

NEXSTAR BROADCASTING GROUP INC

Form 10-Q

November 09, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

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)

Delaware  
(State of Incorporation or Organization)    23-3083125  
(I.R.S. Employer Identification No.)

5215 N. O'Connor Blvd., Suite 1400, Irving,  
Texas    75039  
(Address of Principal Executive Offices)    (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. 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

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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 November 4, 2011, the registrant had 15,387,131 shares of Class A Common Stock and 13,411,588 shares of Class B Common Stock outstanding.

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TABLE OF CONTENTS

|               | Page  |    |
|---------------|---|----|
| PART I        | FINANCIAL INFORMATION   |    |
| ITEM 1.       | Financial Statements (Unaudited)  |    |
|               | Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010                              | 1  |
|               | Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010   | 2  |
|               | Condensed Consolidated Statement of Changes in Stockholders' Deficit for the nine months ended September 30, 2011 | 3  |
|               | Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010             | 4  |
|               | Notes to Condensed Consolidated Financial Statements  | 5  |
| ITEM 2.       | Management's Discussion and Analysis of Financial Condition and Results of Operations                             | 25 |
| ITEM 3.       | Quantitative and Qualitative Disclosures about Market Risk  | 35 |
| ITEM 4.       | Controls and Procedures   | 35 |
| PART II       | OTHER INFORMATION   |    |
| ITEM 1.       | Legal Proceedings   | 36 |
| ITEM 1A.      | Risk Factors  | 36 |
| ITEM 2.       | Unregistered Sales of Equity Securities and Use of Proceeds   | 36 |
| ITEM 3.       | Defaults Upon Senior Securities   | 36 |
| ITEM 4.       | Reserved  | 36 |
| ITEM 5.       | Other Information   | 36 |
| ITEM 6.       | Exhibits  | 36 |
| EXHIBIT INDEX |   |    |



## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

NEXSTAR BROADCASTING GROUP, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except share information, unaudited)

|  | September<br>30, 2011 | December 31,<br>2010 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$7,814               | \$ 23,658            |
| Accounts receivable, net of allowance for doubtful accounts of \$872 and \$2,075, respectively | 60,689                | 63,501               |
| Current portion of broadcast rights  | 20,538                | 18,056               |
| Prepaid expenses and other current assets  | 1,681                 | 1,986                |
| Deferred tax asset   | 15                    | 15                   |
| Total current assets   | 90,737                | 107,216              |
| Property and equipment, net  | 141,800               | 137,036              |
| Broadcast rights   | 11,461                | 11,749               |
| Goodwill   | 109,684               | 109,059              |
| FCC licenses   | 115,467               | 106,789              |
| FCC licenses of Mission  | 20,698                | 20,698               |
| Other intangible assets, net   | 84,775                | 102,494              |
| Other noncurrent assets  | 7,485                 | 6,918                |
| Deferred tax asset   | 566                   | 577                  |
| Total assets   | \$582,673             | \$ 602,536           |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |                       |                      |
| Current liabilities:   |                       |                      |
| Current portion of debt  | \$1,500               | \$ 1,000             |
| Current portion of broadcast rights payable  | 17,448                | 15,290               |
| Accounts payable   | 9,240                 | 10,372               |
| Accrued expenses   | 11,719                | 8,536                |
| Taxes payable  | 257                   | 380                  |
| Interest payable   | 15,628                | 9,270                |
| Deferred revenue   | 2,485                 | 2,803                |
| Other liabilities of Mission   | 5,126                 | 4,857                |
| Other liabilities  | 1,130                 | 1,086                |
| Total current liabilities  | 64,533                | 53,594               |
| Debt   | 621,392               | 642,100              |
| Broadcast rights payable   | 10,574                | 10,884               |
| Deferred tax liabilities   | 39,260                | 36,230               |
| Deferred revenue   | 539                   | 889                  |
| Deferred gain on sale of assets  | 2,299                 | 2,495                |
| Deferred representation fee incentive  | 4,499                 | 4,963                |
| Other liabilities of Mission   | 17,871                | 17,539               |
| Other liabilities  | 8,673                 | 9,007                |
| Total liabilities  | 769,640               | 777,701              |

## Commitments and contingencies

## Stockholders' deficit:

|   |            |            |
|---|------------|------------|
| Preferred stock - \$0.01 par value, 200,000 shares authorized; none issued and outstanding at each of September 30, 2011 and December 31, 2010  | —          | —          |
| Class A Common stock - \$0.01 par value, 100,000,000 shares authorized; 15,387,131 and 15,038,839 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively | 154        | 150        |
| Class B Common stock - \$0.01 par value, 20,000,000 shares authorized; 13,411,588 shares issued and outstanding at each of September 30, 2011 and December 31, 2010                       | 134        | 134        |
| Class C Common stock - \$0.01 par value, 5,000,000 shares authorized; none issued and outstanding at each of September 30, 2011 and December 31, 2010                                     | —          | —          |
| Additional paid-in capital  | 406,355    | 403,006    |
| Accumulated deficit   | (593,610 ) | (578,455 ) |
| Total stockholders' deficit   | (186,967 ) | (175,165 ) |
| Total liabilities and stockholders' deficit   | \$582,673  | \$ 602,536 |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

NEXSTAR BROADCASTING GROUP, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share amounts, unaudited)

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |             |
|--|-------------------------------------|------------|------------------------------------|-------------|
|  | 2011                                | 2010       | 2011                               | 2010        |
| Net revenue  | \$74,839                            | \$73,126   | \$220,289                          | \$216,294   |
| Operating expenses:  |                                     |            |                                    |             |
| Direct operating expenses, excluding depreciation and amortization                     | 20,826                              | 19,669     | 59,634                             | 58,232      |
| Selling, general, and administrative expenses, excluding depreciation and amortization | 26,346                              | 23,986     | 76,313                             | 71,990      |
| Amortization of broadcast rights   | 6,650                               | 5,421      | 17,499                             | 15,728      |
| Amortization of intangible assets  | 7,213                               | 5,932      | 20,411                             | 17,851      |
| Depreciation   | 5,618                               | 5,252      | 16,053                             | 15,889      |
| Loss (gain) on asset disposal, net   | (82 )                               | 10         | 20                                 | (34 )       |
| Total operating expenses   | 66,571                              | 60,270     | 189,930                            | 179,656     |
| Income from operations   | 8,268                               | 12,856     | 30,359                             | 36,638      |
| Interest expense, net  | (13,069 )                           | (14,309 )  | (40,082 )                          | (40,153 )   |
| Loss on extinguishment of debt   | —                                   | (65 )      | (1,155 )                           | (7,874 )    |
| Loss before income taxes   | (4,801 )                            | (1,518 )   | (10,878 )                          | (11,389 )   |
| Income tax expense   | (1,458 )                            | (1,477 )   | (4,277 )                           | (4,700 )    |
| Net loss   | \$(6,259 )                          | \$(2,995 ) | \$(15,155 )                        | \$(16,089 ) |
| Net loss per common share:   |                                     |            |                                    |             |
| Basic and diluted  | \$(0.22 )                           | \$(0.11 )  | \$(0.53 )                          | \$(0.57 )   |
| Weighted average number of common shares outstanding:                                  |                                     |            |                                    |             |
| Basic and diluted  | 28,799                              | 28,432     | 28,568                             | 28,431      |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.



NEXSTAR BROADCASTING GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT  
For the Nine Months Ended September 30, 2011  
(in thousands, except share information, unaudited)

|   | Preferred Stock |        | Common Stock   |                |                |                | Additional     |                | Accumulated Deficit | Total Stockholders' Deficit |                 |
|---|-----------------|--------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|-----------------------------|-----------------|
|   | Shares          | Amount | Class A Shares | Class A Amount | Class B Shares | Class B Amount | Class C Shares | Class C Amount |                     |                             | Paid-In Capital |
| Balance as of December 31, 2010           | —               | \$—    | 15,038,839     | \$ 150         | 13,411,588     | \$ 134         | —              | \$—            | \$ 403,006          | \$ (578,455 )               | \$ (175,165 )   |
| Stock-based compensation expense          | —               | —      | —              | —              | —              | —              | —              | —              | 863                 | —                           | 863             |
| Exercise of stock options                 | —               | —      | 14,000         | 1              | —              | —              | —              | —              | 66                  | —                           | 67              |
| Issuance of stock for station acquisition | —               | —      | 334,292        | 3              | —              | —              | —              | —              | 2,420               | —                           | 2,423           |
| Net loss                                  | —               | —      | —              | —              | —              | —              | —              | —              | —                   | (15,155 )                   | (15,155 )       |
| Balance as of September 30, 2011          | —               | \$—    | 15,387,131     | \$ 154         | 13,411,588     | \$ 134         | —              | \$—            | \$ 406,355          | \$ (593,610 )               | \$ (186,967 )   |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

NEXSTAR BROADCASTING GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands, unaudited)

|   | Nine Months Ended<br>September 30, |             |
|---|------------------------------------|-------------|
|   | 2011                               | 2010        |
| Cash flows from operating activities:   |                                    |             |
| Net loss  | \$(15,155 )                        | \$(16,089 ) |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                                    |             |
| Deferred income taxes   | 3,914                              | 4,344       |
| Provision for bad debts   | 1,517                              | 1,026       |
| Depreciation of property and equipment  | 16,053                             | 15,889      |
| Amortization of intangible assets   | 20,411                             | 17,851      |
| Amortization of debt financing costs  | 1,292                              | 1,646       |
| Amortization of broadcast rights, excluding barter                              | 7,662                              | 7,221       |
| Payments for broadcast rights   | (8,008 )                           | (7,422 )    |
| Payment-in-kind interest accrued to debt  | 21                                 | 723         |
| Loss (gain) on asset disposal, net  | 20                                 | (34 )       |
| Loss on extinguishment of debt  | 1,155                              | 7,874       |
| Premium on debt extinguishment, net   | (254 )                             | (1,335 )    |
| PIK interest paid upon debt extinguishment                                      | (215 )                             | (7,047 )    |
| Issue discount paid upon debt extinguishment                                    | (3,126 )                           | (1,454 )    |
| Deferred gain recognition   | (327 )                             | (328 )      |
| Amortization of debt discount   | 1,397                              | 7,253       |
| Amortization of deferred representation fee incentive                           | (464 )                             | (466 )      |
| Stock-based compensation expense  | 863                                | 2,495       |
| Changes in operating assets and liabilities, net of acquisitions:               |                                    |             |
| Accounts receivable   | 1,343                              | 2,434       |
| Prepaid expenses and other current assets                                       | 447                                | (282 )      |
| Other noncurrent assets   | 4                                  | (91 )       |
| Accounts payable and accrued expenses   | 1,344                              | 3,167       |
| Taxes payable   | (123 )                             | (46 )       |
| Interest payable  | 6,358                              | 12,302      |
| Deferred revenue  | (668 )                             | (1,297 )    |
| Other liabilities of Mission  | (161 )                             | (582 )      |
| Other noncurrent liabilities  | (334 )                             | (513 )      |
| Net cash provided by operating activities                                       | 34,966                             | 47,239      |
| Cash flows from investing activities:   |                                    |             |
| Purchases of property and equipment   | (10,842 )                          | (11,882 )   |
| Proceeds from insurance on casualty loss  | 94                                 | 459         |
| Payments for acquisitions   | (21,064 )                          | —           |
| Net cash used in investing activities   | (31,812 )                          | (11,423 )   |
| Cash flows from financing activities:   |                                    |             |
| Repayments of long-term debt  | (87,832 )                          | (340,729 )  |
| Payments for debt financing costs   | (533 )                             | (4,187 )    |
| Consideration paid for debt extinguishments                                     | —                                  | (2,730 )    |
| Proceeds from issuance of long-term debt  | 69,300                             | 316,839     |
| Proceeds from exercise of stock options   | 67                                 | 2           |

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|  |           |           |
|--|-----------|-----------|
| Net cash used in financing activities                        | (18,998 ) | (30,805 ) |
| Net (decrease) increase in cash and cash equivalents         | (15,844 ) | 5,011     |
| Cash and cash equivalents at beginning of period             | 23,658    | 12,752    |
| Cash and cash equivalents at end of period                   | \$7,814   | \$17,763  |
| Supplemental information:                                    |           |           |
| Interest paid  | \$34,208  | \$26,581  |
| Income taxes paid, net                                       | \$499     | \$416     |
| Non-cash investing and financing activities:                 |           |           |
| Accrued debt financing costs                                 | \$30      | \$204     |
| Accrued purchases of property and equipment                  | \$1,068   | \$382     |
| Purchases of property and equipment through trade            | \$430     | \$—       |
| Station acquisition through issuance of Class A common stock | \$2,423   | \$—       |

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

NEXSTAR BROADCASTING GROUP, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business Operations

As of September 30, 2011, Nexstar Broadcasting Group, Inc. (“Nexstar”) owned, operated, programmed or provided sales and other services to 61 television stations and 14 digital multi-cast channels, including those owned by Mission Broadcasting, Inc. (“Mission”), in 36 markets in the states of Illinois, Indiana, Maryland, Missouri, Montana, Texas, Pennsylvania, Louisiana, Arkansas, Alabama, New York, Rhode Island, Utah, Florida, Wisconsin and Michigan. The stations are affiliates of NBC (12 stations), CBS (13 stations), ABC (10 stations), FOX (11 stations), MyNetworkTV (7 stations and one digital multi-cast channel), The CW (4 stations), LATV (2 digital multi-cast channels), Azteca America (1 station), Telemundo (1 digital multi-cast channel) and Bounce TV (10 digital multi-cast channels) and three of our stations are independent. Through various local service agreements, Nexstar provided sales, programming and other services to 25 stations and seven digital multi-cast channels 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.

In June 2011, Nexstar’s Board of Directors retained Moelis & Company as its financial advisor to assist with the exploration and evaluation of strategic alternatives intended to maximize stockholder value, including a possible sale of the Company. The Company has not made a decision to pursue any specific strategic transaction or other strategic alternative and there is no set timetable for the process, so there can be no assurance that the exploration of strategic alternatives will result in a sale of the Company or any other transaction.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of Nexstar and its subsidiaries. Also included in the Condensed Consolidated Financial Statements are the accounts of the independently-owned variable interest entity (“VIE”), Mission (Nexstar and Mission are collectively referred to as the “Company”). Where the assets of Mission are not available to be used to settle the obligations of Nexstar, they are presented as the assets of Mission on the Condensed Consolidated Balance Sheets. Conversely, where the creditors of Mission do not have recourse to the general credit of Nexstar, the related liabilities are presented as the liabilities of Mission on the Condensed Consolidated Balance Sheets. Nexstar management evaluates each arrangement that may include variable interests and determines the need to consolidate an entity where it determines Nexstar is the primary beneficiary of a VIE in accordance with related authoritative literature and interpretive guidance.

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

Liquidity

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.

During 2011, Nexstar Finance Holdings, Inc. (“Nexstar Holdings”), a wholly-owned subsidiary of Nexstar, redeemed the balance of its 11.375% senior discount notes due 2013 (“11.375% Notes”) by a redemption of \$12.5 million in January 2011, a repurchase of \$0.2 million in January 2011 and a redemption of the remaining balance of \$33.2

million in May 2011. Nexstar Broadcasting, Inc. ("Nexstar Broadcasting"), a wholly-owned indirect subsidiary of Nexstar, repurchased additional outstanding notes during the nine months ended September 30, 2011, including \$7.5 million of 7% senior subordinated notes due 2014 and \$24.2 million of 7% senior subordinated PIK notes due 2014. The Company also repaid scheduled maturities on its senior secured credit facilities. See Note 7 for more details related to these transactions.

Additionally, in April 2011, Nexstar Broadcasting entered into an amendment to Nexstar's senior secured credit facility. The amendment provided \$50.0 million additional funding, which was used for the May redemption of the 11.375% Notes, repurchases of additional outstanding notes and general corporate purposes. See Note 7 for more details related to this amendment. Additionally, on July 1, 2011, Nexstar Broadcasting borrowed \$19.3 million from its revolving loan in its senior secured credit facility in connection with the purchase of two stations. See Note 3 for more details related to this transaction. Nexstar Broadcasting repaid \$12.5 million of its outstanding revolving loan on September 30, 2011.

#### Interim Financial Statements

The Condensed Consolidated Financial Statements as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010 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 (the "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, 2010. The balance sheet at December 31, 2010 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.

#### Mission

Mission is included in these Condensed Consolidated Financial Statements because Nexstar is deemed to have a controlling financial interest in Mission as a VIE for financial reporting purposes 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 secured credit facility (see Note 12), (c) Nexstar having power over significant activities affecting Mission's economic performance, including budgeting for advertising revenue, advertising and hiring and firing of sales force personnel and (d) purchase options granted by Mission which will permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to Federal Communications Commission ("FCC") consent. The purchase options are freely exercisable or assignable by Nexstar without consent or approval by Mission 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 expire on various dates between 2012 and 2021. The Company expects these option agreements, if unexercised, will be renewed upon expiration. As of September 30, 2011, the assets of Mission consisted of current assets of \$3.7 million (excluding broadcast rights), broadcast rights of \$5.4 million, FCC licenses of \$20.7 million, goodwill of \$18.7 million, other intangible assets of \$16.5 million, property and equipment of \$23.8 million and other noncurrent assets of \$1.3 million. Substantially all of Mission's assets, except for its FCC licenses, collateralize its secured debt obligation. See Note 13 for a presentation of condensed consolidating financial information of the Company, which includes the accounts of Mission.

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 September 30, 2011:

Service Agreements Mission Stations

TBA Only(1) WFXP and KHMT

SSA & JSA(2) KJTL, KJBO-LP, KOLR, KCIT, KCPN-LP, KAMC, KRBC, KSAN,  
WUTR, WAWV, 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. Each 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. Each JSA permits Nexstar to sell the station’s advertising time 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's ability to receive cash from Mission is governed by these local service agreements. Under the local service agreements, Nexstar has received substantially all of Mission's available cash, after satisfaction of operating costs and debt obligations. Nexstar anticipates it will continue to receive substantially all of Mission's available cash, after satisfaction of its operating costs and debt obligations. In compliance with FCC regulations for both Nexstar and Mission, 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 the station. The term local service agreements generally refers 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. In addition to those with Mission, Nexstar has VIEs in connection with local service agreements entered into with stations as 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 has a variable interest in WHP, the CBS affiliate in Harrisburg, Pennsylvania, which is owned by Newport Television License, LLC ("Newport"), 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 and Newport and has determined that it is not the primary beneficiary of the variable interests because it does not have the ultimate power to direct the activities that most significantly impact the economic performance of the stations, including developing the annual operating budget, programming and oversight and control of sales management personnel. Therefore Nexstar has not consolidated these stations under authoritative guidance related to the consolidation of variable interest entities. 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 consists 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. Nexstar made payments to Sinclair under the outsourcing agreements of \$1.0 million and \$1.2 million for the three months ended September 30, 2011 and 2010, respectively and \$3.7 million and \$3.2 million for the nine months then ended. Nexstar has a balance in accounts payable to Sinclair for fees under these arrangements in the amount of \$0.5 million as of September 30, 2011. Nexstar also has receivables in the amount of \$2.2 million for advertising aired on these two stations.

Nexstar has also determined that it has a variable interest in Four Points Media Group Holdings, LLC ("Four Points") due to a management services agreement between the two companies. Four Points owns and operates seven individual stations in four markets. Under this agreement, Nexstar manages the stations for Four Points but does not have ultimate control over the policies or operations of the stations. Nexstar has evaluated the business arrangement with Four Points and concluded that Nexstar is not the primary beneficiary of the variable interest because it does not have the ultimate power to direct the activities that most significantly impact the economic performance of the stations, including developing the annual operating budget, setting advertising rates, programming and oversight and control of employees responsible for carrying out business activities of the stations. Therefore, Nexstar does not consolidate Four Points' financial results into its own. As of September 30, 2011, Nexstar had a balance in accounts receivable



from Four Points of \$1.0 million, of which \$0.5 million relates to incentive fees recorded in the three months ended September 30, 2011 for meeting certain financial targets. Nexstar owes Four Points for retransmission revenue it collects on Four Points' behalf of \$0.4 million as of September 30, 2011, which is recorded as an accrued expense. Nexstar must indemnify Four Points for any claim or liability that arises out of its acts or omissions related to the agreement. For this reason, the maximum exposure to loss as a result of this agreement with Four Points is not determinable. In September 2011, Four Points entered into a definitive agreement to sell their stations to Sinclair Broadcast Group. The management services agreement will terminate at the earlier of the closing of the sale or March 31, 2012.

## 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 outstanding. For the three and nine months ended September 30, 2011 and 2010, the effect of potential common shares was anti-dilutive due to the net losses and was excluded from the computation of diluted net loss per share. Options were outstanding to purchase the following weighted-average shares of Nexstar's Class A common stock:

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2011                                | 2010      | 2011                               | 2010      |
| Options with a potentially dilutive effect       | 1,454,212                           | 446,593   | 1,350,007                          | 595,237   |
| Out-of-the-money and other anti-dilutive options | 2,316,788                           | 3,282,591 | 2,429,967                          | 3,172,268 |
| Total options                                    | 3,771,000                           | 3,729,184 | 3,779,974                          | 3,767,505 |

## Basis of Presentation

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

## Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements ("ASU 2009-13"). ASU 2009-13 allows the use of companies' estimated selling prices as the value for deliverable elements under certain circumstances and eliminates the use of the residual method for allocation of deliverable elements. The Company adopted this guidance effective January 1, 2011, and the adoption had no impact to the Company's financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 clarifies certain topics regarding fair value measurement and adds some disclosures for fair value measurements. The update is effective for the Company beginning on January 1, 2012. The Company does not expect the implementation of this standard to have a material impact on its financial position or results of operations.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment (Topic 350) ("ASU 2011-08"). ASU 2011-08 allows companies to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the annual two-step goodwill impairment test. The update is effective for the Company's goodwill impairment testing performed in the fourth quarter of 2012, but early adoption is permitted, including for the Company's 2011 testing. The Company does not expect the implementation of this standard to have a material impact on its financial position or results of operations.

### 3. Acquisitions

On July 1, 2011, Nexstar Broadcasting acquired the assets of WFRV and WJMN, the CBS affiliates serving the Green Bay, Wisconsin and Marquette, Michigan markets, respectively, from an affiliate of Liberty Media Corporation for \$21.5 million. This acquisition allows the Company entrance into these markets. The purchase consideration is comprised of \$19.1 million of cash, borrowed under Nexstar Broadcasting's senior secured credit facility, and the issuance of 334,292 unregistered shares of Nexstar Class A common stock, valued at \$2.4 million.

The fair values of the assets acquired and liabilities assumed in the acquisition are as follows (in thousands):

|                                |          |
|--------------------------------|----------|
| Broadcast rights               | \$286    |
| Prepaid tower lease            | 1,037    |
| Property and equipment         | 9,525    |
| FCC licenses                   | 8,678    |
| Network affiliation agreement  | 1,784    |
| Other intangibles              | 159      |
| Goodwill                       | 439      |
| Other assets                   | 94       |
| Total assets acquired          | 22,002   |
| Less: Broadcast rights payable | (365 )   |
| Less: Accrued expenses         | (149 )   |
| Net assets acquired            | \$21,488 |

The fair value assigned to goodwill is attributable to future expense reductions utilizing management's leverage in programming and other station operating costs. The goodwill is deductible for tax purposes. The intangible asset related to the network affiliation agreement acquired will be amortized over 15 years.

On July 14, 2011, Nexstar acquired the assets of internet technology provider GoLocal.Biz for \$1.0 million. GoLocal.Biz provides local business directory, coupon, movie and entertainment listings to all 35 of Nexstar's community portal websites and to other U.S. local market clients.

The fair values of the assets acquired and liabilities assumed in the acquisition are as follows (in thousands):

|                                      |         |
|--------------------------------------|---------|
| Accounts receivable                  | \$48    |
| Property and equipment               | 16      |
| Software and other intangible assets | 750     |
| Goodwill                             | 186     |
| Total assets acquired                | \$1,000 |

The fair value assigned to goodwill is attributable to future revenue growth and expense reductions utilizing our large sales force and management's experience in eMedia. The goodwill is deductible for tax purposes. The intangible asset related to the software acquired will be amortized over five years.

The above acquisitions are immaterial, both individually and in aggregate, therefore we have not provided pro forma information for these acquisitions.

On August 8, 2011, Nexstar signed a definitive agreement to acquire the assets of WEHT, the ABC affiliate serving the Evansville, Indiana market, from Gilmore Broadcasting Corporation for approximately \$18.5 million in cash, subject to adjustments for working capital acquired. In addition, on August 8, 2011, Nexstar signed a definitive

agreement to sell the FCC licenses and certain equipment of WTVW to Mission for \$6.7 million in cash. Upon consummation of the sale of WTVW, Nexstar expects to sign local service agreements with Mission for WTVW, similar to Nexstar's existing local service arrangements with Mission. Both transactions have been approved by the FCC and the Company expects them to close on December 1, 2011. Nexstar and Mission intend to fund the acquisitions with borrowings from the revolving loans under their senior secured credit facilities.

## 4. Fair Value Measurements

In accordance with authoritative literature pertaining to fair value measurements for financial assets and financial liabilities measured on a recurring basis the Company utilizes the following categories of methodology for valuation of such financial assets and liabilities:

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).

The Company invests in short-term interest bearing obligations with original maturities less than 90 days, primarily money market funds. The Company does not enter into investments for trading or speculative purposes. As of September 30, 2011 and December 31, 2010, the Company had \$0.8 million and \$17.2 million, respectively, invested in money market investments, which are carried at fair value. The Company has determined that the fair value of the money market investment is defined as Level 1 in the fair value hierarchy. See Note 7 for fair value disclosures related to the Company's debt.

## 5. Intangible Assets and Goodwill

Intangible assets subject to amortization consisted of the following (in thousands):

|  | Estimated useful life, in years | September 30, 2011 |                          |          | December 31, 2010 |                          |           |
|--|---------------------------------|--------------------|--------------------------|----------|-------------------|--------------------------|-----------|
|  |                                 | Gross              | Accumulated Amortization | Net      | Gross             | Accumulated Amortization | Net       |
| Network affiliation agreements         | 15                              | \$319,395          | \$ (237,350 )            | \$82,045 | \$344,662         | \$ (244,712 )            | \$99,950  |
| Other definite-lived intangible assets | 1-15                            | 14,287             | (11,557 )                | 2,730    | 13,464            | (10,920 )                | 2,544     |
| Other intangible assets                |                                 | \$333,682          | \$ (248,907 )            | \$84,775 | \$358,126         | \$ (255,632 )            | \$102,494 |

Total amortization expense from definite-lived intangibles was \$7.2 million and \$5.9 million for the three months ended September 30, 2011 and 2010, respectively, and \$20.4 million and \$17.9 million for the nine months then ended. In the second quarter of 2011, the Company was notified by FOX Broadcasting Company that the affiliation agreement with three of its stations would be terminated. WTVW in Evansville, Indiana terminated effective June 30, 2011, WFFT in Ft. Wayne, Indiana terminated effective July 31, 2011 and KSFY in Springfield, Missouri terminated August 31, 2011. The intangible assets related to these affiliation agreements were amortized through the date of their terminations, resulting in incremental amortization expense of \$3.0 million for the nine months ended September 30, 2011. We are in continued negotiations with FOX Broadcasting Company for the renewal of our remaining FOX affiliate stations and expect to sign a new FOX affiliation agreement by the first quarter of 2012.

The following table presents the Company's estimate of amortization expense for the remainder of 2011, each of the five succeeding years ended December 31 and thereafter for definite-lived intangibles assets as of September 30, 2011

(in thousands):

|                   |         |
|-------------------|---------|
| Remainder of 2011 | \$5,550 |
| 2012              | 21,859  |
| 2013              | 16,733  |
| 2014              | 10,666  |
| 2015              | 9,279   |
| 2016              | 5,525   |
| Thereafter        | 15,163  |

The amounts recorded to goodwill and FCC licenses were as follows (in thousands):

|                                     | Gross      | Goodwill<br>Accumulated<br>Impairment | Net        | Gross      | FCC Licenses<br>Accumulated<br>Impairment | Net        |
|-------------------------------------|------------|---------------------------------------|------------|------------|---|------------|
| Balance as of December 31,<br>2010  | \$ 155,275 | \$ (46,216 )                          | \$ 109,059 | \$ 177,689 | \$ (50,202 )                              | \$ 127,487 |
| Acquisition of WFRV/WJMN            | 439        | —                                     | 439        | 8,678      | —   | 8,678      |
| Acquisition of GoLocal.Biz          | 186        | —                                     | 186        | —          | —   | —          |
| Balance as of September 30,<br>2011 | \$ 155,900 | \$ (46,216 )                          | \$ 109,684 | \$ 186,367 | \$ (50,202 )                              | \$ 136,165 |

The Company expenses as incurred any costs to renew or extend its FCC licenses. 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 September 30, 2011, the Company did not identify any events that would trigger an impairment assessment. The FCC licenses acquired for WFRV and WJMN currently expire on December 1, 2013 and October 1, 2013, respectively, when they are subject to renewal. The CBS network affiliation agreement acquired for WFRV and WJMN continues through April 16, 2014, when it is subject to renewal.

#### 6. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

|  | September<br>30, 2011 | December<br>31, 2010 |
|--|-----------------------|----------------------|
| Compensation and related taxes               | \$5,044               | \$3,195              |
| Sales commissions                            | 1,340                 | 1,426                |
| Employee benefits                            | 837                   | 719                  |
| Property taxes                               | 1,216                 | 344                  |
| Other accruals related to operating expenses | 3,282                 | 2,852                |
|  | \$11,719              | \$8,536              |

#### 7. Debt

Long-term debt consisted of the following (in thousands):

|  | September<br>30, 2011 | December<br>31, 2010 |
|--|-----------------------|----------------------|
| Term loans   | \$ 148,500            | \$ 99,500            |
| Revolving credit facilities  | 6,800                 | —                    |
| 8.875% Senior secured second lien notes due 2017, net of discount of \$6,878 and \$7,564 | 318,122               | 317,436              |
| 7% Senior subordinated notes due 2014, net of discount of \$440 and \$684                | 37,472                | 44,761               |
| 7% Senior subordinated PIK notes due 2014, net of discount of \$595 and \$1,310          | 111,998               | 135,496              |
| 11.375% Senior discount notes due 2013   | —                     | 45,907               |
|  | 622,892               | 643,100              |
| Less: current portion  | (1,500 )              | (1,000 )             |
|  | \$ 621,392            | \$ 642,100           |

#### 2011 Transactions

On July 29, 2011, Nexstar entered into the Fifth Amendment to its Fourth Amended and Restated Credit Agreement and Mission entered into the Third Amendment to its Third Amended and Restated Credit Agreement. The amendments, among other things, removed as an event of default the termination of more than three stations' network affiliation agreements with major networks and lowered the maximum consolidated Nexstar Broadcasting and Mission total leverage ratio to 7.50 to 1.00 through December 30, 2012 and 6.50 to 1.00 thereafter.

On July 1, 2011, Nexstar borrowed \$19.3 million of its revolving loan in its senior secured credit facility in connection with the acquisition of the assets of WFRV and WJMN in Green Bay, Wisconsin and Marquette, Michigan, respectively. See Note 3 for more details on the acquisition. On September 30, 2011, Nexstar repaid \$12.5 million of its outstanding revolving loan balance.



On April 15, 2011, Nexstar Broadcasting entered into an amendment to its senior secured credit facility. The amendment expands Nexstar Broadcasting's Term Loan B by \$50.0 million to \$149.5 million, allows the proceeds of the credit facility to be used to refinance the existing notes held by Nexstar Broadcasting and Nexstar Holdings and retains its incremental term loan capacity of \$100.0 million. The amendment also provides for payment of normal and customary fees and expenses. The net proceeds of the additional Term Loan B funding were used to redeem the remaining balance of the 11.375% senior discount notes due 2013 ("11.375% Notes"), for additional repurchases of outstanding notes and for general corporate purposes. The additional \$50.0 million Term Loan B was funded on May 15, 2011.

On January 15, 2011, Nexstar Holdings redeemed, on a pro rata basis, \$12.5 million of its 11.375% senior discount notes due 2013 ("11.375% Notes"). Nexstar Holdings also repurchased \$0.2 million outstanding 11.375% Notes in January 2011. Both transactions were priced at approximately 102%. On May 16, 2011, Nexstar Holdings redeemed the remaining \$33.2 million balance of its 11.375% Notes at the redemption price of 100.0%. These transactions resulted in a loss on extinguishment of debt of \$0.7 million.

In the nine months ended September 30, 2011, Nexstar Broadcasting repurchased an aggregate of \$24.2 million of its outstanding 7% senior subordinated PIK notes due 2014 ("7% PIK Notes") at prices from 97.75% to 100.5%. These repurchases resulted in a loss on extinguishment of debt of \$0.3 million.

In the nine months ended September 30, 2011, Nexstar Broadcasting repurchased an aggregate of \$7.5 million of its outstanding 7% senior subordinated notes due 2014 ("7% Notes") at prices from 98.25% to 100.5%. These repurchases resulted in a loss on extinguishment of debt of \$0.2 million.

In March, June and September 2011, Nexstar Broadcasting and Mission each paid the contractual maturities under their senior secured credit facilities, for a total payment of \$1.0 million.

#### Unused Commitments and Borrowing Availability

Nexstar Broadcasting and Mission had \$68.2 million of total unused revolving loan commitments under their respective senior secured credit facilities, all of which was available for borrowing, based on the covenant calculations as of September 30, 2011.

#### Debt Covenants

The Nexstar Broadcasting senior secured credit facility agreement contains covenants which require the Company to comply with certain financial covenant ratios, including (1) a maximum consolidated total leverage ratio of Nexstar Broadcasting and Mission of 7.50 to 1.00 at September 30, 2011, (2) a maximum consolidated first lien indebtedness ratio of 2.50 to 1.00 at any time and (3) a minimum consolidated fixed charge coverage ratio of 1.10 to 1.00 at any time. The covenants, which are formally calculated on a quarterly basis, are based on the combined results of Nexstar Broadcasting and Mission. Mission's senior secured credit 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 senior secured credit facility agreement. As of September 30, 2011, the Company was in compliance with all of its covenants.

#### Collateralization and Guarantees of Debt

Nexstar Broadcasting's and Mission's senior secured credit facilities 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 senior secured credit facility in the event of

Mission's default. Similarly, Mission is a guarantor of the Nexstar Broadcasting senior secured credit facility and the senior subordinated notes issued by Nexstar Broadcasting.

## Fair Value of Debt

The aggregate carrying amounts and estimated fair values of the Company's debt were as follows (in thousands):

|  | September 30, 2011 |            | December 31, 2010 |            |
|--|--------------------|------------|-------------------|------------|
|  | Carrying Amount    | Fair Value | Carrying Amount   | Fair Value |
| Term loans(1)                              | \$148,500          | \$145,160  | \$99,500          | \$99,500   |
| Revolving credit facilities(1)             | 6,800              | 6,724      | —                 | —          |
| 8.875% Senior secured second lien notes(2) | 318,122            | 323,781    | 317,436           | 345,313    |
| 7% Senior subordinated notes(2)            | 37,472             | 37,722     | 44,761            | 44,309     |
| 7% Senior subordinated PIK notes(2)        | 111,998            | 112,030    | 135,496           | 129,966    |
| 11.375% Senior discount notes(2)           | —                  | —          | 45,907            | 46,538     |

(1) The fair value of senior secured credit facilities is computed based on borrowing rates currently available to Nexstar and Mission for bank loans with similar terms and average maturities. These fair value measurements are considered Level 3 (significant and unobservable).

(2) The fair value of Nexstar's fixed rate debt is estimated based on bid prices obtained from an investment banking firm that regularly makes a market for these financial instruments. These fair value measurements are considered Level 2 (significant and observable).

## 8. Contract Termination

On March 31, 2008, Nexstar signed a 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. Katz is making the payments on behalf of Nexstar as an inducement for Nexstar to enter into the long-term contract with Katz. A liability of \$7.2 million, representing the present value of the payments Katz is making to Blair, was recorded and is being recognized as a non-cash reduction to operating expenses over the term of the agreement with Katz. Effective May 1, 2009, Nexstar signed another agreement to transfer the remaining Nexstar stations to Katz and its related companies. Moving these contracts resulted in Nexstar cancelling multiple contracts with Blair. As a result, Blair sued the Company for additional termination fees. Katz indemnified the Company for all expenses related to the settlement and defense of this lawsuit. The lawsuit was settled effective May 7, 2010. Termination of these contracts resulted in an additional liability of \$0.2 million, which is being recognized over the remaining contract term with Katz.

As of September 30, 2011, \$0.7 million of this liability was included in other current liabilities and \$4.5 million was included in deferred representation fee incentive in the accompanying Condensed Consolidated Balance Sheet. The Company recognized \$0.2 million of these incentives as a reduction in selling, general, and administrative expense for each of the three months ended September 30, 2011 and 2010 and \$0.6 million for each of the nine months then ended.

## 9. Other Non-Current Liabilities

Other non-current liabilities consist of the following (in thousands):

|               | September 30, 2011 | December 31, 2010 |
|---------------|--------------------|-------------------|
| Deferred rent | \$4,539            | \$4,405           |

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|                               |         |         |
|-------------------------------|---------|---------|
| Software agreement obligation | 3,345   | 3,698   |
| Other                         | 789     | 904     |
|                               | \$8,673 | \$9,007 |

13

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10. Income Taxes

The Company's provision for income taxes is primarily comprised of deferred income taxes resulting from the amortization of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. No tax benefit has been recognized on the Company's taxable losses for the three and nine months ended September 30, 2011 and 2010 as the utilization of such losses is not more likely than not to be realized in the foreseeable future.

The deferred tax liabilities related to goodwill and other indefinite-lived intangible assets 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 before valuation allowance 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 does not believe they are more likely than not to be realized through future taxable earnings.

11. 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 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 to which it provides services. In addition, the U.S. Congress may act to amend the Communications Act or adopt other legislation in a manner that could impact the Company's stations, the stations to which it provides services and the television broadcast industry in general.

The FCC has adopted rules with respect to the final conversion of existing low power and television translator stations to digital operations. The FCC has established a September 1, 2015 deadline by which low power and television translator stations must cease analog operations, with low power and television translator stations operating on channels 52-69 being required to cease operation on those channels by December 31, 2011. The Company holds three low power analog station licenses and 13 analog television translator station licenses, three of which will need to transition to digital operations by December 31, 2011 with the remainder to transition to digital operations by September 1, 2015.

Media Ownership

In 2006, the FCC initiated a rulemaking proceeding to review all of its media ownership rules, as required by the Communications Act. The Commission considered rules relating to ownership of two or more TV stations in a market, ownership of local TV and radio stations by daily newspapers in the same market, cross-ownership of local TV and radio stations, and changes to how the national TV ownership limits are calculated. In February 2008, the FCC adopted modest changes to its newspaper broadcast cross-ownership rule while retaining the rest of its ownership rules then currently in effect. On July 7, 2011, the U.S. Court of Appeals for the Third Circuit vacated the FCC's changes to its newspaper/broadcast cross-ownership rule while upholding the FCC's retention of its other media ownership rules.

The FCC is required by statute to review its media ownership rules every four years and to eliminate those rules it finds no longer serve the "public interest, convenience and necessity." During 2009, the FCC held a series of hearings designed to evaluate possible changes to its rules. In May 2010, the FCC formally initiated its 2010 review of its

media ownership rules with the issuance of a Notice of Inquiry (NOI). The NOI is intended to assist the Commission in establishing a framework within which to analyze whether its media ownership rules remain “necessary in the public interest as a result of competition,” due to the dramatic changes occurring in the media marketplace. Numerous parties have filed comments and reply comments in response to the NOI. In June and July 2011, the FCC released to the public eleven economic studies related to its media ownership rules. The Company believes that the next step will be for the FCC to issue a Notice of Proposed Rulemaking (NPRM) to seek comment on specific proposed changes to its ownership rules. The Company cannot predict when the FCC will issue this NPRM.

## Spectrum

The FCC has initiated various proceedings to assess the availability of spectrum to meet future wireless broadband needs. The FCC's March 2010 "National Broadband Plan" recommends the reallocation of 120 megahertz of the spectrum currently used for broadcast television for wireless broadband use. The FCC has thus far requested comment on proposals that include, among other things, whether to add new frequency allocations in the television bands for licensed fixed and mobile wireless uses, whether to permit two television stations to share a single 6 megahertz channel and whether to implement technical rule modifications to improve the viability of certain channels that are underutilized by digital television stations. At the same time, Congress is considering legislation that would authorize the FCC to conduct incentive auctions whereby spectrum holders, including television broadcasters, could voluntarily relinquish all or part of their spectrum in exchange for consideration. A reallocation of television spectrum for wireless broadband use would likely involve a "repacking" of the television broadcast band, which would require some television stations to change channel or otherwise modify their technical facilities. If Congress or the FCC determines to move forward with one or more of these proposals, it may be to the detriment of the Company's investment in digital facilities, could require substantial additional investment to continue current operations, and may require viewers to invest in additional equipment or subscription services to continue receiving broadcast television signals. The Company cannot predict the resolution of the proposals or their impact to its business.

## Retransmission Consent

On March 3, 2011, the FCC initiated a Notice of Proposed Rulemaking to reexamine its rules (i) governing the requirements for good faith negotiations between MVPDs and broadcasters, including implementing a prohibition on one station negotiating retransmission consent terms for another station under a local service agreement; (ii) for providing advance notice to consumers in the event of dispute; and (iii) to extend certain cable-only obligations to all MVPDs. The FCC has also asked for comment on eliminating the network non-duplication and syndicated exclusivity protection rules, which may permit MVPDs to import out-of-market television stations during a retransmission consent dispute. If the FCC prohibits joint negotiations or modifies the network non-duplication and syndicated exclusivity protection rules, such changes likely would affect the Company's ability to sustain its current level of retransmission consent revenues or grow such revenues in the future and could have an adverse effect on the Company's business, financial condition and results of operations. The Company cannot predict the resolution of the proposals or their impact to its business.

## 12. 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. In the event that Mission is unable to repay amounts due, 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. As of September 30, 2011, Mission had a maximum commitment of \$48.5 million under its senior secured credit facility, of which \$38.5 million of debt was outstanding.

### Indemnification Obligations

In connection with certain agreements into which the Company enters 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.

#### 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, results of operations or cash flows.

On July 25, 2011, Nexstar filed a federal civil antitrust lawsuit in the Northern District of Indiana against Granite Broadcasting Corporation ("Granite") and certain subsidiaries to remedy the anticompetitive impact that has and will be caused by exclusive affiliate agreements Granite has executed with three of the four major television networks (and five of the six national networks) in the Fort Wayne, Indiana Designated Market Area.



13. Condensed Consolidating Financial Information

The following condensed consolidating financial information presents the financial position, results of operations and cash flows of the Company, including each of its 100%, directly or indirectly, owned subsidiaries. This information is presented in lieu of separate financial statements and other related disclosures 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 (not including any subsidiaries). The Nexstar Holdings column presents its financial information (not including any subsidiaries). The Nexstar Broadcasting column presents its financial information. The Mission column presents the financial information of Mission, an entity which Nexstar Broadcasting is required to consolidate as a variable interest entity (see Note 2). Neither Mission nor Nexstar Broadcasting has any subsidiaries.

Prior periods have been reclassified to conform to current presentation.

The Company and its subsidiaries have the following notes outstanding:

1. Nexstar Holdings had the 11.375% Notes outstanding as of December 31, 2010. The 11.375% Notes were fully and unconditionally guaranteed by Nexstar, subject to certain customary release provisions, but not guaranteed by any other entities. The 11.375% Notes were redeemed in full in May 2011.
2. Nexstar Broadcasting has the following notes outstanding:
  - (a) 7% Notes. The 7% Notes are fully and unconditionally guaranteed by Nexstar and Mission, subject to certain customary release provisions. These notes are not guaranteed by any other entities.
  - (b) 7% PIK Notes. The 7% PIK Notes are fully and unconditionally guaranteed by Nexstar and Mission, subject to certain customary release provisions. These notes are not guaranteed by any other entities.
  - (c) 8.875% Notes. The 8.875% Notes are co-issued by Nexstar Broadcasting and Mission, jointly and severally, and fully and unconditionally guaranteed by Nexstar and all of Nexstar Broadcasting's and Mission's future 100% owned domestic subsidiaries, subject to certain customary release provisions. The net proceeds to Mission and Nexstar from the sale of the 8.875% Notes were \$316.8 million, net of \$8.2 million original issuance discount. Mission received \$131.9 million of the net proceeds and \$184.9 million was received by Nexstar Broadcasting. As the obligations under the 8.875% Notes are joint and several to Nexstar Broadcasting and Mission, each entity reflects the full amount of the 8.875% Notes and related accrued interest in their separate financial statements. Further, the portions of the net proceeds and related accrued interest attributable to the respective co-issuer are reflected as a reduction to equity (due from affiliate) in their separate financial statements given the contractual relationships between the entities.

## CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2011

(in thousands)

|   | Nexstar    | Nexstar<br>Broadcasting | Mission    | Nexstar<br>Holdings | Eliminations | Consolidated<br>Company |
|---|------------|-------------------------|------------|---------------------|--------------|-------------------------|
| <b>ASSETS</b>   |            |                         |            |                     |              |                         |
| Current assets:   |            |                         |            |                     |              |                         |
| Cash and cash equivalents                                     | \$—        | \$ 6,318                | \$1,496    | \$—                 | \$—          | \$ 7,814                |
| Due from Mission  | —          | 3,050                   | —          | —                   | (3,050 )     | —                       |
| Other current assets  | —          | 77,297                  | 5,626      | —                   | —            | 82,923                  |
| Total current assets  | —          | 86,665                  | 7,122      | —                   | (3,050 )     | 90,737                  |
| Amounts due from subsidiary<br>eliminated upon consolidation  | 9,778      | —                       | —          | —                   | (9,778 )     | —                       |
| Amounts due from parents<br>eliminated upon consolidation     | —          | 5,462                   | —          | —                   | (5,462 )     | —                       |
| Property and equipment, net                                   | —          | 117,979                 | 23,821     | —                   | —            | 141,800                 |
| Goodwill  | —          | 90,955                  | 18,729     | —                   | —            | 109,684                 |
| FCC licenses  | —          | 115,467                 | 20,698     | —                   | —            | 136,165                 |
| Other intangible assets, net                                  | —          | 68,229                  | 16,546     | —                   | —            | 84,775                  |
| Other noncurrent assets                                       | —          | 16,225                  | 3,287      | —                   | —            | 19,512                  |
| Total assets  | \$9,778    | \$ 500,982              | \$90,203   | \$—                 | \$ (18,290 ) | \$ 582,673              |
| <b>LIABILITIES AND<br/>STOCKHOLDERS' DEFICIT</b>              |            |                         |            |                     |              |                         |
| Current liabilities:  |            |                         |            |                     |              |                         |
| Current portion of debt                                       | \$—        | \$ 1,110                | \$390      | \$—                 | \$—          | \$ 1,500                |
| Due to Nexstar Broadcasting                                   | —          | —                       | 3,050      | —                   | (3,050 )     | —                       |
| Other current liabilities                                     | —          | 57,901                  | 18,352     | —                   | (13,220 )    | 63,033                  |
| Total current liabilities                                     | —          | 59,011                  | 21,792     | —                   | (16,270 )    | 64,533                  |
| Debt  | —          | 583,269                 | 356,245    | —                   | (318,122 )   | 621,392                 |
| Deficiencies in subsidiaries<br>eliminated upon consolidation | 222,385    | —                       | —          | 207,143             | (429,528 )   | —                       |
| Amounts due to subsidiary<br>eliminated upon consolidation    | —          | —                       | —          | 15,240              | (15,240 )    | —                       |
| Other noncurrent liabilities                                  | (3 )       | 65,845                  | 17,871     | 2                   | —            | 83,715                  |
| Total liabilities   | 222,382    | 708,125                 | 395,908    | 222,385             | (779,160 )   | 769,640                 |
| Stockholders' deficit:  |            |                         |            |                     |              |                         |
| Common stock  | 288        | —                       | —          | —                   | —            | 288                     |
| Other stockholders' deficit                                   | (212,892 ) | (207,143 )              | (305,705 ) | (222,385 )          | 760,870      | (187,255 )              |
| Total stockholders' deficit                                   | (212,604 ) | (207,143 )              | (305,705 ) | (222,385 )          | 760,870      | (186,967 )              |
| Total liabilities and<br>stockholders' deficit                | \$9,778    | \$ 500,982              | \$90,203   | \$—                 | \$ (18,290 ) | \$ 582,673              |

## CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2010

(in thousands)

|   | Nexstar    | Nexstar<br>Broadcasting | Mission    | Nexstar<br>Holdings | Eliminations | Consolidated<br>Company |
|---|------------|-------------------------|------------|---------------------|--------------|-------------------------|
| <b>ASSETS</b>   |            |                         |            |                     |              |                         |
| Current assets:   |            |                         |            |                     |              |                         |
| Cash and cash equivalents                                     | \$—        | \$ 22,409               | \$ 1,249   | \$—                 | \$ —         | \$ 23,658               |
| Due from Mission  | —          | 8,423                   | —          | —                   | (8,423 )     | —                       |
| Other current assets  | —          | 78,613                  | 4,945      | —                   | —            | 83,558                  |
| Total current assets  | —          | 109,445                 | 6,194      | —                   | (8,423 )     | 107,216                 |
| Amounts due from subsidiary<br>eliminated upon consolidation  | 6,425      | —                       | —          | —                   | (6,425 )     | —                       |
| Amounts due from parents<br>eliminated upon consolidation     | —          | 6,929                   | —          | —                   | (6,929 )     | —                       |
| Property and equipment, net                                   | —          | 111,368                 | 25,668     | —                   | —            | 137,036                 |
| Goodwill  | —          | 90,330                  | 18,729     | —                   | —            | 109,059                 |
| FCC licenses  | —          | 106,789                 | 20,698     | —                   | —            | 127,487                 |
| Other intangible assets, net                                  | —          | 82,125                  | 20,369     | —                   | —            | 102,494                 |
| Other noncurrent assets                                       | —          | 15,395                  | 3,340      | 509                 | —            | 19,244                  |
| Total assets  | \$6,425    | \$ 522,381              | \$94,998   | \$509               | \$ (21,777 ) | \$ 602,536              |
| <b>LIABILITIES AND<br/>STOCKHOLDERS' DEFICIT</b>              |            |                         |            |                     |              |                         |
| Current liabilities:  |            |                         |            |                     |              |                         |
| Current portion of debt                                       | \$—        | \$ 610                  | \$390      | \$—                 | \$ —         | \$ 1,000                |
| Due to Nexstar Broadcasting                                   | —          | —                       | 8,423      | —                   | (8,423 )     | —                       |
| Other current liabilities                                     | —          | 46,425                  | 10,872     | 1,306               | (6,009 )     | 52,594                  |
| Total current liabilities                                     | —          | 47,035                  | 19,685     | 1,306               | (14,432 )    | 53,594                  |
| Debt  | —          | 557,778                 | 355,851    | 45,907              | (317,436 )   | 642,100                 |
| Deficiencies in subsidiaries<br>eliminated upon consolidation | 206,961    | —                       | —          | 146,901             | (353,862 )   | —                       |
| Amounts due to subsidiary<br>eliminated upon consolidation    | —          | —                       | —          | 13,354              | (13,354 )    | —                       |
| Other noncurrent liabilities                                  | (3 )       | 64,469                  | 17,539     | 2                   | —            | 82,007                  |
| Total liabilities   | 206,958    | 669,282                 | 393,075    | 207,470             | (699,084 )   | 777,701                 |
| Stockholders' deficit:  |            |                         |            |                     |              |                         |
| Common stock  | 284        | —                       | —          | —                   | —            | 284                     |
| Other stockholders' deficit                                   | (200,817 ) | (146,901 )              | (298,077 ) | (206,961 )          | 677,307      | (175,449 )              |
| Total stockholders' deficit                                   | (200,533 ) | (146,901 )              | (298,077 ) | (206,961 )          | 677,307      | (175,165 )              |
| Total liabilities and<br>stockholders' deficit                | \$6,425    | \$ 522,381              | \$94,998   | \$509               | \$ (21,777 ) | \$ 602,536              |

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 Three Months Ended September 30, 2011  
 (in thousands)

|   | Nexstar    | Nexstar<br>Broadcasting | Mission     | Nexstar<br>Holdings | Eliminations | Consolidated<br>Company |
|---|------------|-------------------------|-------------|---------------------|--------------|-------------------------|
| Net broadcast revenue<br>(including trade and barter)   | \$—        | \$ 71,784               | \$3,055     | \$—                 | \$ —         | \$ 74,839               |
| Revenue between consolidated<br>entities  | —          | 1,785                   | 6,469       | —                   | (8,254 )     | —                       |
| Net revenue   | —          | 73,569                  | 9,524       | —                   | (8,254 )     | 74,839                  |
| Operating expenses:   |            |                         |             |                     |              |                         |
| Direct operating expenses,<br>excluding depreciation and<br>amortization                        | —          | 19,441                  | 1,385       | —                   | —            | 20,826                  |
| Selling, general, and<br>administrative expenses,<br>excluding depreciation and<br>amortization | —          | 25,802                  | 544         | —                   | —            | 26,346                  |
| Local service agreement fees<br>between consolidated entities                                   | —          | 6,469                   | 1,785       | —                   | (8,254 )     | —                       |
| Amortization of broadcast<br>rights   | —          | 5,633                   | 1,017       | —                   | —            | 6,650                   |
| Amortization of intangible<br>assets  | —          | 5,942                   | 1,271       | —                   | —            | 7,213                   |
| Depreciation  | —          | 4,919                   | 699         | —                   | —            | 5,618                   |
| (Gain) loss on asset disposal,<br>net   | —          | (55 )                   | (27 )       | —                   | —            | (82 )                   |
| Total operating expenses  | —          | 68,151                  | 6,674       | —                   | (8,254 )     | 66,571                  |
| Income from operations  | —          | 5,418                   | 2,850       | —                   | —            | 8,268                   |
| Interest expense, net   | —          | (9,385 )                | (3,684 )    | —                   | —            | (13,069 )               |
| Loss on extinguishment of<br>debt   | —          | —                       | —           | —                   | —            | —                       |
| Equity in loss of subsidiaries  | (5,112 )   | —                       | —           | (5,112 )            | 10,224       | —                       |
| Loss before income taxes  | (5,112 )   | (3,967 )                | (834 )      | (5,112 )            | 10,224       | (4,801 )                |
| Income tax expense  | —          | (1,145 )                | (313 )      | —                   | —            | (1,458 )                |
| Net loss  | \$(5,112 ) | \$ (5,112 )             | \$ (1,147 ) | \$ (5,112 )         | \$ 10,224    | \$ (6,259 )             |

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 Three Months Ended September 30, 2010  
 (in thousands)

|   | Nexstar    | Nexstar<br>Broadcasting | Mission    | Nexstar<br>Holdings | Eliminations | Consolidated<br>Company |
|---|------------|-------------------------|------------|---------------------|--------------|-------------------------|
| Net broadcast revenue<br>(including trade and barter)   | \$—        | \$ 70,731               | \$2,395    | \$—                 | \$ —         | \$ 73,126               |
| Revenue between consolidated<br>entities  | —          | 1,785                   | 6,813      | —                   | (8,598 )     | —                       |
| Net revenue   | —          | 72,516                  | 9,208      | —                   | (8,598 )     | 73,126                  |
| Operating expenses:   |            |                         |            |                     |              |                         |
| Direct operating expenses,<br>excluding depreciation and<br>amortization                        | —          | 18,357                  | 1,312      | —                   | —            | 19,669                  |
| Selling, general, and<br>administrative expenses,<br>excluding depreciation and<br>amortization | —          | 23,378                  | 608        | —                   | —            | 23,986                  |
| Local service agreement fees<br>between consolidated entities                                   | —          | 6,813                   | 1,785      | —                   | (8,598 )     | —                       |
| Amortization of broadcast<br>rights   | —          | 4,481                   | 940        | —                   | —            | 5,421                   |
| Amortization of intangible<br>assets  | —          | 4,645                   | 1,287      | —                   | —            | 5,932                   |
| Depreciation  | —          | 4,511                   | 741        | —                   | —            | 5,252                   |
| Loss (gain) on asset disposal,<br>net   | —          | 8                       | 2          | —                   | —            | 10                      |
| Total operating expenses  | —          | 62,193                  | 6,675      | —                   | (8,598 )     | 60,270                  |
| Income from operations  | —          | 10,323                  | 2,533      | —                   | —            | 12,856                  |
| Interest expense, net   | —          | (9,167 )                | (3,662 )   | (1,480 )            | —            | (14,309 )               |
| Loss on extinguishment of<br>debt   | —          | (65 )                   | —          | —                   | —            | (65 )                   |
| Equity in loss of subsidiaries  | (1,561 )   | —                       | —          | (81 )               | 1,642        | —                       |
| (Loss) income before income<br>taxes  | (1,561 )   | 1,091                   | (1,129 )   | (1,561 )            | 1,642        | (1,518 )                |
| Income tax expense  | —          | (1,172 )                | (305 )     | —                   | —            | (1,477 )                |
| Net loss  | \$(1,561 ) | \$ (81 )                | \$(1,434 ) | \$(1,561 )          | \$ 1,642     | \$ (2,995 )             |

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 Nine Months Ended September 30, 2011  
 (in thousands)

|   | Nexstar     | Nexstar<br>Broadcasting | Mission    | Nexstar<br>Holdings | Eliminations | Consolidated<br>Company |
|---|-------------|-------------------------|------------|---------------------|--------------|-------------------------|
| Net broadcast revenue<br>(including trade and barter)   | \$—         | \$ 211,563              | \$8,726    | \$—                 | \$ —         | \$ 220,289              |
| Revenue between consolidated<br>entities  | —           | 5,355                   | 19,985     | —                   | (25,340 )    | —                       |
| Net revenue   | —           | 216,918                 | 28,711     | —                   | (25,340 )    | 220,289                 |
| Operating expenses:   |             |                         |            |                     |              |                         |
| Direct operating expenses,<br>excluding depreciation and<br>amortization                        | —           | 55,778                  | 3,856      | —                   | —            | 59,634                  |
| Selling, general, and<br>administrative expenses,<br>excluding depreciation and<br>amortization | —           | 74,643                  | 1,670      | —                   | —            | 76,313                  |
| Local service agreement fees<br>between consolidated entities                                   | —           | 19,985                  | 5,355      | —                   | (25,340 )    | —                       |
| Amortization of broadcast<br>rights   | —           | 14,542                  | 2,957      | —                   | —            | 17,499                  |
| Amortization of intangible<br>assets  | —           | 16,588                  | 3,823      | —                   | —            | 20,411                  |
| Depreciation  | —           | 13,966                  | 2,087      | —                   | —            | 16,053                  |
| Loss on asset disposal, net   | —           | (32 )                   | 52         | —                   | —            | 20                      |
| Total operating expenses  | —           | 195,470                 | 19,800     | —                   | (25,340 )    | 189,930                 |
| Income from operations  | —           | 21,448                  | 8,911      | —                   | —            | 30,359                  |
| Interest expense, net   | —           | (27,574 )               | (10,994 )  | (1,514 )            | —            | (40,082 )               |
| Loss on extinguishment of<br>debt   | —           | (458 )                  | —          | (697 )              | —            | (1,155 )                |
| Equity in loss of subsidiaries  | (12,136 )   | —                       | —          | (9,925 )            | 22,061       | —                       |
| Loss before income taxes  | (12,136 )   | (6,584 )                | (2,083 )   | (12,136 )           | 22,061       | (10,878 )               |
| Income tax expense  | —           | (3,341 )                | (936 )     | —                   | —            | (4,277 )                |
| Net loss  | \$(12,136 ) | \$(9,925 )              | \$(3,019 ) | \$(12,136 )         | \$ 22,061    | \$ (15,155 )            |

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 Nine Months Ended September 30, 2010  
 (in thousands)

|   | Nexstar     | Nexstar<br>Broadcasting | Mission     | Nexstar<br>Holdings | Eliminations | Consolidated<br>Company |
|---|-------------|-------------------------|-------------|---------------------|--------------|-------------------------|
| Net broadcast revenue<br>(including trade and barter)   | \$—         | \$ 209,306              | \$6,988     | \$—                 | \$ —         | \$ 216,294              |
| Revenue between consolidated<br>entities  | —           | 5,375                   | 20,558      | —                   | (25,933 )    | —                       |
| Net revenue   | —           | 214,681                 | 27,546      | —                   | (25,933 )    | 216,294                 |
| Operating expenses:   |             |                         |             |                     |              |                         |
| Direct operating expenses,<br>excluding depreciation and<br>amortization                        | —           | 53,992                  | 4,240       | —                   | —            | 58,232                  |
| Selling, general, and<br>administrative expenses,<br>excluding depreciation and<br>amortization | —           | 70,252                  | 1,738       | —                   | —            | 71,990                  |
| Local service agreement fees<br>between consolidated entities                                   | —           | 20,558                  | 5,375       | —                   | (25,933 )    | —                       |
| Amortization of broadcast<br>rights   | —           | 12,946                  | 2,782       | —                   | —            | 15,728                  |
| Amortization of intangible<br>assets  | —           | 13,990                  | 3,861       | —                   | —            | 17,851                  |
| Depreciation  | —           | 13,685                  | 2,204       | —                   | —            | 15,889                  |
| (Gain) loss on asset disposal,<br>net   | —           | (65 )                   | 31          | —                   | —            | (34 )                   |
| Total operating expenses  | —           | 185,358                 | 20,231      | —                   | (25,933 )    | 179,656                 |
| Income from operations  | —           | 29,323                  | 7,315       | —                   | —            | 36,638                  |
| Interest expense, net   | —           | (26,355 )               | (9,346 )    | (4,452 )            | —            | (40,153 )               |
| Gain on extinguishment of<br>debt   | —           | (5,443 )                | (2,431 )    | —                   | —            | (7,874 )                |
| Equity in loss of subsidiaries  | (10,707 )   | —                       | —           | (6,255 )            | 16,962       | —                       |
| Loss before income taxes  | (10,707 )   | (2,475 )                | (4,462 )    | (10,707 )           | 16,962       | (11,389 )               |
| Income tax expense  | —           | (3,780 )                | (920 )      | —                   | —            | (4,700 )                |
| Net loss  | \$(10,707 ) | \$ (6,255 )             | \$ (5,382 ) | \$ (10,707 )        | \$ 16,962    | \$ (16,089 )            |

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 Nine Months Ended September 30, 2011  
 (in thousands)

|   | Nexstar | Nexstar<br>Broadcasting | Mission  | Nexstar<br>Holdings | Eliminations | Consolidated<br>Company |
|---|---------|-------------------------|----------|---------------------|--------------|-------------------------|
| Cash flows provided by (used in) operating activities | \$—     | \$ 37,175               | \$ 799   | \$(3,008 )          | \$—          | \$ 34,966               |
| Cash flows from investing activities:                 |         |                         |          |                     |              |                         |
| Purchases of property and equipment                   | —       | (10,556 )               | (286 )   | —                   | —            | (10,842 )               |
| Payments for acquisitions                             | —       | (21,064 )               | —        | —                   | —            | (21,064 )               |
| Other investing activities                            | —       | 76                      | 18       | —                   | —            | 94                      |
| Net cash used in investing activities                 | —       | (31,544 )               | (268 )   | —                   | —            | (31,812 )               |
| Cash flows from financing activities:                 |         |                         |          |                     |              |                         |
| Proceeds from issuance of long-term debt              | —       | 69,300                  | —        | —                   | —            | 69,300                  |
| Repayments of long-term debt                          | —       | (41,633 )               | (292 )   | (45,907 )           | —            | (87,832 )               |
| Inter-company payments                                | (67 )   | (48,848 )               | —        | 48,915              | —            | —                       |
| Other financing activities                            | 67      | (541 )                  | 8        | —                   | —            | (466 )                  |
| Net cash (used in) provided by financing activities   | —       | (21,722 )               | (284 )   | 3,008               | —            | (18,998 )               |
| Net (decrease) increase in cash and cash equivalents  | —       | (16,091 )               | 247      | —                   | —            | (15,844 )               |
| Cash and cash equivalents at beginning of period      | —       | 22,409                  | 1,249    | —                   | —            | 23,658                  |
| Cash and cash equivalents at end of period            | \$—     | \$ 6,318                | \$ 1,496 | \$—                 | \$—          | \$ 7,814                |



CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 Nine Months Ended September 30, 2010  
 (in thousands)

|   | Nexstar | Nexstar<br>Broadcasting | Mission    | Nexstar<br>Holdings | Eliminations | Consolidated<br>Company |
|---|---------|-------------------------|------------|---------------------|--------------|-------------------------|
| Cash flows provided by (used in) operating activities | \$—     | \$ 44,109               | \$5,983    | \$(2,853 )          | \$—          | \$ 47,239               |
| Cash flows from investing activities:                 |         |                         |            |                     |              |                         |
| Purchases of property and equipment                   | —       | (11,779 )               | (103 )     | —                   | —            | (11,882 )               |
| Other investing activities                            | —       | 459                     | —          | —                   | —            | 459                     |
| Net cash used in investing activities                 | —       | (11,320 )               | (103 )     | —                   | —            | (11,423 )               |
| Cash flows from financing activities:                 |         |                         |            |                     |              |                         |
| Proceeds from debt issuance                           | —       | 184,933                 | 131,906    | —                   | —            | 316,839                 |
| Repayments of long-term debt                          | —       | (207,271 )              | (133,458 ) | —                   | —            | (340,729 )              |
| Inter-company payments                                | (2 )    | (2,851 )                | —          | 2,853               | —            | —                       |
| Other financing activities                            | 2       | (4,748 )                | (2,169 )   | —                   | —            | (6,915 )                |
| Net cash (used in) provided by financing activities   | —       | (29,937 )               | (3,721 )   | 2,853               | —            | (30,805 )               |
| Net increase in cash and cash equivalents             | —       | 2,852                   | 2,159      | —                   | —            | 5,011                   |
| Cash and cash equivalents at beginning of period      | —       | 11,849                  | 903        | —                   | —            | 12,752                  |
| Cash and cash equivalents at end of period            | \$—     | \$ 14,701               | \$3,062    | \$—                 | \$—          | \$ 17,763               |

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 our Condensed Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and the Consolidated Financial Statements and related Notes contained in our Annual Report on Form 10-K for the year ended December 31, 2010.

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. ("Nexstar Holdings") and Nexstar Broadcasting, Inc. ("Nexstar Broadcasting"), and "Mission" refers to Mission Broadcasting, Inc. All references to "we," "our," "ours," and "us" refer to Nexstar. All references to the "Company" refer to Nexstar and Mission collectively.

As a result of our deemed controlling financial interest in Mission, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), 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. Refer to Note 2 to our Condensed Consolidated Financial Statements for a discussion of our determination that we are required to consolidate Mission's financial position, results of operations and cash flows under the authoritative guidance for variable interest entities. Therefore, the following discussion of our financial condition and results of operations includes Mission's financial position and results of operations.

Executive Summary

2011 Highlights

Net revenue increased 2.3% during the third quarter of 2011 compared to the same period in 2010. The acquisition of WFRV and WJMN, along with increases in eMedia advertising revenue and retransmission compensation, more than offset the decrease of \$5.0 million in political advertising.

On July 1, 2011, we purchased the assets of WFRV and WJMN, the CBS affiliates serving the Green Bay, Wisconsin and Marquette, Michigan markets, respectively, from an affiliate of Liberty Media Corporation for \$19.1 million in cash and the issuance of 334,292 shares of our Class A common stock, valued at \$2.4 million. The cash consideration was funded by borrowing from the revolver under our senior secured credit facility.

On August 8, 2011, we signed a definitive agreement to acquire the assets of WEHT, the ABC affiliate serving the Evansville, Indiana market, from Gilmore Broadcasting Corporation for approximately \$18.5 million in cash, subject to adjustments for working capital acquired. In addition, Nexstar signed a definitive agreement to sell the FCC licenses and certain equipment of WTVW to Mission for \$6.7 million in cash. Upon consummation of the sale of WTVW, Nexstar expects to sign local service agreements with Mission for WTVW, similar to Nexstar's existing local service arrangements with Mission. Both transactions have been approved by the FCC and we expect them to close on December 1, 2011.

We and Mission renewed our affiliation agreements with ABC through June 2017 for all nine of the Company's ABC stations. Additionally, Mission signed an agreement with ABC for affiliation of its station in Terre Haute, Indiana. The Terre Haute station, previously the FOX affiliate WFXW, launched with ABC on September 1, 2011 as WAWV.

On July 1, 2011, WTVW, our Evansville, Indiana owned and operated station, launched LOCAL 7, an independent station. WTVW's FOX affiliation agreement terminated on June 30, 2011. On August 1, 2011, WFFT, our Ft. Wayne, Indiana owned and operated station, launched WFFT LOCAL, an independent station. WFFT's FOX affiliation

agreement terminated on July 31, 2011. On September 1, 2011, KSFY, our Springfield, Missouri owned and operated station, launched OZARKS LOCAL, an independent station, with the call letters KOZL. KSFY's FOX affiliation agreement terminated on August 31, 2011. We are in continued negotiations with FOX Broadcasting Company for the renewal of our remaining FOX affiliate stations and expect to sign a new FOX affiliation agreement by the first quarter of 2012.

On September 26, 2011, we launched 10 new digital multicasts as affiliates of Bounce TV network, the first broadcast television network targeting African-American audiences.

In June 2011, our Board of Directors retained Moelis & Company as its financial advisor to assist with the exploration and evaluation of strategic alternatives intended to maximize stockholder value, including a possible sale of Nexstar. We have not made a decision to pursue any specific strategic transaction or other strategic alternative and there is no set timetable for the process, so there can be no assurance that the exploration of strategic alternatives will result in a sale of Nexstar or any other transaction.

In September 2011, Four Points entered into a definitive agreement to sell their stations to Sinclair Broadcast Group. We currently serve Four Points' seven stations in four markets through a management services agreement, which comprises our management fee revenue. The management services agreement will terminate at the earlier of the closing of the sale or March 31, 2012. We expect to earn base and incentive compensation related to the management services agreement during the fourth quarter of 2011.

During the quarter ended September 30, 2011, we borrowed \$19.3 million of our revolving loan in our senior secured credit facility in connection with the acquisition of WFRV and WJMN. We repaid \$12.5 million of our outstanding revolving loan balance on September 30, 2011.

#### Overview of Operations

We owned and operated 36 television stations and seven digital multicast channels as of September 30, 2011. Additionally, as of September 30, 2011, we programmed or provided sales and other services to 25 additional television stations and seven digital multicast channels, through various local service agreements with their owners, including 16 television stations and four digital multicast channels owned and operated by Mission. All of the stations to which we provide programming, sales, or other services, including Mission, are wholly owned by independent third parties.

The following table summarizes the various local service agreements we had in effect as of September 30, 2011 with Mission:

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

(1) 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.

(2) We have both a shared services agreement ("SSA") and a joint sales agreement ("JSA") with each of these stations. Each SSA allows our station in the market to provide services including news production, technical maintenance and security, in exchange for our right to receive certain payments from Mission as described in the SSAs. Each JSA permits us to sell the station's advertising time 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.

Our ability to receive cash from Mission is governed by these local service agreements. Under the local service agreements, we have received substantially all of Mission's available cash, after satisfaction of its operating costs and debt obligations. We anticipate we will continue to receive substantially all of Mission's available cash, after

satisfaction of its operating costs and debt obligations.

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 senior subordinated notes. In consideration of our guarantee of Mission's senior secured credit facility, Mission has granted us a purchase option to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent, for an amount 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 expire on various dates between 2012 and 2021 and are freely exercisable or assignable by us without consent or approval by Mission. We expect these option agreements to be renewed upon expiration.

We do not own Mission or its television stations. However, we are deemed under U.S. GAAP to have a controlling financial interest in Mission because of (1) the local service agreements Nexstar has with the Mission stations, (2) Nexstar's guarantee of the obligations incurred under Mission's senior secured credit facility, (3) Nexstar having power over significant activities affecting Mission's economic performance, including budgeting for advertising revenue, advertising and hiring and firing of sales force personnel and (4) purchase options granted by Mission that permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent. In compliance with FCC regulations for both us and Mission, Mission maintains complete responsibility for and control over programming, finances and personnel for 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 Company's 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, when state, congressional and presidential elections occur and advertising aired during the Olympic Games. As 2011 is not an election year, we expect significantly less political advertising revenue to be reported in 2011 compared to 2010.

### Historical Performance

#### Revenue

The following table sets forth the amounts of the Company's principal types of revenue (in thousands) and each type of revenue (other than trade and barter) and agency commissions as a percentage of total gross revenue:

|                             | Three Months Ended September 30, |        |          |         | Nine Months Ended September 30, |         |           |         |
|-----------------------------|----------------------------------|--------|----------|---------|---------------------------------|---------|-----------|---------|
|                             | 2011                             |        | 2010     |         | 2011                            |         | 2010      |         |
|                             | Amount                           | %      | Amount   | %       | Amount                          | %       | Amount    | %       |
| Local                       | \$43,343                         | 56.1   | \$41,705 | 54.5    | \$132,266                       | 58.0    | \$126,760 | 56.0    |
| National                    | 16,302                           | 21.1   | 14,961   | 19.6    | 47,719                          | 20.9    | 45,856    | 20.2    |
| Political                   | 1,727                            | 2.2    | 6,728    | 8.8     | 4,319                           | 1.9     | 16,686    | 7.4     |
| Retransmission compensation | 9,982                            | 12.9   | 7,649    | 10.0    | 27,099                          | 11.9    | 22,279    | 9.8     |
| eMedia revenue              | 4,207                            | 5.4    | 3,581    | 4.7     | 11,963                          | 5.3     | 9,880     | 4.4     |
| Network compensation        | 234                              | 0.3    | 500      | 0.7     | 776                             | 0.3     | 1,528     | 0.7     |
| Management fee              | 968                              | 1.3    | 800      | 1.0     | 1,968                           | 0.9     | 1,800     | 0.8     |
| Other                       | 574                              | 0.7    | 568      | 0.7     | 1,746                           | 0.8     | 1,645     | 0.7     |
| Total gross revenue         | 77,337                           | 100.0  | 76,492   | 100.0   | 227,856                         | 100.0   | 226,434   | 100.0   |
| Less: Agency commissions    | (7,622 )                         | (9.9 ) | (8,054 ) | (10.5 ) | (22,967 )                       | (10.1 ) | (23,989 ) | (10.6 ) |
| Net broadcast revenue       | 69,715                           | 90.1   | 68,438   | 89.5    | 204,889                         | 89.9    | 202,445   | 89.4    |
| Trade and barter revenue    | 5,124                            |        | 4,688    |         | 15,400                          |         | 13,849    |         |
| Net revenue                 | \$74,839                         |        | \$73,126 |         | \$220,289                       |         | \$216,294 |         |



## Results of Operations

The following table sets forth a summary of the Company's operations (in thousands) and each component of operating expense as a percentage of net revenue:

|  | Three Months Ended September 30, |        |          |       | Nine Months Ended September 30, |       |           |        |
|--|----------------------------------|--------|----------|-------|---------------------------------|-------|-----------|--------|
|  | 2011                             |        | 2010     |       | 2011                            |       | 2010      |        |
|  | Amount                           | %      | Amount   | %     | Amount                          | %     | Amount    | %      |
| Net revenue  | \$74,839                         | 100.0  | \$73,126 | 100.0 | \$220,289                       | 100.0 | \$216,294 | 100.0  |
| Operating expenses<br>(income):                          |                                  |        |          |       |                                 |       |           |        |
| Corporate expenses                                       | 5,094                            | 6.8    | 4,656    | 6.4   | 14,428                          | 6.5   | 14,992    | 6.9    |
| Station direct<br>operating expenses,<br>net of trade    | 19,187                           | 25.6   | 17,774   | 24.3  | 54,274                          | 24.6  | 52,704    | 24.4   |
| Selling, general and<br>administrative<br>expenses       | 21,252                           | 28.4   | 19,330   | 26.4  | 61,885                          | 28.1  | 56,998    | 26.4   |
| Loss (gain) on asset<br>disposal, net                    | (82 )                            | (0.1 ) | 10       | 0.0   | 20                              | 0.0   | (34 )     | (0.0 ) |
| Trade and barter<br>expense                              | 5,036                            | 6.7    | 4,796    | 6.6   | 15,197                          | 6.9   | 14,035    | 6.5    |
| Depreciation and<br>amortization                         | 12,831                           | 17.2   | 11,184   | 15.3  | 36,464                          | 16.6  | 33,740    | 15.6   |
| Amortization of<br>broadcast rights,<br>excluding barter | 3,253                            | 4.4    | 2,520    | 3.4   | 7,662                           | 3.5   | 7,221     | 3.3    |
| Income from<br>operations                                | \$8,268                          |        | \$12,856 |       | \$30,359                        |       | \$36,638  |        |

## Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

## Revenue

Gross local advertising revenue was \$43.3 million for the three months ended September 30, 2011, compared to \$41.7 million for the same period in 2010, an increase of \$1.6 million, or 3.9%, of which \$1.9 million related to the acquisition of WFRV and WJMN. Gross national advertising revenue was \$16.3 million for the three months ended September 30, 2011, compared to \$15.0 million for the same period in 2010, an increase of \$1.3 million, or 9.0%, of which \$1.0 million related to the acquisition of WFRV and WJMN. Excluding WFRV and WJMN, gross local and national advertising revenue was consistent with the prior year. Within our customer categories, we saw an increase in advertising from automotive of \$0.5 million, school and instruction of \$0.5 million and department and retail stores of \$0.3 million, which was offset by a decrease in advertising from media (radio, television, cable and newspapers) of \$0.6 million, grocery stores of \$0.3 million and paid programming of \$0.3 million during the third quarter of 2011 compared to the prior year. The increase in automotive advertising was primarily driven by increases in domestic manufacturers and dealers, particularly Ford and GM, and was partially offset by decreases in foreign manufacturers, most notably Toyota. The increase in school and instruction advertising was primarily driven by increases in advertising from higher education and vocational schools, both from existing and new customers. The decrease in media advertising was primarily driven by the timing of spending by cable providers on their annual advertising



commitments.

Gross political advertising revenue was \$1.7 million for the three months ended September 30, 2011, compared to \$6.7 million for the same period in 2010, a decrease of \$5.0 million, or 74.3%, as expected since 2011 is not an election year. The current quarter political revenue primarily related to the Wisconsin State Senate special recall elections and a special primary election in the West Virginia gubernatorial race.

Retransmission compensation was \$10.0 million for the three months ended September 30, 2011, compared to \$7.6 million for the same period in 2010, an increase of \$2.3 million, or 30.5%. The increase in retransmission compensation was primarily the result of renegotiated contracts providing for higher rates per subscriber during the year and additional revenue from WFRV and WJMN of \$0.5 million.

eMedia revenue, representing web-based advertising revenue generated at the Company's stations, was \$4.2 million for the three months ended September 30, 2011, compared to \$3.6 million for the same period in 2010, an increase of \$0.6 million or 17.5%. The increase in eMedia revenue is attributable to introduction of new service offerings and increased penetration of the Company's customer base by its eMedia sales efforts.

## Operating Expenses

Corporate expenses, related to costs associated with the centralized operation of Nexstar's and Mission's stations, were \$5.1 million for the three months ended September 30, 2011, compared to \$4.7 million for the same period in 2010, an increase of \$0.4 million, or 9.4%. The increase was primarily due to an increase in legal expense of \$0.3 million related to our acquisition of WFRV and WJMN, our antitrust lawsuit and our strategic initiatives.

Station direct operating expenses, consisting primarily of news, engineering and programming, and selling, general and administrative expenses (net of trade expense) were \$40.4 million for the three months ended September 30, 2011, compared to \$37.1 million for the same period in 2010, an increase of \$3.3 million, or 9.0%. The increase was primarily attributed to an increase of \$2.2 million in station expenses of WFRV and WJMN and an increase of \$0.5 million in employee health care costs, due to some large claims during the quarter.

Amortization of broadcast rights, excluding barter, was \$3.3 million for the three months ended September 30, 2011, compared to \$2.5 million for the same period in 2010, an increase of \$0.7 million, or 29.1%. The increase was primarily attributed to amortization at WFRV and WJMN of \$1.0 million, the majority of which related to the Green Bay Packers pre-season, which was partially offset by a decrease across a number of our stations related to the termination of syndication of The Oprah Winfrey Show.

Amortization of intangible assets was \$7.2 million for the three months ended September 30, 2011, compared to \$5.9 million for the same period in 2010, an increase of \$1.3 million, or 21.6%. The increase was due to incremental amortization recorded on network affiliation agreement intangibles on our FOX affiliate stations with agreements terminating in 2011, as well as amortization of newly acquired intangibles in connection with the acquisition of WFRV, WJMN and GoLocal.Biz.

While there are no known circumstances or events as of September 30, 2011 that indicate an impairment might exist, any future significant adverse change in the advertising marketplaces in which Nexstar and Mission operate could lead to an impairment and reduction of the carrying value of the Company's goodwill and intangible assets, including FCC licenses. If such a condition were to occur, the resulting non-cash charge could have a material adverse effect on Nexstar and Mission's financial position and results of operations.

Depreciation of property and equipment was \$5.6 million for the three months ended September 30, 2011, compared to \$5.3 million for the same period in 2010, an increase of \$0.4 million, or 7.0%.

## Interest Expense

Interest expense, net was \$13.1 million for the three months ended September 30, 2011, compared to \$14.3 million for the same period in 2010, a decrease of \$1.2 million, or 8.7%. The decrease was primarily attributed to our decrease in outstanding indebtedness from our repurchases and redemptions of outstanding notes during the last half of 2010 and throughout 2011 and the refinancing of higher coupon debt tranches.

## Income Taxes

Income tax expense remained consistent at \$1.5 million for the three months ended September 30, 2011 and 2010. Our provision for income taxes is primarily created by an increase in the deferred tax liability position arising from the amortization of goodwill and other indefinite-lived assets for income tax purposes, which are not amortized for financial reporting purposes. No tax benefit was recorded with respect to the losses in 2011 and 2010 as the utilization of such losses is not more likely than not to be realized in the foreseeable future.



Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

## Revenue

Gross local advertising revenue was \$132.3 million for the nine months ended September 30, 2011, compared to \$126.8 million for the same period in 2010, an increase of \$5.5 million, or 4.3%, of which \$1.9 million related to the acquisition of WFRV and WJMN. Gross national advertising revenue was \$47.7 million for the nine months ended September 30, 2011, compared to \$45.9 million for the same period in 2010, an increase of \$1.9 million, or 4.1%, of which \$1.0 million related to the acquisition of WFRV and WJMN. Excluding WFRV and WJMN, gross local and national advertising revenue increased by \$4.4 million, which was largely the result of an increase in advertising from automotive of \$1.8 million, which provided 20.4% and 19.9% of our core local and national advertising revenue for the nine months ended September 30, 2011 and 2010, respectively. The increase in automotive advertising was primarily driven by increases in domestic manufacturers and dealers, particularly Ford and GM, and was partially offset by decreases in foreign manufacturers, most notably Toyota. Additionally, we had increases in advertising from department and retail stores of \$1.2 million, school/instruction of \$0.9 million, home repair and manufacturing of \$0.5 million and insurance of \$0.5 million, which was partially offset by a decrease in advertising from grocery stores of \$0.6 million and media (radio, television, cable and newspapers) of \$0.6 million during the first nine months of 2011 compared to the prior year. The increase in department and retail store advertising was primarily driven by increases in local retailers as well as BonTon, Walmart and Shoe Carnival. The increase in school and instruction advertising was primarily driven by increases in advertising from higher education and vocational schools, both from existing and new customers.

Gross political advertising revenue was \$4.3 million for the nine months ended September 30, 2011, compared to \$16.7 million for the same period in 2010, a decrease of \$12.4 million, or 74.1%, as expected since 2011 is not an election year.

Retransmission compensation was \$27.1 million for the nine months ended September 30, 2011, compared to \$22.3 million for the same period in 2010, an increase of \$4.8 million, or 21.6%. The increase in retransmission compensation was primarily the result of renegotiated contracts providing for higher rates per subscriber during the year and additional revenue from WFRV and WJMN of \$0.5 million.

eMedia revenue, representing web-based advertising revenue generated at the Company's stations, was \$12.0 million for the nine months ended September 30, 2011, compared to \$9.9 million for the same period in 2010, an increase of \$2.1 million or 21.1%. The increase in eMedia revenue is attributable to introduction of new service offerings and increased penetration of the Company's customer base by its eMedia sales efforts.

## Operating Expenses

Corporate expenses, related to costs associated with the centralized operation of Nexstar's and Mission's stations, were \$14.4 million for the nine months ended September 30, 2011, compared to \$15.0 million for the same period in 2010, a decrease of \$0.6 million, or 3.8%. The decrease was primarily due to the 2010 recognition of \$1.6 million of non-cash incremental stock-based compensation expense from a repricing of employee stock options performed in May 2010, which was partially offset by an increase in legal expense of \$0.7 million related to our acquisition of WFRV and WJMN, amendments to our senior secured credit facilities, our antitrust lawsuit and to our strategic initiatives.

Station direct operating expenses, consisting primarily of news, engineering and programming, and selling, general and administrative expenses (net of trade expense) were \$116.2 million for the nine months ended September 30, 2011, compared to \$109.7 million for the same period in 2010, an increase of \$6.5 million, or 5.9%. The increase was

primarily attributed to an increase of \$2.2 million in station expenses of WFRV and WJMN, an increase of \$1.4 million in national, local and eMedia sales commissions due to an increase in local, national and eMedia revenue, an incremental \$0.5 million in fees paid to Sinclair for our outsourcing arrangements in Peoria and Rochester, as revenues and broadcasting cash flows for those stations increased year-over-year, an increase of \$0.5 million in bad debt expense and an increase of \$0.4 million in employee health care costs, due to some large claims during the year.

Amortization of broadcast rights, excluding barter, remained relatively consistent at \$7.7 million for the nine months ended September 30, 2011, compared to \$7.2 million for the same period in 2010, an increase of \$0.4 million, or 6.1%.

Amortization of intangible assets was \$20.4 million for the nine months ended September 30, 2011, compared to \$17.9 million for the same period in 2010, an increase of \$2.6 million, or 14.3%. The increase was due to incremental amortization recorded on network affiliation agreement intangibles on our FOX affiliate stations with agreements terminating in 2011, as well as amortization of newly acquired intangibles in connection with the acquisition of WFRV, WJMN and GoLocal.Biz.

While there are no known circumstances or events as of September 30, 2011 that indicate an impairment might exist, any future significant adverse change in the advertising marketplaces in which Nexstar and Mission operate could lead to an impairment and reduction of the carrying value of the Company's goodwill and intangible assets, including FCC licenses. If such a condition were to occur, the resulting non-cash charge could have a material adverse effect on Nexstar and Mission's financial position and results of operations.

Depreciation of property and equipment remained relatively consistent at \$16.1 million for the nine months ended September 30, 2011, compared to \$15.9 million for the same period in 2010.

#### Interest Expense

Interest expense, net remained relatively consistent at \$40.1 million for the nine months ended September 30, 2011, compared to \$40.2 million for the same period in 2010. Interest expense increased due to the higher interest rate of the 8.875% senior secured second lien notes due 2017 ("8.875% Notes") issued in April 2010 compared to the senior secured credit facilities, which was offset by a decrease in outstanding indebtedness from our repurchases and redemptions of outstanding notes during the last half of 2010 and throughout 2011.

#### Income Taxes

Income tax expense was \$4.3 million for the nine months ended September 30, 2011, compared to \$4.7 million for the same period in 2010, a decrease of \$0.4 million, or 9.0%. Our provision for income taxes is primarily created by an increase in the deferred tax liability position arising from the amortization of goodwill and other indefinite-lived assets for income tax purposes, which are not amortized for financial reporting purposes. No tax benefit was recorded with respect to the losses in 2011 and 2010 as the utilization of such losses is not more likely than not 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 secured 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 our existing senior secured 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 existing senior secured 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 (in thousands):

|  | Nine Months Ended<br>September 30, |           |
|--|------------------------------------|-----------|
|  | 2011                               | 2010      |
| Net cash provided by operating activities                    | \$34,966                           | \$47,239  |
| Net cash used in investing activities                        | (31,812 )                          | (11,423 ) |
| Net cash used in financing activities                        | (18,998 )                          | (30,805 ) |
| Net (decrease) increase in cash and cash equivalents         | \$(15,844 )                        | \$5,011   |
| Cash paid for interest                                       | \$34,208                           | \$26,581  |
| Cash paid for income taxes, net                              | \$499                              | \$416     |
|  | As of                              | As of     |
|  | September                          | December  |
|  | 30, 2011                           | 31, 2010  |
| Cash and cash equivalents                                    | \$7,814                            | \$23,658  |
| Long-term debt including current portion                     | \$622,892                          | \$643,100 |
| Unused commitments under senior secured credit facilities(1) | \$68,200                           | \$75,000  |

(1)Based on covenant calculations, as of September 30, 2011, all of the \$68.2 million of total unused revolving loan commitments under the Nexstar and Mission senior secured credit facilities were available for borrowing.

## Cash Flows – Operating Activities

Net cash provided by operating activities decreased by \$12.3 million during the nine months ended September 30, 2011 compared to the same period in 2010. The decrease was primarily due to an increase in cash paid for interest of \$7.6 million, a lower acceleration in the timing of receipts of customer accounts of \$1.1 million, lower amounts of increase in the timing of company payments of \$1.8 million and an increase in payments for broadcast rights of \$0.6 million.

Cash paid for interest increased by \$7.6 million during the nine months ended September 30, 2011 compared to the same period in 2010. The increase was primarily due to a change in timing of the Company's interest payments with the April 2010 issuance of the 8.875% Notes, which are due in April and October, compared to the senior secured credit facility, which generally has interest payments due each quarter, and the interest payments made in connection with redeeming the 11.375% Notes in January and May 2011 and other debt repurchase transactions during the year.

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



Net cash used in investing activities increased by \$20.4 million during the nine months ended September 30, 2011 compared to the same period in 2010. The increase was primarily due to \$21.1 million spent on the acquisitions of WFRV and WJMN and GoLocal.Biz and an escrow payment for the acquisition of WEHT.

### Cash Flows – Financing Activities

Net cash used in financing activities decreased by \$11.8 million during the nine months ended September 30, 2011 compared to the same period in 2010. This decrease was primarily the result of repayments on long-term debt, net of debt issuances. In 2011, we completed the redemption of \$45.9 million of our outstanding 11.375% Notes, repurchased \$7.5 million of our outstanding 7% Notes and \$24.2 million of our outstanding 7% PIK Notes, as well as paid amounts due under the Company's senior secured credit facilities of \$1.0 million, borrowed an additional \$50.0 million of term loan with the amendment to our senior secured credit facility and borrowed \$19.3 million and repaid \$12.5 million on our revolving loan. In 2010, we and Mission issued \$325 million of our 8.875% Notes and used the proceeds, along with cash on hand and cash generated throughout the year, to repay \$298.9 million of the Company's senior secured credit facilities, retire \$42.6 million of privately held notes and to repurchase \$6.7 million of outstanding 7% PIK Notes and \$0.9 million of outstanding 7% Notes.

Although the Nexstar and Mission senior secured 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

As of September 30, 2011, Nexstar and Mission had total combined debt of \$622.9 million, which represented 142.9% 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.

The following table summarizes the approximate aggregate amount of principal indebtedness scheduled to mature for the periods referenced as of September 30, 2011 (in thousands):

|  | Total      | Remainder<br>of 2011 | 2012-2013 | 2014-2015  | Thereafter |
|--|------------|----------------------|-----------|------------|------------|
| Nexstar senior secured credit facility           | \$ 116,787 | \$ 278               | \$ 9,020  | \$ 2,220   | \$ 105,269 |
| Mission senior secured credit facility           | 38,513     | 97                   | 780       | 780        | 36,856     |
| 8.875% senior secured second lien notes due 2017 | 325,000    | —                    | —         | —          | 325,000    |
| 7% senior subordinated notes due 2014            | 37,912     | —                    | —         | 37,912     | —          |
| 7% senior subordinated PIK notes due 2014        | 112,593    | —                    | —         | 112,593    | —          |
|  | \$ 630,805 | \$ 375               | \$ 9,800  | \$ 153,505 | \$ 467,125 |

On October 14, 2011, we borrowed \$7.8 million on our revolving loan under our senior secured credit facility. Both Nexstar and Mission intend to fund the acquisitions of WEHT and WTVW with borrowings from revolving loans under the Company's senior secured credit facilities.

The Company makes semiannual interest payments on our 8.875% Notes on April 15 and October 15 of each year. We make semiannual interest payments on our 7% Notes on January 15 and July 15 of each year. We began paying cash interest on our 7% PIK Notes in July 2011. Interest payments on our and Mission's senior secured 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 secured credit facilities, as well as the indentures governing our respective 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 credit facilities, obtain access to new credit facilities or otherwise issue debt in the future and could increase the cost of such debt.

## Debt Covenants

Our senior secured credit facility contains covenants that require us to comply with certain financial ratios, including: (a) a maximum consolidated total leverage ratio, (b) a maximum consolidated first lien indebtedness ratio, and (c) a minimum consolidated fixed charge coverage ratio. The covenants, which are calculated on a quarterly basis, include the combined results of Nexstar Broadcasting and Mission. Mission's senior secured credit facility does not contain financial covenant ratio requirements; however it does include an event of default if Nexstar does not comply with all covenants contained in its credit agreement. Our 7% Notes, 7% PIK Notes and 8.875% Notes contain restrictive covenants customary for borrowing arrangements of this type. We believe we and Mission will be able to maintain compliance with all covenants contained in the credit agreements governing our senior secured facilities and the indentures governing our respective notes for a period of at least the next twelve months from September 30, 2011.

## No Off-Balance Sheet Arrangements

As of September 30, 2011, 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. Our variable interests in other entities are obtained through local service agreements, which have valid business purposes and transfer certain station activities from the station owners to us. 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

The Company's 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 and income taxes. 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 in our Annual Report on Form 10-K for the year ended December 31, 2010. Management believes that as of September 30, 2011 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, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions 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 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, 2010 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 September 30, 2011 under the Company's senior secured credit facilities bear interest at a rate of 5%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. The revolving loans bear interest at LIBOR plus the applicable margin, which was 4.37% at September 30, 2011. Interest is payable in accordance with the credit agreements.

If LIBOR were to increase by 100 basis points, or one percentage point, from its September 30, 2011 level, the Company's annual interest expense would increase and cash flow from operations would decrease by approximately \$0.6 million, based on the outstanding balances of our and Mission's senior secured credit facilities as of September 30, 2011. Due to the LIBOR floor on our term loans, an increase of 50 basis points in LIBOR or any decrease in LIBOR would have a minimal impact on our operations and cash flows. Our 7% Notes, our 8.875% Notes and our 7% PIK Notes are fixed rate debt obligations and therefore are not exposed to market interest rate changes. As of September 30, 2011, we have no financial instruments in place to hedge against changes in the benchmark interest rates on the Company's senior secured credit facilities.

#### 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.

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, 2010.

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

On July 1, 2011, Nexstar acquired the assets of WFRV and WJMN, the CBS affiliates serving the Green Bay, Wisconsin and Marquette, Michigan markets, respectively, for \$19.1 million in cash and the issuance of 334,292 unregistered shares of its Class A common stock, valued at \$2.4 million, from an affiliate of Liberty Media Corporation. The issuance and sale of such shares to an affiliate of Liberty Media Corporation was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. No general solicitation was used in connection with this transaction. The shares of Class A common stock contain a legend restricting transferability absent registration or an applicable exemption. The recipient received current information about Nexstar and its subsidiaries and had the opportunity to ask questions about Nexstar and its subsidiaries.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Reserved

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Exhibit No. Description

- 10.1 Fifth Amendment to the Fourth Amended and Restated Credit Agreement, dated as of July 29, 2011, by and among Nexstar Broadcasting, Inc., Nexstar Broadcasting Group, Inc., Nexstar Finance Holdings, Inc., Bank of America, N.A. and the several Banks parties thereto. (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on August 4, 2011)
- 31.1 Certification of Perry A. Sook pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Thomas E. Carter 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 Thomas E. Carter pursuant to 18 U.S.C. ss. 1350.  
101 The Company's unaudited Condensed Consolidated Financial Statements and related Notes for the quarter ended September 30, 2011 from this Quarterly Report on Form 10-Q, formatted in XBRL (eXtensible Business Reporting Language).

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/ THOMAS E. CARTER

By: Thomas E. Carter

Its: Chief Financial Officer (Principal Accounting and Financial Officer)

Dated: November 9, 2011

