nexstar's President and Chief Executive Officer and its Chief Financial Officer concluded that as of the end of the period covered by this report, Nexstar's disclosure controls and procedures were effective in ensuring that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to Nexstar's management, including its President and Chief Executive Officer and its Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control over Financial Reporting*

During the quarterly period as of the end of the period covered by this report, there have been no changes in Nexstar's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

**Table of Contents**

**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

From time to time, Nexstar and Mission are involved in litigation that arises from the ordinary operations of business, such as contractual or employment disputes or other general actions. In the event of an adverse outcome of these proceedings, Nexstar and Mission believe the resulting liabilities would not have a material adverse effect on Nexstar's and Mission's financial condition or results of operations.

**ITEM 1A. Risk Factors**

There are no material changes from the risk factors previously disclosed in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2007.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**ITEM 3. Defaults Upon Senior Securities**

None.

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

None.

**ITEM 5. Other Information**

None.

**ITEM 6. Exhibits**

**Exhibit No. Exhibit Index**

31.1	Certification of Perry A. Sook pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Matthew E. Devine pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Perry A. Sook pursuant to 18 U.S.C. ss. 1350.*
32.2	Certification of Matthew E. Devine pursuant to 18 U.S.C. ss. 1350.*

\* Filed herewith

**Table of Contents**

**SIGNATURES**

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

NEXSTAR BROADCASTING GROUP, INC.

/s/ PERRY A. SOOK

**By: Perry A. Sook**  
**Its: President and Chief Executive Officer**  
**(Principal Executive Officer)**

/s / MATTHEW E. DEVINE

**By: Matthew E. Devine**  
**Its: Chief Financial Officer**  
**(Principal Accounting and Financial Officer)**

Dated: May 9, 2008