

NEXSTAR BROADCASTING GROUP INC

Form 10-Q

August 12, 2008

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

for the quarterly period ended June 30, 2008

OR

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

for the transition period from _____ to _____ .

Commission File Number: 000-50478

NEXSTAR BROADCASTING GROUP, INC.

(Exact name of registrant as specified in its charter)

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

Delaware
(State of Organization or Incorporation)

23-3083125
(IRS Employer Identification No.)

5215 N. O Connor Blvd., Suite 1400

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that it was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2008 the Registrant had outstanding:

15,013,839 shares of Class A Common Stock

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

Table of Contents

TABLE OF CONTENTS

	Page
PART I	
<u>FINANCIAL INFORMATION</u>	
ITEM 1. <u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets at June 30, 2008 and December 31, 2007</u>	1
<u>Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2008 and 2007</u>	2
<u>Condensed Consolidated Statement of Changes in Stockholders' Deficit for the six months ended June 30, 2008</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2008 and 2007</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	43
ITEM 4. <u>Controls and Procedures</u>	43
PART II	
<u>OTHER INFORMATION</u>	
ITEM 1. <u>Legal Proceedings</u>	44
ITEM 1A. <u>Risk Factors</u>	44
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
ITEM 3. <u>Defaults Upon Senior Securities</u>	44
ITEM 4. <u>Submission of Matters to a Vote of Security Holders</u>	44
ITEM 5. <u>Other Information</u>	44
ITEM 6. <u>Exhibits</u>	44
<u>EXHIBIT INDEX</u>	

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****NEXSTAR BROADCASTING GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share information)

	June 30, 2008 (Unaudited)	December 31, 2007 (Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,631	\$ 16,226
Accounts receivable, net of allowance for doubtful accounts of \$916 and \$1,208, respectively	56,075	55,346
Current portion of broadcast rights	6,060	13,885
Taxes receivable		351
Prepaid expenses and other current assets	1,620	2,482
Deferred tax asset	15	15
Total current assets	79,401	88,305
Property and equipment, net	121,356	111,612
Broadcast rights	6,584	7,674
Goodwill	152,272	151,686
FCC licenses	166,455	163,795
Other intangible assets, net	167,403	178,611
Other noncurrent assets	5,525	6,399
Deferred tax asset	613	620
Total assets	\$ 699,609	\$ 708,702
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Current portion of debt	\$ 3,485	\$ 50,391
Current portion of broadcast rights payable	6,336	13,943
Accounts payable	13,421	8,334
Accrued expenses	10,122	13,563
Taxes payable	237	478
Interest payable	10,234	6,499
Deferred revenue	6,555	6,569
Other liabilities	1,333	
Total current liabilities	51,723	99,777
Debt	667,680	630,785
Broadcast rights payable	8,179	9,569
Deferred tax liabilities	47,576	44,555
Deferred revenue	1,949	2,096

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

Deferred gain on sale of assets	5,149	5,368
Deferred representation fee incentive	6,276	
Other liabilities	10,589	5,942
Total liabilities	799,121	798,092
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock - \$0.01 par value, authorized 200,000 shares; no shares issued and outstanding at both June 30, 2008 and December 31, 2007		
Common stock:		
Class A Common - \$0.01 par value, authorized 100,000,000 shares; issued and outstanding 15,013,839 and 15,005,839 at June 30, 2008 and December 31, 2007, respectively	150	150
Class B Common - \$0.01 par value, authorized 20,000,000 shares; issued and outstanding 13,411,588 at both June 30, 2008 and December 31, 2007	134	134
Class C Common - \$0.01 par value, authorized 5,000,000 shares; issued and outstanding no shares at June 30, 2008 and December 31, 2007, respectively		
Additional paid-in capital	397,622	396,293
Accumulated deficit	(497,418)	(485,967)
Total stockholders' deficit	(99,512)	(89,390)
Total liabilities and stockholders' deficit	\$ 699,609	\$ 708,702

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

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Net revenue	\$ 70,618	\$ 68,729	\$ 134,330	\$ 130,783
Operating expenses:				
Direct operating expenses (exclusive of depreciation and amortization shown separately below)	19,283	18,551	38,779	36,707
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	21,839	21,787	42,724	42,085
Non-cash contract termination fees			7,167	
Amortization of broadcast rights	4,806	4,756	10,141	10,648
Amortization of intangible assets	6,383	6,467	12,755	12,932
Depreciation	5,088	5,024	10,421	10,012
Gain on asset exchange	(2,742)	(1,035)	(3,592)	(1,035)
Gain on asset disposal, net	(205)	(242)	(170)	(90)
Total operating expenses	54,452	55,308	118,225	111,259
Income from operations	16,166	13,421	16,105	19,524
Interest expense, including amortization of debt financing costs	(10,806)	(13,771)	(24,795)	(27,491)
Interest and other income	151	145	552	261
Income (loss) before income taxes	5,511	(205)	(8,138)	(7,706)
Income tax expense	(1,634)	(1,086)	(3,313)	(2,618)
Net income (loss)	\$ 3,877	\$ (1,291)	\$ (11,451)	\$ (10,324)
Net income (loss) per common share:				
Basic and diluted	\$ 0.14	\$ (0.05)	\$ (0.40)	\$ (0.36)
Weighted average number of common shares outstanding:				
Basic and diluted	28,422	28,402	28,420	28,397

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

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS DEFICIT

For the Six Months Ended June 30, 2008

(in thousands, except share information)

	Class A		Common Stock Class B		Class C		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Stockholders Deficit
Balance at January 1, 2008 (Note 2)	15,005,839	\$ 150	13,411,588	\$ 134		\$	\$ 396,293	\$ (485,967)	\$ (89,390)
Stock-based compensation expense							1,291		1,291
Issuance of common shares related to exercise of stock options	8,000						38		38
Net loss								(11,451)	(11,451)
Balance at June 30, 2008 (unaudited)	15,013,839	\$ 150	13,411,588	\$ 134		\$	\$ 397,622	\$ (497,418)	\$ (99,512)

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

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

(in thousands)

	Six Months Ended June 30,	
	2008	2007
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (11,451)	\$ (10,324)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred income taxes	3,043	2,338
Provision for bad debts	107	406
Depreciation of property and equipment	10,421	10,012
Amortization of intangible assets	12,755	12,932
Amortization of debt financing costs	530	523
Amortization of broadcast rights, excluding barter	4,303	4,228
Amortization of deferred representation fee incentive	(179)	
Payments for broadcast rights	(4,127)	(4,261)
Gain on asset exchange	(3,592)	(1,035)
Gain on asset disposal, net	(170)	(90)
Deferred gain recognition	(219)	(218)
Amortization of debt discount	3,638	6,577
Stock-based compensation expense	1,291	954
Non-cash contract termination fee	7,167	
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	245	(5,239)
Prepaid expenses and other current assets	875	1,172
Taxes receivable	336	229
Other noncurrent assets	(444)	(519)
Accounts payable and accrued expenses	679	(4,416)
Taxes payable	(241)	
Interest payable	3,735	(80)
Deferred revenue	(161)	4
Other noncurrent liabilities	300	315
Net cash provided by operating activities	28,841	13,508
Cash flows from investing activities:		
Additions to property and equipment	(7,902)	(10,104)
Acquisition of broadcast properties and related transaction costs	(7,923)	
Proceeds from sale of assets		318
Down payment on acquisition of station		(387)
Net cash used for investing activities	(15,825)	(10,173)
Cash flows from financing activities:		
Repayment of long-term debt	(98,649)	(5,743)
Proceeds from long-term debt	50,000	
Proceeds from senior subordinated PIK notes	35,000	

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

Proceeds from issuance of common shares related to exercise of stock options	38	56
Net cash used for financing activities	(13,611)	(5,687)
Net decrease in cash and cash equivalents	(595)	(2,352)
Cash and cash equivalents at beginning of period	16,226	11,179
Cash and cash equivalents at end of period	\$ 15,631	\$ 8,827
Supplemental schedule of cash flow information:		
Cash paid during the period for:		
Interest	\$ 16,732	\$ 20,473
Income taxes, net	\$ 178	\$ 51
Non-cash investing activities:		
Purchase of software	\$ 4,968	\$

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

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business Operations

As of June 30, 2008, Nexstar Broadcasting Group, Inc. (Nexstar) owned, operated, programmed or provided sales and other services to 50 television stations, all of which were affiliated with the NBC, ABC, CBS, Fox, MyNetworkTV or The CW television networks, in markets located in New York, Pennsylvania, Illinois, Indiana, Missouri, Texas, Louisiana, Arkansas, Alabama, Montana and Maryland. Through various local service agreements, Nexstar provided sales, programming and other services to stations owned and/or operated by independent third parties. Nexstar operates in one reportable television broadcasting segment. The economic characteristics, services, production process, customer type and distribution methods for Nexstar s operations are substantially similar and are therefore aggregated as a single reportable segment.

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

2. Summary of Significant Accounting Policies

Interim Financial Statements

The condensed consolidated financial statements as of June 30, 2008 and for the three months and six months ended June 30, 2008 and 2007 are unaudited. However, in the opinion of management, such financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary for the fair statement of the financial information included herein in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Results of operations for interim periods are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in Nexstar s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Principles of Consolidation

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

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

Mission

Mission is included in these condensed consolidated financial statements because Nexstar is deemed to have a controlling financial interest in Mission for financial reporting purposes in accordance with FIN No. 46R as a result of (a) local service agreements Nexstar has with the Mission stations, (b) Nexstar s guarantee of the obligations incurred under Mission s senior credit facility and (c) purchase options (which expire on various dates between 2008 and 2014) granted by Mission s sole shareholder which will permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to Federal Communications Commission (FCC) consent. The Company expects these option agreements to be renewed upon expiration. As of June 30, 2008, the assets of Mission consisted of current assets of \$7.1 million (excluding broadcast rights), broadcast rights of \$2.9 million, FCC licenses of \$31.4 million, goodwill of \$17.7 million, other intangible assets of \$34.8 million, property and equipment of \$24.6 million and other noncurrent assets of \$0.5 million. Substantially all of Mission s assets, except for its FCC licenses, collateralize its secured debt obligation. See Note 17 for a presentation of condensed consolidating financial information of the Company, which includes the accounts of Mission.

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

Nexstar has entered into local service agreements with Mission to provide sales and/or operating services to the Mission stations. The following table summarizes the various local service agreements Nexstar had in effect with Mission as of June 30, 2008:

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

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

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

Variable Interest Entities

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

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

Nexstar has determined that it has variable interests in WYZZ, the Fox affiliate in Peoria, Illinois and WUHF, the Fox affiliate in Rochester, New York, each owned by a subsidiary of Sinclair Broadcasting Group, Inc. (Sinclair), as a result of outsourcing agreements it has entered into with Sinclair. Nexstar also has determined that it has a variable interest in WHP, the CBS affiliate in Harrisburg, Pennsylvania, which is owned by Newport Television License, LLC (Newport Television), as a result of Nexstar becoming successor-in-interest to a TBA entered into by a former owner of WLYH. Nexstar has evaluated its arrangements with Sinclair, Piedmont and Newport Television and has determined that it is not the primary beneficiary of the variable interests, and therefore, has not consolidated these stations under FIN No. 46R. Nexstar made payments to Sinclair under the outsourcing agreements of \$1.0 million and \$0.9 million for the three months ended June 30, 2008 and 2007, respectively and \$1.6 million for each of the six months then ended. Nexstar received payments from Piedmont under the JSA of \$0.3 and \$0.6 million for the three months and six months ended June 30, 2007. Nexstar received payments from Clear Channel under the TBA of \$13 thousand for both of the three months ended June 30, 2008 and 2007 and \$25 thousand for both of the six months then ended.

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

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

outsourcing agreements consist of the fees paid to Sinclair. Additionally, Nexstar indemnifies the owners of WHP, WYZZ and WUHF from and against all liability and claims arising out of or resulting from its activities, acts or omissions in connection with the agreements. The maximum potential amount of future payments Nexstar could be required to make for such indemnification is undeterminable at this time.

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

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

The Company recognized stock-based compensation expense of \$0.6 million and \$0.5 million for the three months ended June 30, 2008 and 2007, respectively and \$1.3 million and \$1.0 million for the six months then ended, which was included in selling, general and administrative expenses in the Company's condensed consolidated statements of operations. The Company does not currently recognize a tax benefit resulting from compensation costs expensed in the financial statements because the Company provides a valuation allowance against the deferred tax asset resulting from this type of temporary difference since it expects that it will not have sufficient future taxable income to realize such benefit. Accordingly, SFAS No. 123(R) has had no impact on income tax expense reported in the financial statements.

At June 30, 2008, there was approximately \$7.4 million of total unrecognized compensation cost, net of estimated forfeitures, related to stock options that is expected to be recognized over a weighted-average period of 3.33 years. The total intrinsic value and cash received for stock options exercised during the six months ended June 30, 2008 was \$9 thousand and \$39 thousand, respectively.

Income (loss) Per Share

Basic income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted income (loss) per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period using the treasury stock method. Potential common shares consist of stock options and the unvested portion of restricted stock granted to employees. For the three months and six months ended June 30, 2008 and 2007 there was no difference between basic and diluted net income (loss) per share since the effect of potential common shares were anti-dilutive, and therefore excluded from the computation of diluted net income (loss) per share.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(weighted-average shares outstanding)		(weighted-average shares outstanding)	
Stock options excluded as the exercise price of the options was greater than the average market price of the common stock	2,355,611	1,009,747	2,381,639	1,080,182
In-the-money stock options excluded due to anti-dilutive effects	1,743,078	2,563,692	1,810,861	2,516,558

Nonmonetary Asset Exchanges

In connection with a spectrum allocation exchange ordered by the FCC within the 1.9 GHz band, Sprint Nextel Corporation (Nextel) is required to replace certain existing analog equipment with comparable digital equipment. The Company has agreed to accept the substitute equipment that Nextel will provide and in turn must relinquish its existing equipment to Nextel. Neither party will have any continuing involvement in the equipment transferred following the exchange. We account for this arrangement as an exchange of assets in accordance with Accounting Principles Board No. 29, Accounting for Nonmonetary Transactions, as amended by SFAS No. 153, Exchanges of Nonmonetary Assets.

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

equipment the Company receives under this arrangement is recorded at their estimated fair market value and depreciated over estimated useful lives ranging from 5 to 15 years. Management's determination of the fair market value is derived from the most recent prices paid to manufacturers and vendors for the specific equipment acquired. As equipment is exchanged, the Company records a gain to the extent that the fair market value of the equipment received exceeds the carrying amount of the equipment relinquished.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* Including an amendment of FASB No. 115 (SFAS No. 159), which provides a fair value measurement option for eligible financial assets and liabilities. Under SFAS No. 159, an entity is permitted to elect to apply fair value accounting to a single eligible item, subject to certain exceptions, without electing it for other identical items. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be included in earnings. The fair value option established by this Statement is irrevocable, unless a new election date occurs. This standard reduces the complexity in accounting for financial instruments and mitigates volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007 which for the Company is January 1, 2008. The Company has adopted the provisions of this Statement in the first quarter of 2008. Management determined that the adoption of SFAS No. 159 had no effect on its consolidated financial position or results of operations.

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

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

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. This Position is effective for fiscal years beginning after December 15, 2008 and only applies prospectively to intangible assets acquired after the effective date. Early adoption is not permitted. Management is currently evaluating the impact that this statement will have on our consolidated financial position or results of operations.

3. Fair Value Measurements

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

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

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

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

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

The Company invests in short-term interest bearing obligations with original maturities less than 90 days, primarily money market funds. We do not enter into investments for trading or speculative purposes. As of June 30, 2008, there were no investments in marketable securities.

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

As of June 30, 2008, the Company had \$1.8 million invested in a money market investment. These investments are required to be measured at fair value on a recurring basis. The Company has determined that the money market investment is defined as Level 1 in the fair value hierarchy. As of June 30, 2008, the fair value of the money market investment was an asset of \$1.8 million.

In February 2008, the FASB issued FSP No. FAS 157-2, Effective Date of FASB Statement No. 157, which defers the effective date for us to January 1, 2009 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis (that is, at least annually). Management is currently evaluating the impact the adoption of this FSP will have on the Company's consolidated financial statements, but does not presently anticipate it will have a material effect on its consolidated financial position or results of operations.

4. Pending Transaction with Mission

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

On March 11, 2008, the FCC granted the application to assign the license for KFTA from Nexstar to Mission.

5. Acquisition

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

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

Accounts receivable	\$ 1,081
Current portion of broadcast rights	408
Prepaid expenses and other current assets	12
Property and equipment	3,534
Intangible assets	3,808
Goodwill	586
Total assets acquired	9,429
Less: current portion of broadcast rights payable	152

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

Less: accounts payable	113
Less: accrued expenses and other liabilities	854
Net assets acquired	\$ 8,310

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

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

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

	Three Months Ended June 30,		Six Months Ended	
	2008 (actual) (in thousands, except per share amounts)	Three Months Ended June 30, 2007 (in thousands, except per share amounts)	June 30, 2008 (in thousands, except per share amounts)	Six Months Ended June 30, 2007 (in thousands, except per share amounts)
Net revenue	\$ 70,618	\$ 70,365	\$ 134,579	\$ 133,988
Income from operations	16,166	13,839	23,277	20,024
Income (loss) before income taxes	5,511	311	(8,151)	(7,222)
Net income (loss)	3,877	(748)	(11,469)	(9,841)
Basic and diluted net income (loss) per share	\$ 0.14	\$ (0.03)	\$ (0.40)	\$ (0.35)

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

6. Property and Equipment

As of June 30, 2008, included in net property and equipment is approximately \$4.8 million of costs related to the purchase of software. The asset is being amortized over the term of the contract. As of June 30, 2008, \$0.6 million representing the current portion of the remaining liability associated with this contract is included in other current liabilities and \$4.2 million representing the long-term portion of the remaining liability associated with this contract is included in other non-current liabilities in the accompanying condensed balance sheet.

7. Intangible Assets and Goodwill

Intangible assets subject to amortization consisted of the following:

	Estimated useful life (years)	June 30, 2008			December 31, 2007		
		Gross	Accumulated Amortization (in thousands)	Net	Gross	Accumulated Amortization (in thousands)	Net
Network affiliation agreements	15	\$ 357,027	\$ (194,801)	\$ 162,226	\$ 355,878	\$ (182,848)	\$ 173,030
Other definite-lived intangible assets	1-15	16,136	(10,959)	5,177	15,775	(10,194)	5,581
Total intangible assets subject to amortization		\$ 373,163	\$ (205,760)	\$ 167,403	\$ 371,653	\$ (193,042)	\$ 178,611

Total amortization expense from definite-lived intangibles was \$6.4 million and \$6.5 million for the three months ended June 30, 2008 and 2007, respectively and \$12.8 million and \$12.9 million for the six months then ended. The Company's estimate of amortization expense for definite-lived intangible assets is approximately \$25.0 million for each year for the years of 2008 through 2012.

The aggregate carrying value of indefinite-lived intangible assets, consisting of FCC licenses and goodwill, was \$318.7 million and \$315.5 million at June 30, 2008 and December 31, 2007, respectively. Indefinite-lived intangible assets are not subject to amortization, but are tested for

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

impairment annually or whenever events or changes in circumstances indicate that such assets might be impaired. As of June 30, 2008, the Company did not identify any events that would trigger an impairment assessment.

The change in the carrying amount of goodwill for the six months ended June 30, 2008 was as follows:

	June 30, 2008
	(in thousands)
Beginning balance	\$ 151,686
Acquisition	586
Ending balance	\$ 152,272

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

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

Accrued expenses consisted of the following:

	June 30, 2008	December 31, 2007
	(in thousands)	
Compensation and related taxes	\$ 2,574	\$ 4,082
Sales commissions	1,449	1,514
Employee benefits	1,009	1,361
Property taxes	952	620
Other accruals related to operating expenses	4,138	5,986
	\$ 10,122	\$ 13,563

9. Debt

Long-term debt consisted of the following:

	June 30, 2008	December 31, 2007
	(in thousands)	
Term loans	\$ 326,916	\$ 328,659
7% senior subordinated notes due 2014, net of discount of \$1,845 and \$1,978	198,155	198,022
11.375% senior discount notes due 2013, net of discount of \$3,505 at December 31, 2007	83,094	126,495
Senior subordinated PIK notes due 2014, net of discount of \$623	35,000	
Revolving credit facilities	28,000	28,000
	671,165	681,176
Less: current portion	(3,485)	(50,391)
	\$ 667,680	\$ 630,785

The Nexstar Senior Secured Credit Facility

The Nexstar senior secured credit facility (the "Nexstar Facility") consists of a Term Loan B and a \$82.5 million revolving loan. As of June 30, 2008 and December 31, 2007, Nexstar had \$158.9 million and \$159.8 million, respectively, outstanding under its Term Loan B and \$21.0 million outstanding under its revolving loan at each of these two respective dates.

The Term Loan B, which matures in October 2012, is payable in consecutive quarterly installments amortized at 0.25% quarterly, with the remaining 93.25% due at maturity. During the six months ended June 30, 2008, repayments of Nexstar's Term Loan B totaled \$0.9 million, all of which were scheduled maturities. The revolving loan is not subject to incremental reduction and matures in April 2012. During the six months ended June 30, 2008, borrowings and subsequent repayments of Nexstar's revolving loan totaled \$50.0 million.

The total weighted-average interest rate of the Nexstar Facility was 4.62% and 6.52% at June 30, 2008 and December 31, 2007, respectively. Interest is payable periodically based on the type of interest rate selected. Additionally, Nexstar is required to pay quarterly commitment fees on

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

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

The Mission Senior Secured Credit Facility

The Mission senior secured credit facility (the Mission Facility) consists of a Term Loan B and a \$15.0 million revolving loan. As of June 30, 2008 and December 31, 2007, Mission had \$168.0 million and \$168.8 million, respectively, outstanding under its Term Loan B and \$7.0 million of borrowings were outstanding under its revolving loan at each of these two respective dates.

Terms of the Mission Facility, including repayment, maturity and interest rates, are the same as the terms of the Nexstar Facility described above. During the six months ended June 30, 2008, repayments of Mission s Term Loan B totaled \$0.9 million, all of which were scheduled maturities. The total weighted average interest rate of the Mission Facility was 4.54% and 6.61% at June 30, 2008 and December 31, 2007, respectively.

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Debt (Continued)*****Senior Discount Notes***

On March 27, 2003, Nexstar Finance Holdings, Inc. (Nexstar Finance Holdings), a wholly-owned subsidiary of Nexstar, issued \$130.0 million principal amount at maturity of 11.375% senior discount notes (the 11.375% Notes) at a price of 57.442%. On April 1, 2008 Nexstar redeemed a principal amount of notes outstanding of \$46.9 million sufficient to ensure that the 11.375% Notes will not be Applicable High Yield Discount Obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986.

Senior Subordinated PIK Notes

On June 27, 2008 Nexstar Broadcasting, Inc. issued senior subordinated payment-in-kind notes due 2014 (the PIK Notes) in aggregate principal amount of \$35.6 million at a purchase price equal to 98.25% or \$35.0 million. The transaction closed on June 30, 2008.

The PIK Notes bear interest at the rate of: (a) 12% per annum from June 30, 2008 to January 15, 2010, payable entirely during such period by increasing the principal amount of the Notes by an amount equal to the amount of interest then due (Payment-in-Kind Interest); (b) 13% per annum, payable entirely in cash, from January 16, 2010 to July 15, 2010; (c) 13.5% per annum, payable entirely in cash, from July 16, 2010 to January 15, 2011; (d) 14.0% per annum, payable entirely in cash, from January 16, 2011 to July 15, 2011; (e) 14.5% per annum, payable entirely in cash, from July 16, 2011 to January 15, 2012; and (f) 15% per annum, payable entirely in cash, thereafter. The Notes shall bear interest on the increased principal amount thereof from and after the applicable interest payment date on which a payment of Payment-in-Kind Interest is made. The Company shall pay interest on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect, and shall pay interest on overdue installments of interest and liquidated damages from time to time on demand at the same rate to the extent lawful. Upon the occurrence and continuance of a default or event of default, the applicable rate of interest payable on the Notes shall be increased by 1% (which shall be payable in cash) until such time as such default or event of default has been cured or waived. The Notes mature on January 15, 2014, unless earlier redeemed or repurchased. The PIK Notes are general unsecured senior subordinated obligations subordinated to all of the Company's senior debt.

The Company, at its option, may redeem the Notes in whole or in part, upon not less than 30 nor more than 60 days' notice, from October 1, 2008 at various redemption prices plus accrued and unpaid interest and liquidated damages thereon to the applicable redemption date. Notwithstanding the foregoing, at any time from January 1, 2010 to June 30, 2010 the Company may redeem Notes at a redemption price equal to 102.50% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages, if any; provided, that on or prior to December 31, 2009 the Company or any of its affiliates enters into a binding and irrevocable agreement to sell, convey or otherwise dispose of all of the Company's equity interests (by way of merger, consolidation or otherwise) or all of the Company's assets subject, in each case, to no conditions other than obtaining the approval of the Federal Communications Commission (the FCC) for an FCC license transfer in connection with such sale, conveyance or disposition. At any time prior to October 1, 2008, the Notes may be redeemed in whole or in part at the option of the Company. The redemption price will be equal to (i) 100% of the principal amount of the Notes, plus (ii) accrued interest, if any, to the redemption date (subject to the rights of holders on relevant record dates to receive interest due on the relevant interest payment date), plus (iii) the Applicable Premium, if any. Applicable Premium means, with respect to any Note at any redemption date, the excess of (A) the present value at such time of (1) the redemption price of such Note at October 1, 2008 plus (2) all required interest payments due on such Note through October 1, 2008 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate (as defined in the Indenture) plus 50 basis points and applied quarterly, over (B) the principal amount of such Note on the date of redemption; provided, however, that in no event shall the Applicable Premium be less than zero.

Unused Commitments and Borrowing Availability

Based on covenant calculations, as of June 30, 2008, the Company has \$69.5 million of total unused revolving loan commitments under the Nexstar and Mission credit facilities, of which \$7.2 million is available for borrowing.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Debt (Continued)

Debt Covenants

The Nexstar Facility contains covenants which require the Company to comply with certain financial covenant ratios, including (1) a maximum total combined leverage ratio of Nexstar Broadcasting and Mission of 6.75 times the last twelve months operating cash flow (as defined in the credit agreement) at June 30, 2008, (2) a maximum combined senior leverage ratio of Nexstar Broadcasting and Mission of 4.75 times the last twelve months operating cash flow at June 30, 2008, (3) a minimum combined interest coverage ratio of 1.50 to 1.00, and (4) a fixed charge coverage ratio of 1.15 to 1.00. The covenants, which are formally calculated on a quarterly basis, are based on the combined results of Nexstar Broadcasting and Mission. Mission's bank credit facility agreement does not contain financial covenant ratio requirements, but does provide for default in the event Nexstar does not comply with all covenants contained in its credit agreement. As of June 30, 2008, we are in compliance with all of our covenants.

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

The PIK Notes contain covenants that restrict the ability of the Company and its subsidiaries to create liens on its assets, engage in sale-leaseback transactions, merge or consolidate with another entity or sell, lease or transfer substantially all of the Company's properties or assets to another entity, incur additional indebtedness, issue equity, pay dividends and undertake certain other business activities. Upon an event of default, the trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding, may, and the trustee at the request of such holders is required to, declare the principal of and the accrued interest on the Notes to be due and payable immediately.

Collateralization and Guarantees of Debt

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

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

The 11.375% Notes are general unsecured senior obligations effectively subordinated to the Nexstar Facility and are structurally subordinated to the 7% Notes and Senior Subordinated PIK Notes.

10. Contract Termination

On March 31, 2008, Nexstar signed a new ten year agreement for national sales representation with two units of Katz Television Group, a subsidiary of Katz Media Group (Katz), transferring 24 stations in 14 of its markets from Petry Television Inc. (Petry) and Blair Television Inc. (Blair). Nexstar, Blair, Petry and Katz entered into a termination and mutual release agreement under which Blair agreed to release Nexstar from its future contractual obligations in exchange for payments totaling \$8.0 million. The payments will be paid by Katz on behalf of Nexstar as an inducement for Nexstar to enter into the new long-term contract with Katz. Nexstar recognized a \$7.2 million charge associated with terminating the contracts, which is reflected as a non-cash contract termination fees in the accompanying condensed consolidated statement of operations. The \$7.2 million charge was calculated as the present value of the future payments to be made by Katz. The liability established as a result of the termination represents an incentive received from Katz that will be accounted for as a termination obligation, and will be recognized as a non-cash reduction to operating expenses over the term of the agreement with Katz. As of June 30, 2008, the current portion of this deferred amount of approximately \$0.7 million was included in other current liabilities and the long-term portion in the amount of approximately \$6.3 million is recorded as deferred representation fee incentive in the accompanying condensed balance sheet.

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Other Non-Current Liabilities**

Other non-current liabilities consist of the following:

	June 30, 2008	December 31, 2007
	(in thousands)	
Deferred rent	\$ 6,343	\$ 5,397
Software agreement obligation	4,187	
Other	59	545
	\$ 10,589	\$ 5,942

12. Stock-Based Compensation Plans

Nexstar's employee compensation plans (the Equity Plans) provide for the granting of stock options, stock appreciation rights, restricted stock and performance awards to directors, employees of Nexstar or consultants. A maximum of 4,500,000 shares of Nexstar's Class A common stock can be issued under the Equity Plans and as of June 30, 2008, a total of 672,000 shares were available for future grant. Employee stock options are granted with an exercise price at least equal to the fair market value of the underlying shares of common stock on the date of the grant, vest over five years and expire ten years from the date of grant.

13. Gain on Asset Exchange

In 2004, the FCC approved a spectrum allocation exchange between Sprint Nextel Corporation (Nextel) and public safety entities to eliminate interference being caused to public safety radio licensees by Nextel's operations. As part of this spectrum exchange, the FCC granted Nextel the right to certain spectrum within the 1.9 GHz band that is currently used by television broadcasters. In order to utilize this spectrum, Nextel is required to relocate the broadcasters to new spectrum by replacing all analog equipment currently used by broadcasters with comparable digital equipment. The Company has agreed to accept the substitute equipment that Nextel will provide and in turn must relinquish its existing equipment back to Nextel. This transition began on a market by market basis beginning in the second quarter of 2007. The equipment the Company receives under this arrangement is recorded at their estimated fair market value and depreciated over estimated useful lives ranging from 5 to 15 years. Management's determination of the fair market value is derived from the most recent prices paid to manufacturers and vendors for the specific equipment acquired. As equipment is exchanged, the Company records a gain to the extent that the fair market value of the equipment received exceeds the carrying amount of the equipment relinquished. For the three months ended June 30, 2008 and 2007, the Company recognized a gain of \$2.7 million and \$1.0 million, respectively and \$3.6 million and \$1.0 million, respectively, for the six months then ended.

14. Income Taxes

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

As of January 1, 2008, the Company had gross unrecognized tax benefits of approximately \$3.7 million, which did not materially change as of June 30, 2008. If recognized, this amount would result in a favorable effect on the Company's effective tax rate excluding the impact on the Company's valuation allowance. As of June 30, 2008, the Company has not accrued interest on the unrecognized tax benefits as an unfavorable outcome upon examination would not result in a cash outlay but would reduce NOLs subject to a valuation allowance. The Company does not expect the amount of unrecognized tax benefits to significantly change in the next twelve months.

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

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

15. FCC Regulatory Matters

Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the Communications Act). The Communications Act prohibits the operation of television broadcasting stations except under a license

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. FCC Regulatory Matters (Continued)

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

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

Digital Television (DTV) Conversion

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

Except for stations that have requested waiver of the FCC's deadline for construction, broadcast television stations are required to be broadcasting a full-power DTV signal. As of June 30, 2008, Mission's stations WUTR, WTVO, WYOU, KRBC, KCIT and KAMC and Nexstar's stations WBRE, WROC, KARK, KNWA, KFTA, WMBD, WTAJ, WLYH, KSFX, WQRF, KTAL, WCIA, WTVW, KTAB, KARD, KAMR and KLBK are broadcasting with full-power DTV signals. The FCC has authorized Nexstar and Mission to operate DTV facilities for its remaining stations at low-power until certain dates established by the FCC. The FCC has established November 19, 2008 as the deadline for Nexstar stations KBTU, KFDX, WFFT, WFXV, WTWO, KMID and KSNF and Mission stations KJTL, KCIT, KSAN, WFXW, WFXP and KODE. The FCC has established February 17, 2009 as the deadline for Nexstar stations KQTV, WCFN, WJET and WHAG and Mission station KOLR. Pending with the FCC are applications to extend the DTV construction deadlines for Nexstar's Stations WDHN, KSVI and KLST and Mission station KHMT to dates beyond November 1, 2008.

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

DTV conversion expenditures were \$5.1 million and \$5.2 million, respectively, for the six months ended June 30, 2008 and 2007. The Company will incur various capital expenditures to modify the remaining Nexstar and Mission stations' DTV transmitting equipment for full-power DTV operations, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. The Company anticipates these expenditures will be funded through available cash on hand and cash generated from operations as incurred in future years.

Media Ownership

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

16. Commitments and Contingencies

Guarantee of Mission Debt

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

Nexstar and its subsidiaries guarantee full payment of all obligations incurred under Mission's senior secured credit facility agreement. In the event that Mission is unable to repay amounts due under its credit facility, Nexstar will be obligated to repay such amounts. The maximum potential amount of future payments that Nexstar would be required to make under this guarantee would be

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Commitments and Contingencies (Continued)

generally limited to the amount of borrowings outstanding under the Mission credit facility. At June 30, 2008, Mission had \$175.0 million outstanding under its senior credit facility.

Indemnification Obligations

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

Litigation

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

17. Condensed Consolidating Financial Information

Senior Discount Notes

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

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

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

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Balance Sheet****June 30, 2008****(in thousands)**

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
ASSETS					
Current assets:					
Cash and cash equivalents	\$	\$	\$ 15,631	\$	\$ 15,631
Other current assets		6	63,764		63,770
Total current assets		6	79,395		79,401
Investments in subsidiaries eliminated upon consolidation	(5,858)	80,035		(74,177)	
Amounts due from parents eliminated upon consolidation			905	(905)	
Property and equipment, net			121,357	(1)	121,356
Goodwill			152,272		152,272
FCC licenses			166,455		166,455
Other intangible assets, net			167,403		167,403
Other noncurrent assets		1,524	11,198		12,722
Total assets	\$ (5,858)	\$ 81,565	\$ 698,985	\$ (75,083)	\$ 699,609
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)					
Current liabilities:					
Current portion of debt	\$	\$	\$ 3,485	\$	\$ 3,485
Other current liabilities		2,363	45,875		48,238
Total current liabilities		2,363	49,360		51,723
Debt		83,094	584,586		667,680
Amounts due to subsidiary eliminated upon consolidation	(1,042)	1,966		(924)	
Other noncurrent liabilities			79,718		79,718
Total liabilities	(1,042)	87,423	713,664	(924)	799,121
Stockholders' equity (deficit):					
Common stock	284				284
Other stockholders' equity (deficit)	(5,100)	(5,858)	(14,679)	(74,159)	(99,796)
Total stockholders' equity (deficit)	(4,816)	(5,858)	(14,679)	(74,159)	(99,512)

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

Total liabilities and stockholders equity (deficit)	\$ (5,858)	\$ 81,565	\$ 698,985	\$ (75,083)	\$ 699,609
---	------------	-----------	------------	-------------	------------

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

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

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

Total liabilities and stockholders equity (deficit)	\$ 5,507	\$ 133,830	\$ 709,388	\$ (140,023)	\$ 708,702
---	----------	------------	------------	--------------	------------

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Condensed Consolidating Financial Information (Continued)

Statement of Operations

For the Three Months Ended June 30, 2008

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net revenue	\$	\$	\$ 70,618	\$	\$ 70,618
Operating expenses (income):					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			19,283		19,283
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)			21,839		21,839
Non-cash contract termination fees					
Amortization of broadcast rights			4,806		4,806
Amortization of intangible assets			6,383		6,383
Depreciation			5,088		5,088
Gain on asset exchange			(2,742)		(2,742)
Loss on asset disposal, net			(205)		(205)
Total operating expenses (income)			54,452		54,452
Income from operations			16,166		16,166
Interest expense, including amortization of debt financing costs		(2,443)	(8,363)		(10,806)
Equity in income of subsidiaries	2,517	4,960		(7,477)	
Other income, net			151		151
Income before income taxes	2,517	2,517	7,954	(7,477)	5,511
Income tax expense			(1,634)		(1,634)
Net income	\$ 2,517	\$ 2,517	\$ 6,320	\$ (7,477)	\$ 3,877

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended June 30, 2007****(in thousands)**

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net revenue	\$	\$	\$ 68,729	\$	\$ 68,729
Operating expenses:					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			18,551		18,551
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	15		21,772		21,787
Amortization of broadcast rights			4,756		4,756
Amortization of intangible assets			6,467		6,467
Depreciation			5,024		5,024
Gain on asset exchange			(1,035)		(1,035)
Gain on asset disposal, net			(242)		(242)
Total operating expenses	15		55,293		55,308
Income (loss) from operations	(15)		13,436		13,421
Interest expense, including amortization of debt financing costs		(3,396)	(10,375)		(13,771)
Equity in earnings (loss) of subsidiaries	(789)	2,607		(1,818)	
Other income, net			145		145
Income (loss) before income taxes	(804)	(789)	3,206	(1,818)	(205)
Income tax expense			(1,086)		(1,086)
Net income (loss)	\$ (804)	\$ (789)	\$ 2,120	\$ (1,818)	\$ (1,291)

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Condensed Consolidating Financial Information (Continued)

Statement of Operations

For the Six Months Ended June 30, 2008

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net revenue	\$	\$	\$ 134,330	\$	\$ 134,330
Operating expenses (income):					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			38,779		38,779
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	1		42,723		42,724
Non-cash contract termination fees			7,167		7,167
Amortization of broadcast rights			10,141		10,141
Amortization of intangible assets			12,755		12,755
Depreciation			10,421		10,421
Gain on asset exchange			(3,592)		(3,592)
Loss on asset disposal, net			(170)		(170)
Total operating expenses (income)	1		118,224		118,225
Income from operations	(1)		16,106		16,105
Interest expense, including amortization of debt financing costs		(6,029)	(18,766)		(24,795)
Equity in income of subsidiaries	(11,223)	(5,194)		16,417	
Other income, net			552		552
Income before income taxes	(11,224)	(11,223)	(2,108)	16,417	(8,138)
Income tax expense			(3,313)		(3,313)
Net income	\$ (11,224)	\$ (11,223)	\$ (5,421)	\$ 16,417	\$ (11,451)

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Six Months Ended June 30, 2007****(in thousands)**

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net revenue	\$	\$	\$ 130,783	\$	\$ 130,783
Operating expenses:					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			36,707		36,707
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	30		42,055		42,085
Amortization of broadcast rights			10,648		10,648
Amortization of intangible assets			12,932		12,932
Depreciation			10,012		10,012
Gain on asset exchange			(1,035)		(1,035)
Gain on asset disposal, net			(90)		(90)
Total operating expenses	30		111,229		111,259
Income (loss) from operations	(30)		19,554		19,524
Interest expense, including amortization of debt financing costs		(6,614)	(20,877)		(27,491)
Equity in loss of subsidiaries	(8,341)	(1,727)		10,068	
Other income, net			261		261
Loss before income taxes	(8,371)	(8,341)	(1,062)	10,068	(7,706)
Income tax expense			(2,618)		(2,618)
Net loss	\$ (8,371)	\$ (8,341)	\$ (3,680)	\$ 10,068	\$ (10,324)

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Six Months Ended June 30, 2008****(in thousands)**

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by (used for) operating activities	\$	\$ 46,906	\$ (18,065)	\$	\$ 28,841
Cash flows from investing activities:					
Additions to property and equipment, net			(7,902)		(7,902)
Acquisition of broadcast properties and related transaction costs			(7,923)		(7,923)
Other investing activities					
Net cash used for investing activities			(15,825)		(15,825)
Cash flows from financing activities:					
Repayment of long-term debt		(46,906)	(51,743)		(98,649)
Proceeds from revolver draws			50,000		50,000
Proceeds from senior subordinated PIK notes			35,000		35,000
Other financing activities			38		38
Net cash provided by financing activities		(46,906)	33,295		(13,611)
Net increase in cash and cash equivalents			(595)		(595)
Cash and cash equivalents at beginning of period			16,226		16,226
Cash and cash equivalents at end of period	\$	\$	\$ 15,631	\$	\$ 15,631

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Six Months Ended June 30, 2007****(in thousands)**

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by (used for) operating activities	\$ (56)	\$	\$ 13,564	\$	\$ 13,508
Cash flows from investing activities:					
Additions to property and equipment, net			(10,104)		(10,104)
Other investing activities			(69)		(69)
Net cash used for investing activities			(10,173)		(10,173)
Cash flows from financing activities:					
Repayment of long-term debt			(5,743)		(5,743)
Other financing activities	56				56
Net cash provided by (used for) financing activities	56		(5,743)		(5,687)
Net decrease in cash and cash equivalents			(2,352)		(2,352)
Cash and cash equivalents at beginning of period			11,179		11,179
Cash and cash equivalents at end of period	\$	\$	\$ 8,827	\$	\$ 8,827

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Condensed Consolidating Financial Information

Senior Subordinated Notes

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

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

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

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Condensed Consolidating Financial Information (Continued)****Balance Sheet****June 30, 2008****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
ASSETS						
Current assets:						
Cash and cash equivalents	\$	\$ 10,038	\$ 5,593	\$	\$	\$ 15,631
Due from Mission		19,375			(19,375)	
Other current assets		60,775	2,989	6		63,770
Total current assets		90,188	8,582	6	(19,375)	79,401
Investments in subsidiaries eliminated upon consolidation	(5,858)			80,035	(74,177)	
Amounts due from parents eliminated upon consolidation		905			(905)	
Property and equipment, net		96,729	24,628		(1)	121,356
Goodwill		134,564	17,708			152,272
FCC licenses		135,059	31,396			166,455
Other intangible assets, net		132,586	34,817			167,403
Other noncurrent assets		9,194	2,004	1,524		12,722
Total assets	\$ (5,858)	\$ 599,225	\$ 119,135	\$ 81,565	\$ (94,458)	\$ 699,609
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)						
Current liabilities:						
Current portion of debt	\$	\$ 1,758	\$ 1,727	\$	\$	\$ 3,485
Due to Nexstar Broadcasting			19,375		(19,375)	
Other current liabilities		40,277	5,598	2,363		48,238
Total current liabilities		42,035	26,700	2,363	(19,375)	51,723
Debt		411,362	173,224	83,094		667,680
Amounts due to subsidiary eliminated upon consolidation	(1,042)			1,966	(924)	
Other noncurrent liabilities		65,793	13,925			79,718
Total liabilities	(1,042)	519,190	213,849	87,423	(20,299)	799,121
Stockholders' equity (deficit):						
Common stock		284				284
Other stockholders' equity (deficit)	(5,100)	80,035	(94,714)	(5,858)	(74,159)	(99,796)
Total stockholders' equity (deficit)	(4,816)	80,035	(94,714)	(5,858)	(74,159)	(99,512)

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

Total liabilities and stockholders equity (deficit)	\$ (5,858)	\$ 599,225	\$ 119,135	\$ 81,565	\$ (94,458)	\$ 699,609
---	------------	------------	------------	-----------	-------------	------------

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Condensed Consolidating Financial Information (Continued)****Balance Sheet****December 31, 2007****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiaries	Eliminations	Consolidated Company
ASSETS						
Current assets:						
Cash and cash equivalents	\$	\$ 6,310	\$ 9,916	\$	\$	\$ 16,226
Due from Mission		18,485			(18,485)	
Other current assets	145	68,146	3,927	6	(145)	72,079
Total current assets	145	92,941	13,843	6	(18,630)	88,305
Investments in subsidiaries eliminated upon consolidation	5,361			132,130	(137,491)	
Amounts due from parents eliminated upon consolidation		2,377			(2,377)	
Property and equipment, net		91,558	20,061		(7)	111,612
Goodwill		134,564	17,122			151,686
FCC licenses		135,059	28,736			163,795
Other intangible assets, net		142,243	36,368			178,611
Other noncurrent assets	1	10,183	2,825	1,694	(10)	14,693
Total assets	\$ 5,507	\$ 608,925	\$ 118,955	\$ 133,830	\$ (158,515)	\$ 708,702
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)						
Current liabilities:						
Current portion of debt	\$	\$ 1,758	\$ 1,727	\$ 46,906	\$	\$ 50,391
Due to Nexstar Broadcasting			18,485		(18,485)	
Other current liabilities		43,904	5,626		(144)	49,386
Total current liabilities		45,662	25,838	46,906	(18,629)	99,777
Debt		377,109	174,087	79,589		630,785
Amounts due to subsidiary eliminated upon consolidation	404			1,973	(2,377)	
Other noncurrent liabilities		54,024	13,517		(11)	67,530
Total liabilities	404	476,795	213,442	128,468	(21,017)	798,092
Stockholders' equity (deficit):						
Common stock		284				284
Other stockholders' equity (deficit)	4,819	132,130	(94,487)	5,362	(137,498)	(89,674)
Total stockholders' equity (deficit)	5,103	132,130	(94,487)	5,362	(137,498)	(89,390)

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

Total liabilities and stockholders equity (deficit)	\$ 5,507	\$ 608,925	\$ 118,955	\$ 133,830	\$ (158,515)	\$ 708,702
---	----------	------------	------------	------------	--------------	------------

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended June 30, 2008****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net broadcast revenue (including trade and barter)	\$	\$ 68,988	\$ 1,630	\$	\$	\$ 70,618
Revenue between consolidated entities		2,025	8,768		(10,793)	
Net revenue		71,013	10,398		(10,793)	70,618
Operating expenses (income):						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		17,705	1,578			19,283
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)		21,206	633			21,839
Local service agreement fees between consolidated entities		8,768	2,025		(10,793)	
Non-cash contract termination fees						
Amortization of broadcast rights		3,683	1,123			4,806
Amortization of intangible assets		5,031	1,352			6,383
Depreciation		4,257	831			5,088
Gain on asset exchange		(2,742)				(2,742)
Loss on asset disposal, net		638	(843)			(205)
Total operating expenses		58,546	6,699		(10,793)	54,452
Income (loss) from operations		12,467	3,699			16,166
Interest expense, including amortization of debt financing costs		(6,378)	(1,985)	(2,443)		(10,806)
Equity in loss of subsidiaries	2,517			4,960	(7,477)	
Other income, net		131	20			151
Loss before income taxes	2,517	6,220	1,734	2,517	(7,477)	5,511
Income tax expense		(1,259)	(375)			(1,634)
Net loss	\$ 2,517	\$ 4,961	\$ 1,359	\$ 2,517	\$ (7,477)	\$ 3,877

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended June 30, 2007****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net broadcast revenue	\$	\$ 67,070	\$ 1,659	\$	\$	\$ 68,729
Revenue between consolidated entities		1,965	7,974		(9,939)	
Net revenue		69,035	9,633		(9,939)	68,729
Operating expenses:						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		17,259	1,292			18,551
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	15	21,137	635			21,787
Local service agreement fees between consolidated entities		7,974	1,965		(9,939)	
Amortization of broadcast rights		3,823	933			4,756
Amortization of intangible assets		5,118	1,349			6,467
Depreciation		4,201	827		(4)	5,024
Gain on asset exchange		(1,035)				(1,035)
Loss (gain) on asset disposal, net		(246)	4			(242)
Total operating expenses	15	58,231	7,005		(9,943)	55,308
Income (loss) from operations	(15)	10,804	2,628		4	13,421
Interest expense, including amortization of debt financing costs		(7,297)	(3,078)	(3,396)		(13,771)
Equity in earnings (loss) of subsidiaries	(789)			2,607	(1,818)	
Other income, net		127	18			145
Income (loss) before income taxes	(804)	3,634	(432)	(789)	(1,814)	(205)
Income tax expense		(1,027)	(59)			(1,086)
Net income (loss)	\$ (804)	\$ 2,607	\$ (491)	\$ (789)	\$ (1,814)	\$ (1,291)

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Six Months Ended June 30, 2008****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net broadcast revenue (including trade and barter)	\$	\$ 131,165	\$ 3,165	\$	\$	\$ 134,330
Revenue between consolidated entities		4,040	16,553		(20,593)	
Net revenue		135,205	19,718		(20,593)	134,330
Operating expenses (income):						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		35,672	3,107			38,779
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	1	41,454	1,269			42,724
Local service agreement fees between consolidated entities		16,553	4,040		(20,593)	
Non-cash contract termination fees		7,167				7,167
Amortization of broadcast rights		7,838	2,303			10,141
Amortization of intangible assets		10,055	2,700			12,755
Depreciation		8,723	1,698			10,421
Gain on asset exchange		(3,592)				(3,592)
Loss on asset disposal, net		673	(843)			(170)
Total operating expenses	1	124,543	14,274		(20,593)	118,225
Income (loss) from operations	(1)	10,662	5,444			16,105
Interest expense, including amortization of debt financing costs		(13,807)	(4,959)	(6,029)		(24,795)
Equity in loss of subsidiaries	(11,223)			(5,194)	16,417	
Other income, net		507	45			552
Loss before income taxes	(11,224)	(2,638)	530	(11,223)	16,417	(8,138)
Income tax expense		(2,556)	(757)			(3,313)
Net loss	\$ (11,224)	\$ (5,194)	\$ (227)	\$ (11,223)	\$ 16,417	\$ (11,451)

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Six Months Ended June 30, 2007****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net broadcast revenue	\$	\$ 127,457	\$ 3,326	\$	\$	\$ 130,783
Revenue between consolidated entities		3,930	15,146		(19,076)	
Net revenue		131,387	18,472		(19,076)	130,783
Operating expenses:						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		34,191	2,516			36,707
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	30	40,892	1,163			42,085
Local service agreement fees between consolidated entities		15,146	3,930		(19,076)	
Amortization of broadcast rights		8,765	1,883			10,648
Amortization of intangible assets		10,234	2,698			12,932
Depreciation		8,356	1,663		(7)	10,012
Gain on asset exchange		(1,035)				(1,035)
Loss (gain) on asset disposal, net		(95)	5			(90)
Total operating expenses	30	116,454	13,858		(19,083)	111,259
Income (loss) from operations	(30)	14,933	4,614		7	19,524
Interest expense, including amortization of debt financing costs		(14,673)	(6,204)	(6,614)		(27,491)
Equity in loss of subsidiaries	(8,341)			(1,727)	10,068	
Other income, net		223	38			261
Loss before income taxes	(8,371)	483	(1,552)	(8,341)	10,075	(7,706)
Income tax expense		(2,210)	(408)			(2,618)
Net loss	\$ (8,371)	\$ (1,727)	\$ (1,960)	\$ (8,341)	\$ 10,075	\$ (10,324)

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Condensed Consolidating Financial Information (Continued)****Statement of Cash flows****For the Six Months Ended June 30, 2008****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by (used for) operating activities	\$	\$ (24,667)	\$ 6,602	\$ 46,906	\$	\$ 28,841
Cash flows from investing activities:						
Additions to property and equipment, net		(5,763)	(2,139)			(7,902)
Acquisition of broadcast properties and related transaction costs			(7,923)			(7,923)
Other investing activities						
Net cash used for investing activities		(5,763)	(10,062)			(15,825)
Cash flows from financing activities:						
Repayment of long-term debt		(50,880)	(863)	(46,906)		(98,649)
Proceeds from revolver draws		50,000				50,000
Proceeds from senior subordinated PIK Notes		35,000				35,000
Other financing activities		38				38
Net cash provided by (used for) financing activities		34,158	(863)	(46,906)		(13,611)
Net increase (decrease) in cash and cash equivalents		3,728	(4,323)			(595)
Cash and cash equivalents at beginning of period		6,310	9,916			16,226
Cash and cash equivalents at end of period	\$	\$ 10,038	\$ 5,593	\$	\$	\$ 15,631

Table of Contents**NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Condensed Consolidating Financial Information (Continued)****Statement of Cash flows****For the Six Months Ended June 30, 2007****(in thousands)**

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by (used for) operating activities	\$ (56)	\$ 12,825	\$ 739	\$	\$	\$ 13,508
Cash flows from investing activities:						
Additions to property and equipment, net		(8,820)	(1,284)			(10,104)
Other investing activities		315	(384)			(69)
Net cash used for investing activities		(8,505)	(1,668)			(10,173)
Cash flows from financing activities:						
Repayment of long-term debt		(4,880)	(863)			(5,743)
Other financing activities	56					56
Net cash provided by (used for) financing activities	56	(4,880)	(863)			(5,687)
Net decrease in cash and cash equivalents		(560)	(1,792)			(2,352)
Cash and cash equivalents at beginning of period		7,602	3,577			11,179
Cash and cash equivalents at end of period	\$	\$ 7,042	\$ 1,785	\$	\$	\$ 8,827

Table of Contents

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

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated balance sheet as of June 30, 2008, unaudited condensed consolidated statements of operations for the three months and six months ended June 30, 2008 and 2007, unaudited condensed statement of changes in stockholders' deficit for the six months ended June 30, 2008, unaudited condensed consolidated statements of cash flows for the six months ended June 30, 2008 and 2007 and related notes included elsewhere in this Quarterly Report on Form 10-Q and the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2007.

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

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

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

Executive Summary

Second Quarter 2008 Highlights

Net revenue increased 2.7% during the second quarter of 2008 compared to the same period in 2007, primarily from increases in political advertising revenue, retransmission compensation and eMedia revenue. Political advertising revenue increased by \$2.4 million during the second quarter of 2008 mainly due to presidential and statewide primary elections that occurred during 2008. Total revenue from the retransmission consent agreements was approximately \$4.7 million for the three months ended June 30, 2008 (which included approximately \$3.4 million of retransmission compensation and approximately \$1.3 million of advertising revenue generated from the retransmission consent agreements), compared to \$4.2 million for the three months ended June 30, 2007 (which included approximately \$2.9 million of retransmission compensation and approximately \$1.3 million of advertising revenue generated from the retransmission consent agreements). eMedia revenue increased by \$1.7 million during the second quarter of 2008 as a result of all of our markets having implemented this web-based revenue source as of June 2007.

On June 30, 2008, we completed the issuance of \$35.6 million of senior subordinated payment-in-kind ("PIK") notes, due 2014.

On June 30, 2008, we and Mission in total made repayments of \$45.9 million under the senior secured credit facility.