

NEXSTAR BROADCASTING GROUP INC

Form 10-Q

November 10, 2008

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**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 September 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)

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**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 October 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

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

|                                                                                                | <b>September 30,<br/>2008<br/>(Unaudited)</b> | <b>December 31,<br/>2007<br/>( Unaudited)</b> |
|------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>ASSETS</b>                                                                                  |                                               |                                               |
| Current assets:                                                                                |                                               |                                               |
| Cash and cash equivalents                                                                      | \$ 11,648                                     | \$ 16,226                                     |
| Accounts receivable, net of allowance for doubtful accounts of \$908 and \$1,208, respectively | 55,740                                        | 55,346                                        |
| Current portion of broadcast rights                                                            | 18,090                                        | 13,885                                        |
| Taxes receivable                                                                               |                                               | 351                                           |
| Prepaid expenses and other current assets                                                      | 1,993                                         | 2,482                                         |
| Deferred tax asset                                                                             | 15                                            | 15                                            |
| Total current assets                                                                           | 87,486                                        | 88,305                                        |
| Property and equipment, net                                                                    | 128,439                                       | 111,612                                       |
| Broadcast rights                                                                               | 9,724                                         | 7,674                                         |
| Goodwill                                                                                       | 126,646                                       | 151,686                                       |
| FCC licenses                                                                                   | 146,788                                       | 163,795                                       |
| Other intangible assets, net                                                                   | 160,030                                       | 178,611                                       |
| Other noncurrent assets                                                                        | 5,496                                         | 6,399                                         |
| Deferred tax asset                                                                             | 609                                           | 620                                           |
| Total assets                                                                                   | \$ 665,218                                    | \$ 708,702                                    |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>                                                   |                                               |                                               |
| Current liabilities:                                                                           |                                               |                                               |
| Current portion of debt                                                                        | \$ 3,485                                      | \$ 50,391                                     |
| Current portion of broadcast rights payable                                                    | 18,413                                        | 13,943                                        |
| Accounts payable                                                                               | 11,968                                        | 8,334                                         |
| Accrued expenses                                                                               | 13,403                                        | 13,563                                        |
| Taxes payable                                                                                  | 366                                           | 478                                           |
| Interest payable                                                                               | 7,527                                         | 6,499                                         |
| Deferred revenue                                                                               | 8,284                                         | 6,569                                         |
| Other liabilities                                                                              | 1,061                                         |                                               |
| Total current liabilities                                                                      | 64,507                                        | 99,777                                        |
| Debt                                                                                           | 662,757                                       | 630,785                                       |
| Broadcast rights payable                                                                       | 11,631                                        | 9,569                                         |
| Deferred tax liabilities                                                                       | 44,439                                        | 44,555                                        |
| Deferred revenue                                                                               | 1,930                                         | 2,096                                         |
| Deferred gain on sale of assets                                                                | 5,040                                         | 5,368                                         |
| Deferred representation fee incentive                                                          | 6,092                                         |                                               |
| Other liabilities                                                                              | 13,125                                        | 5,942                                         |

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|                                                                                                                                                                              |            |            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Total liabilities                                                                                                                                                            | 809,521    | 798,092    |
| Commitments and contingencies                                                                                                                                                |            |            |
| Stockholders' deficit:                                                                                                                                                       |            |            |
| Preferred stock - \$0.01 par value, authorized 200,000 shares; no shares issued and outstanding at both September 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 September 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 September 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 September 30, 2008 and December 31, 2007, respectively                   |            |            |
| Additional paid-in capital                                                                                                                                                   | 398,159    | 396,293    |
| Accumulated deficit                                                                                                                                                          | (542,746)  | (485,967)  |
| Total stockholders' deficit                                                                                                                                                  | (144,303)  | (89,390)   |
| Total liabilities and stockholders' deficit                                                                                                                                  | \$ 665,218 | \$ 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<br>September 30,<br>2008      2007<br>(Unaudited) |            | Nine Months Ended<br>September 30,<br>2008      2007<br>(Unaudited) |             |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------|---------------------------------------------------------------------|-------------|
| Net revenue                                                                                                       | \$ 70,275                                                            | \$ 64,463  | \$ 204,605                                                          | \$ 195,246  |
| Operating expenses:                                                                                               |                                                                      |            |                                                                     |             |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     | 19,410                                                               | 18,202     | 58,189                                                              | 54,909      |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | 22,915                                                               | 21,569     | 65,639                                                              | 63,654      |
| Non-cash contract termination fees                                                                                |                                                                      |            | 7,167                                                               |             |
| Impairment of goodwill and intangible assets                                                                      | 48,537                                                               |            | 48,537                                                              |             |
| Amortization of broadcast rights                                                                                  | 5,252                                                                | 5,526      | 15,393                                                              | 16,174      |
| Amortization of intangible assets                                                                                 | 6,345                                                                | 6,377      | 19,100                                                              | 19,309      |
| Depreciation                                                                                                      | 5,229                                                                | 5,011      | 15,650                                                              | 15,023      |
| Gain on asset exchange                                                                                            | (487)                                                                | (500)      | (4,079)                                                             | (1,535)     |
| Gain on asset disposal, net                                                                                       | (127)                                                                | (47)       | (297)                                                               | (137)       |
| Total operating expenses                                                                                          | 107,074                                                              | 56,138     | 225,299                                                             | 167,397     |
| Income (loss) from operations                                                                                     | (36,799)                                                             | 8,325      | (20,694)                                                            | 27,849      |
| Interest expense, including amortization of debt financing costs and debt discounts                               | (11,606)                                                             | (13,787)   | (36,401)                                                            | (41,278)    |
| Interest and other income                                                                                         | 74                                                                   | 125        | 626                                                                 | 386         |
| Loss before income taxes                                                                                          | (48,331)                                                             | (5,337)    | (56,469)                                                            | (13,043)    |
| Income tax benefit (expense)                                                                                      | 3,003                                                                | (1,507)    | (310)                                                               | (4,125)     |
| Net loss                                                                                                          | \$ (45,328)                                                          | \$ (6,844) | \$ (56,779)                                                         | \$ (17,168) |
| Net loss per common share:                                                                                        |                                                                      |            |                                                                     |             |
| Basic and diluted                                                                                                 | \$ (1.59)                                                            | \$ (0.24)  | \$ (2.00)                                                           | \$ (0.60)   |
| Weighted average number of common shares outstanding:                                                             |                                                                      |            |                                                                     |             |
| Basic and diluted                                                                                                 | 28,425                                                               | 28,402     | 28,422                                                              | 28,399      |

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

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**NEXSTAR BROADCASTING GROUP, INC.**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**

**For the Nine Months Ended September 30, 2008**

**(in thousands, except share information)**

|                                                                   | Class A    |        | Common Stock<br>Class B |        | Class C |        | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Total<br>Stockholders'<br>Deficit |
|-------------------------------------------------------------------|------------|--------|-------------------------|--------|---------|--------|----------------------------------|------------------------|-----------------------------------|
|                                                                   | Shares     | Amount | Shares                  | Amount | Shares  | Amount |                                  |                        |                                   |
| <b>Balance at January 1, 2008</b>                                 | 15,005,839 | \$ 150 | 13,411,588              | \$ 134 |         | \$     | \$ 396,293                       | \$ (485,967)           | \$ (89,390)                       |
| Stock-based compensation expense                                  |            |        |                         |        |         |        | 1,828                            |                        | 1,828                             |
| Issuance of common shares related<br>to exercise of stock options | 8,000      |        |                         |        |         |        | 38                               |                        | 38                                |
| Net loss                                                          |            |        |                         |        |         |        |                                  | (56,779)               | (56,779)                          |
| <b>Balance at September 30, 2008<br/>(unaudited)</b>              | 15,013,839 | \$ 150 | 13,411,588              | \$ 134 |         | \$     | \$ 398,159                       | \$ (542,746)           | \$ (144,303)                      |

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

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

|                                                                                 | <b>Nine Months Ended<br/>September 30,<br/>2008                      2007<br/>(Unaudited)</b> |             |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------|
| <b>Cash flows from operating activities:</b>                                    |                                                                                               |             |
| Net loss                                                                        | \$ (56,779)                                                                                   | \$ (17,168) |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                                                                                               |             |
| Deferred income taxes                                                           | (105)                                                                                         | 3,834       |
| Provision for bad debts                                                         | 410                                                                                           | 790         |
| Depreciation of property and equipment                                          | 15,650                                                                                        | 15,023      |
| Amortization of intangible assets                                               | 19,100                                                                                        | 19,309      |
| Amortization of debt financing costs                                            | 804                                                                                           | 803         |
| Amortization of broadcast rights, excluding barter                              | 6,701                                                                                         | 6,822       |
| Amortization of deferred representation fee incentive                           | (358)                                                                                         |             |
| Payments for broadcast rights                                                   | (6,128)                                                                                       | (6,314)     |
| Payment-in-kind interest on debt                                                | 1,050                                                                                         |             |
| Gain on asset exchange                                                          | (4,079)                                                                                       | (1,535)     |
| Gain on asset disposal, net                                                     | (297)                                                                                         | (137)       |
| Deferred gain recognition                                                       | (328)                                                                                         | (327)       |
| Amortization of debt discount                                                   | 3,810                                                                                         | 9,957       |
| Impairment of goodwill and intangible assets                                    | 48,537                                                                                        |             |
| Stock-based compensation expense                                                | 1,828                                                                                         | 1,426       |
| Non-cash contract termination fee                                               | 7,167                                                                                         |             |
| Changes in operating assets and liabilities, net of acquisitions:               |                                                                                               |             |
| Accounts receivable                                                             | 277                                                                                           | (5,641)     |
| Prepaid expenses and other current assets                                       | 501                                                                                           | (138)       |
| Taxes receivable                                                                | 351                                                                                           | 240         |
| Other noncurrent assets                                                         | (727)                                                                                         | (463)       |
| Accounts payable and accrued expenses                                           | 532                                                                                           | (3,996)     |
| Taxes payable                                                                   | (112)                                                                                         |             |
| Interest payable                                                                | 1,028                                                                                         | (3,517)     |
| Deferred revenue                                                                | 1,549                                                                                         | 535         |
| Other noncurrent liabilities                                                    | 344                                                                                           | 485         |
| Net cash provided by operating activities                                       | 40,726                                                                                        | 19,988      |
| <b>Cash flows from investing activities:</b>                                    |                                                                                               |             |
| Additions to property and equipment                                             | (18,119)                                                                                      | (13,636)    |
| Acquisition of broadcast properties and related transaction costs               | (7,923)                                                                                       | (387)       |
| Proceeds from insurance on casualty loss                                        | 494                                                                                           |             |
| Proceeds from sale of assets                                                    |                                                                                               | 323         |
| Net cash used for investing activities                                          | (25,548)                                                                                      | (13,700)    |
| <b>Cash flows from financing activities:</b>                                    |                                                                                               |             |
| Repayment of long-term debt                                                     | (104,794)                                                                                     | (11,614)    |
| Proceeds from long-term debt                                                    | 50,000                                                                                        |             |
| Proceeds from senior subordinated PIK notes                                     | 35,000                                                                                        |             |

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|                                                                              |           |          |
|------------------------------------------------------------------------------|-----------|----------|
| Proceeds from issuance of common shares related to exercise of stock options | 38        | 56       |
| Net cash used for financing activities                                       | (19,756)  | (11,558) |
| Net decrease in cash and cash equivalents                                    | (4,578)   | (5,270)  |
| Cash and cash equivalents at beginning of period                             | 16,226    | 11,179   |
| Cash and cash equivalents at end of period                                   | \$ 11,648 | \$ 5,909 |

### Supplemental schedule of cash flow information:

#### Cash paid during the period for:

|                   |           |           |
|-------------------|-----------|-----------|
| Interest          | \$ 29,440 | \$ 34,038 |
| Income taxes, net | \$ 178    | \$ 51     |

#### Non-cash investing activities:

|                            |          |    |
|----------------------------|----------|----|
| Capitalization of software | \$ 4,976 | \$ |
| Acquisition of equipment   | \$ 1,975 | \$ |

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

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**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Business Operations**

As of September 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.

Disruptions in the capital and credit markets, as have been experienced during 2008, could adversely affect our ability to draw on our bank revolving credit facilities. Our access to funds under the revolving credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

**2. Summary of Significant Accounting Policies**

***Interim Financial Statements***

The condensed consolidated financial statements as of September 30, 2008 and for the three months and nine months ended September 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 September 30, 2008, the assets of Mission consisted of current assets of \$1.9 million

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(excluding broadcast rights), broadcast rights of \$6.6 million, FCC licenses of \$26.7 million, goodwill of \$19.8 million, other intangible assets of \$32.4 million, property and equipment of \$27.7 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.

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

| Service Agreements                 | Mission Stations                                                                            |
|------------------------------------|---------------------------------------------------------------------------------------------|
| <b>TBA Only<sup>(1)</sup></b>      | WFXP and KHMT                                                                               |
| <b>SSA &amp; JSA<sup>(2)</sup></b> | 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 Broadcast Group, Inc. ( Sinclair ), as a result of outsourcing agreements it has entered into with Sinclair. Nexstar also has determined that it had a variable interest in KTVE, the NBC affiliate in El Dorado, Arkansas, during the time it was owned by Piedmont Television of Monroe/El Dorado, LLC ( Piedmont ), as a result of a JSA and SSA entered into with Piedmont. Nexstar's JSA and SSA with Piedmont terminated upon Mission's acquisition of KTVE on January 16, 2008. Nexstar also has determined that it has a variable interest in WHP, the CBS affiliate in Harrisburg, Pennsylvania, which is owned by 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 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 \$0.8 million and \$0.7 million for the three months ended September 30, 2008 and 2007, respectively and \$2.5 million and \$2.3 million for each of the nine months then ended. Nexstar received payments from Piedmont under the JSA of \$0.3 and \$0.9 million for the three months and nine months ended September 30, 2007. Nexstar received payments from the owners of WLYH (Clear Channel TV, Inc. in 2007 and Newport Television in 2008) under the TBA of \$13 thousand for both of the three months ended September 30, 2008 and 2007 and \$38 thousand for both of the nine 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 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.

***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

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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 \$0.5 million for both of the three months ended September 30, 2008 and 2007, respectively and \$1.8 million and \$1.4 million for the nine 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 September 30, 2008, there was approximately \$5.0 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 1.6 years. The total intrinsic value and cash received for stock options exercised during the nine months ended September 30, 2008 was \$8 thousand and \$38 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 nine months ended September 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<br>September 30,   |           | Nine Months Ended<br>September 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 | 3,795,911                             | 1,073,000 | 2,324,893                             | 1,077,762 |
| In-the-money stock options excluded due to anti-dilutive effects                                                          | 23,111                                | 2,503,000 | 1,735,033                             | 2,511,989 |
| Unvested restricted stock                                                                                                 |                                       |           |                                       | 201       |

**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. 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.

***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

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statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS No. 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 No. 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).

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 September 30, 2008, there were no investments in marketable securities.

As of September 30, 2008, the Company had \$6.9 million invested in a money market fund. These investments are required to be measured at fair value on a recurring basis. The Company has determined that the money market fund is defined as Level 1 in the fair value hierarchy. As of September 30, 2008, the fair value of the money market fund was an asset of \$6.9 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 assign the license of KFTA Channel 24 (Ft. Smith, Arkansas) from Nexstar to Mission. Consideration for this transaction was 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

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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. The grant contained conditions which Nexstar is currently appealing.

## 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 consideration of \$8.3 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.

|                                                   |                 |
|---------------------------------------------------|-----------------|
| 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                                          | 2,802           |
| <b>Total assets acquired</b>                      | <b>11,645</b>   |
| Less: current portion of broadcast rights payable | 152             |
| Less: accounts payable                            | 113             |
| Less: deferred liability on unfavorable lease     | 2,216           |
| Less: accrued expenses and other liabilities      | 854             |
| <b>Net assets acquired</b>                        | <b>\$ 8,310</b> |

Of the \$3.8 million of acquired intangible assets, \$2.7 million was assigned to FCC licenses that are not subject to amortization and \$1.1 million was assigned to network affiliation agreements (estimated useful life of 15 years). During the quarter ended September 30, 2008, the Company obtained additional information related to a lease assumed in the acquisition which resulted in recording an increase to goodwill and deferred liabilities of \$2.2 million. Goodwill of \$2.8 million is expected to be deductible for tax purposes.

## 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<br>September 30,<br>2008<br>(actual)<br>(in thousands, except per share<br>amounts) | Three Months Ended<br>September 30,<br>2007<br>(in thousands, except per share<br>amounts) | Nine Months Ended<br>September 30,<br>2008<br>(in thousands, except per share amounts) | Nine Months Ended<br>September 30,<br>2007<br>(in thousands, except per share amounts) |
|-------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Net revenue                   | \$ 70,275                                                                                              | \$ 66,140                                                                                  | \$ 204,855                                                                             | \$ 200,129                                                                             |
| Income (loss) from operations | (36,799)                                                                                               | 8,505                                                                                      | (20,688)                                                                               | 28,217                                                                                 |

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|                                      |          |         |          |          |
|--------------------------------------|----------|---------|----------|----------|
| Loss before income taxes             | (48,331) | (5,271) | (56,482) | (13,017) |
| Net loss                             | (45,328) | (6,806) | (56,797) | (17,226) |
| Basic and diluted net loss per share | (1.59)   | (0.24)  | (2.00)   | (0.60)   |

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 September 30, 2008, included in net property and equipment is approximately \$4.6 million of costs related to the capitalization of software. The asset is being amortized over 10 years. As of September 30, 2008, \$0.3 million representing the current portion of the

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remaining liability associated with this contract is included in other current liabilities and \$4.4 million representing the long-term portion of the remaining liability associated with this contract is included in other noncurrent liabilities in the accompanying condensed balance sheet

**7. Intangible Assets and Goodwill**

Intangible assets subject to amortization consisted of the following:

|                                                 | Estimated<br>useful life<br>(years) | Gross      | September 30, 2008<br>Accumulated<br>Amortization<br>(in thousands) | Net        | Gross      | December 31, 2007<br>Accumulated<br>Amortization<br>(in thousands) | Net        |
|-------------------------------------------------|-------------------------------------|------------|---------------------------------------------------------------------|------------|------------|--------------------------------------------------------------------|------------|
| Network affiliation agreements                  | 15                                  | \$ 357,027 | \$ (201,619) <sup>(a)</sup>                                         | \$ 155,408 | \$ 355,878 | \$ (182,848)                                                       | \$ 173,030 |
| Other definite-lived intangible assets          | 1-15                                | 16,141     | (11,519)                                                            | 4,622      | 15,775     | (10,194)                                                           | 5,581      |
| Total intangible assets subject to amortization |                                     | \$ 373,168 | \$ (213,138)                                                        | \$ 160,030 | \$ 371,653 | \$ (193,042)                                                       | \$ 178,611 |

<sup>(a)</sup> Includes a \$1.0 million impairment charge

We recorded an impairment charge of \$48.5 million during the third quarter of 2008 that included an impairment to the carrying values of FCC licenses of \$19.7 million, related to 12 of our television stations; an impairment to the carrying value of network affiliation agreements of \$1.0 million, related to 3 of our television stations; and an impairment to the carrying values of goodwill of \$27.8 million, related to 5 reporting units consisting of 6 of our television stations. As required by SFAS 142, Goodwill and Other Intangible Assets (SFAS 142), we tested our FCC licenses and goodwill for impairment at September 30, 2008, between the required annual tests, because we believed events had occurred and circumstances changed that would more likely than not reduce the fair value of our reporting units below their carrying amounts and that our FCC licenses might be impaired. These events included: (a) the decline of the price of our Class A common stock as of September 30, 2008; (b) the decline in overall economic conditions; and (c) the decline in advertising revenues at some of our stations.

In accordance with SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company tests network affiliation agreements whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. An impairment in the carrying amount of a network affiliation agreement is recognized when the expected future operating cash flow derived from the operation to which the asset relates to is less than its carrying value. The impairment test for network affiliation agreements consists of a station-by-station comparison of the carrying amount of network affiliation agreements with their fair value, using a discounted cash flow analysis.

The impairment test for FCC licenses consists of a station-by-station comparison of the carrying amount of FCC licenses with their fair value, using a discounted cash flows analysis.

The impairment test for goodwill utilizes a two-step fair value approach. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the combined stations in a market (reporting unit) to its carrying amount. The fair value of a reporting unit is determined using a discounted cash flows analysis. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by performing an assumed purchase price allocation, using the reporting unit's fair value (as determined in Step 1) as the purchase price. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of our reporting units requires our management to make a number of judgments about assumptions and estimates that are highly subjective and that are based on unobservable inputs. The actual results may differ from these assumptions and estimates; and it is possible that such differences could have a material impact on our financial statements. In addition to the various inputs (i.e. market growth, operating profit margins, discount rates) that we use to calculate the fair value of our FCC licenses and reporting units, we evaluate the reasonableness of our assumptions by comparing the total fair value of all our reporting units to our total market capitalization; and by comparing the fair value of our reporting units or television stations, and FCC licenses to recent television station sale transactions.

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We used the income approach to test our FCC licenses for impairments as of September 30, 2008 with the following assumptions: (a) a discount rate of 9.5%; (b) market growth rates ranging from 2.0%-2.8%; and (c) operating profit margins ranging from 12.1%-34.1%.

We used the income approach to test goodwill for impairments as of September 30, 2008 with the following assumptions: (a) a discount rate of 9.5%; (b) market growth rates ranging from 2.0%-2.8%; and (c) operating profit margins ranging from 20.0%-42.6%. These assumptions are based on: (a) the actual historical performance of our stations; (b) management's estimates of future performance of our stations; and (c) the same market growth assumptions used in the calculation of the fair value of our FCC licenses.

We used the income approach to determine the fair value of the network affiliation agreements for certain stations as of September 30, 2008 with the following assumptions: (a) a discount rate of 9.5%; (b) market growth rates ranging from 2.0% to 2.8%; and (c) operating profit margin ranging from 14.3% to 42.6%.

As noted above, we are required under SFAS 142 to test our indefinite-lived intangible assets on an annual basis or whenever events or changes in circumstances indicate that these assets might be impaired. As a result, if the current economic trends continue and the credit and capital markets continue to be disrupted, it is possible that we may record further impairments in the fourth quarter of 2008.

Total amortization expense from definite-lived intangibles was \$6.3 million and \$6.4 million for the three months ended September 30, 2008 and 2007, respectively and \$19.1 million and \$19.3 million for the nine 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.

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The aggregate carrying value of indefinite-lived intangible assets, consisting of FCC licenses and goodwill, was \$273.4 million and \$315.5 million at September 30, 2008 and December 31, 2007, respectively.

The change in the carrying amount of goodwill and FCC licenses for the nine months ended September 30, 2008 was as follows:

|                   | Goodwill<br>(in thousands) | FCC Licenses<br>(in thousands) |
|-------------------|----------------------------|--------------------------------|
| Beginning balance | \$ 151,686                 | \$ 163,795                     |
| Acquisition       | 2,802                      | 2,660                          |
| Impairment        | (27,842)                   | (19,667)                       |
| Ending balance    | \$ 126,646                 | \$ 146,788                     |

During 2008, the consummation of Mission's acquisition of KTVE increased goodwill by \$2.8 million.

## 8. Accrued Expenses

Accrued expenses consisted of the following:

|                                              | September 30,<br>2008 | December 31,<br>2007 |
|----------------------------------------------|-----------------------|----------------------|
|                                              | (in thousands)        |                      |
| Compensation and related taxes               | \$ 4,619              | \$ 4,082             |
| Sales commissions                            | 1,575                 | 1,514                |
| Employee benefits                            | 980                   | 1,361                |
| Property taxes                               | 1,187                 | 620                  |
| Other accruals related to operating expenses | 5,042                 | 5,986                |
|                                              | \$ 13,403             | \$ 13,563            |

## 9. Debt

Long-term debt consisted of the following:

|                                                                                         | September 30,<br>2008 | December 31,<br>2007 |
|-----------------------------------------------------------------------------------------|-----------------------|----------------------|
|                                                                                         | (in thousands)        |                      |
| Term loans                                                                              | \$ 326,045            | \$ 328,659           |
| 7% senior subordinated notes due 2014, net of discount of \$1,777 and \$1,978           | 198,223               | 198,022              |
| 11.375% senior discount notes due 2013, net of discount of \$3,505 at December 31, 2007 | 77,820                | 126,495              |
| Senior subordinated PIK notes due 2014, net of discount of \$519                        | 36,154                |                      |
| Revolving credit facilities                                                             | 28,000                | 28,000               |
|                                                                                         | 666,242               | 681,176              |
| Less: current portion                                                                   | (3,485)               | (50,391)             |
|                                                                                         | \$ 662,757            | \$ 630,785           |

## The Nexstar Senior Secured Credit Facility

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The Nexstar senior secured credit facility (the Nexstar Facility ) consists of a Term Loan B and a \$82.5 million revolving loan. As of September 30, 2008 and December 31, 2007, Nexstar had \$158.5 million and \$159.8 million, respectively, outstanding under its Term Loan B and \$21.0 million outstanding under its revolving loan at both of these 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 nine months ended September 30, 2008, repayments of Nexstar's Term Loan B totaled \$1.3 million, all of which were scheduled maturities. The revolving loan is not subject to incremental reduction and matures in April 2012. During the nine months ended September 30, 2008, borrowings and subsequent repayments of Nexstar's revolving loan totaled \$50 million.

The total weighted-average interest rate of the Nexstar Facility was 5.39% and 6.52% at September 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 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.

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### ***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 September 30, 2008 and December 31, 2007, Mission had \$167.5 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 both of these 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 nine months ended September 30, 2008, repayments of Mission's Term Loan B totaled \$1.3 million, all of which were scheduled maturities. The total weighted average interest rate of the Mission Facility was 5.49% and 6.61% at September 30, 2008 and December 31, 2007, respectively.

### ***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. In September 2008, Nexstar repurchased \$5.3 million of these notes pursuant to the purchase agreement pertaining to the senior subordinated PIK notes discussed below.

### ***Senior Subordinated PIK Notes***

On June 27, 2008 Nexstar Broadcasting, 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 PIK 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 PIK 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 except for the 11.375% Notes discussed above.

The Company, at its option, may redeem the PIK 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 PIK 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.

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

The Company had \$69.5 million of total unused revolving loan commitments at September 30, 2008 under the Nexstar and Mission credit facilities, of which \$19.0 million was available for borrowing.

### ***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 September 30, 2008, (2) a maximum combined senior leverage ratio of Nexstar Broadcasting and Mission of

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4.75 times the last twelve months operating cash flow at September 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 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 September 30, 2008, we are in compliance with all of our covenants.

In order to make further borrowings under the Nexstar Facility, Nexstar Broadcasting is required to be in compliance with these and other covenants including the requirement that there shall not have occurred any material adverse effect on the operations, business assets, properties, condition (financial or otherwise) or prospects of the Company.

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The PIK Notes, the 7% senior subordinated notes, and senior discount notes contain covenants that, among other things, 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 September 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 \$6.1 million is recorded as deferred representation fee incentive in the accompanying condensed balance sheet.

**11. Other Noncurrent Liabilities**

Other noncurrent liabilities consist of the following:

|                               | September 30,<br>2008 | December 31,<br>2007 |
|-------------------------------|-----------------------|----------------------|
|                               | (in thousands)        |                      |
| Deferred rent                 | \$ 6,665              | \$ 5,397             |
| Software agreement obligation | 4,371                 |                      |
| Other                         | 2,089                 | 545                  |
|                               | \$ 13,125             | \$ 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 September 30, 2008, a total of 641,000 shares were available for future grant. Employee stock

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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

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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 both of the three months ended September 30, 2008 and 2007, the Company recognized a gain of \$0.5 million and for the nine months then ended, a gain of \$4.1 million and \$1.5 million, respectively.

### **14. Income Taxes**

The Company's provision/benefit for income taxes is primarily comprised of deferred income taxes created by changes in the deferred tax liabilities position during the year. These changes resulted from the amortization of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes as well as from adjustments made during the third quarter to the Company's deferred tax liabilities as a result of the impairment charges discussed in Footnote 7. 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 September 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 September 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.

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.

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### **15. FCC Regulatory Matters**

Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act"). The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC, and empowers the FCC, among other things, to issue, revoke and modify broadcasting licenses, determine the location of television stations, regulate the equipment used by television stations, adopt regulations to carry out the provisions of the Communications Act and impose penalties for the violation of 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 September 30, 2008, Mission's stations WUTR, WTVO, WYOU, KRBC, KCIT, KTVE, 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 KBTB, KFDX, WFFT, WFXV, WTWO, KMID and KSNF and Mission stations KJTL, KSNF, WFXW, WFXP and KODE. The FCC has established February 17, 2009 as the deadline for Nexstar stations KQTV, WCFN, WJET, WHAG, WDHN, KSVI, and KLST and Mission stations KOLR and KHMT.

Extension requests were filed with the FCC on September 19, 2008 for the Nexstar and Mission stations with permit expiration dates of November 19, 2008 unless the stations were expected to begin DTV full-power operations by the November 19, 2008 deadline. All of the Nexstar stations are expected to be operating at DTV full-power on or before February 17, 2009, except for KLST, KSNF, KBTB, KMID and KQTV, which are expected to initiate full-power DTV operations on or before April 10, 2009. A request for authority for these stations to begin full-power DTV operations after February 17, 2009 will be filed with the FCC.

DTV conversion expenditures were \$13.5 million and \$6.8 million, respectively, for the nine months ended September 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.

#### ***Media Ownership***

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

### **16. Commitments and Contingencies**

#### ***Guarantee of Mission Debt***

Nexstar and its subsidiaries guarantee full payment of all obligations incurred under Mission's senior secured credit facility agreement. In the event that Mission is unable to repay amounts due under its credit facility, Nexstar will be obligated to repay such amounts. The maximum potential amount of future payments that Nexstar would be required to make under this guarantee would be generally limited to the amount of borrowings outstanding under the Mission credit facility. At September 30, 2008, Mission had \$174.5 million outstanding under its senior credit

facility.

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### ***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****Balance Sheet****September 30, 2008****(in thousands)**

|                                                           | <b>Nexstar</b> | <b>Nexstar Finance Holdings</b> | <b>Non-Guarantor Subsidiary</b> | <b>Eliminations</b> | <b>Consolidated Company</b> |
|-----------------------------------------------------------|----------------|---------------------------------|---------------------------------|---------------------|-----------------------------|
| <b>ASSETS</b>                                             |                |                                 |                                 |                     |                             |
| Current assets:                                           |                |                                 |                                 |                     |                             |
| Cash and cash equivalents                                 | \$             | \$                              | \$ 11,648                       | \$                  | \$ 11,648                   |
| Other current assets                                      |                | 6                               | 75,832                          |                     | 75,838                      |
| Total current assets                                      |                | 6                               | 87,480                          |                     | 87,486                      |
| Investments in subsidiaries eliminated upon consolidation | (47,360)       | 35,410                          |                                 | 11,950              |                             |
| Amounts due from parents eliminated upon consolidation    |                |                                 | 368                             | (368)               |                             |
| Property and equipment, net                               |                |                                 | 128,439                         |                     | 128,439                     |
| Goodwill                                                  |                |                                 | 126,646                         |                     | 126,646                     |
| FCC licenses                                              |                |                                 | 146,788                         |                     | 146,788                     |
| Other intangible assets, net                              |                |                                 | 160,030                         |                     | 160,030                     |
| Other noncurrent assets                                   |                | 1,445                           | 14,384                          |                     | 15,829                      |
| Total assets                                              | \$ (47,360)    | \$ 36,861                       | \$ 664,135                      | \$ 11,582           | \$ 665,218                  |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>      |                |                                 |                                 |                     |                             |
| Current liabilities:                                      |                |                                 |                                 |                     |                             |
| Current portion of debt                                   | \$             | \$                              | \$ 3,485                        | \$                  | \$ 3,485                    |
| Other current liabilities                                 |                | 4,425                           | 56,597                          |                     | 61,022                      |
| Total current liabilities                                 |                | 4,425                           | 60,082                          |                     | 64,507                      |
| Debt                                                      |                | 77,820                          | 584,937                         |                     | 662,757                     |
| Amounts due to subsidiary eliminated upon consolidation   | (1,579)        | 1,973                           |                                 | (394)               |                             |
| Other noncurrent liabilities                              | (3)            | 3                               | 82,256                          | 1                   | 82,257                      |
| Total liabilities                                         | (1,582)        | 84,221                          | 727,275                         | (393)               | 809,521                     |
| Stockholders' equity (deficit):                           |                |                                 |                                 |                     |                             |
| Common stock                                              | 284            |                                 |                                 |                     | 284                         |
| Other stockholders' equity (deficit)                      | (46,062)       | (47,360)                        | (63,140)                        | 11,975              | (144,587)                   |
| Total stockholders' equity (deficit)                      | (45,778)       | (47,360)                        | (63,140)                        | 11,975              | (144,303)                   |
| Total liabilities and stockholders' equity (deficit)      | \$ (47,360)    | \$ 36,861                       | \$ 664,135                      | \$ 11,582           | \$ 665,218                  |

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## Balance Sheet

December 31, 2007

(in thousands)

|                                                           | Nexstar  | Nexstar Finance Holdings | Non-Guarantor Subsidiaries | Eliminations | Consolidated Company |
|-----------------------------------------------------------|----------|--------------------------|----------------------------|--------------|----------------------|
| <b>ASSETS</b>                                             |          |                          |                            |              |                      |
| Current assets:                                           |          |                          |                            |              |                      |
| Cash and cash equivalents                                 | \$       | \$                       | \$                         | 16,226       | \$ 16,226            |
| Other current assets                                      | 145      | 6                        | 72,073                     | (145)        | 72,079               |
| 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           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>     |          |                          |                            |              |                      |
| Current liabilities:                                      |          |                          |                            |              |                      |
| Current portion of debt                                   | \$       | \$                       | \$                         | 46,906       | \$ 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)             |
| Total liabilities and stockholders' equity (deficit)      | \$ 5,507 | \$ 133,830               | \$ 709,388                 | \$ (140,023) | \$ 708,702           |

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### Statement of Operations

For the Three Months Ended September 30, 2008

(in thousands)

|                                                                                                                   | Nexstar     | Nexstar Finance<br>Holdings | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|-------------------------------------------------------------------------------------------------------------------|-------------|-----------------------------|-----------------------------|--------------|-------------------------|
| Net revenue                                                                                                       | \$          | \$                          | \$ 70,275                   | \$           | \$ 70,275               |
| Operating expenses (income):                                                                                      |             |                             |                             |              |                         |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |             |                             | 19,410                      |              | 19,410                  |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) |             |                             | 22,915                      |              | 22,915                  |
| Non-cash contract termination fees                                                                                |             |                             |                             |              |                         |
| Impairment of intangible assets                                                                                   |             |                             | 48,537                      |              | 48,537                  |
| Amortization of broadcast rights                                                                                  |             |                             | 5,252                       |              | 5,252                   |
| Amortization of intangible assets                                                                                 |             |                             | 6,345                       |              | 6,345                   |
| Depreciation                                                                                                      |             |                             | 5,229                       |              | 5,229                   |
| Gain on asset exchange                                                                                            |             |                             | (487)                       |              | (487)                   |
| Gain on asset disposal, net                                                                                       |             |                             | (127)                       |              | (127)                   |
| Total operating expenses                                                                                          |             |                             | 107,074                     |              | 107,074                 |
| Loss from operations                                                                                              |             |                             | (36,799)                    |              | (36,799)                |
| Interest expense, including amortization of debt financing costs                                                  |             | (2,400)                     | (9,206)                     |              | (11,606)                |
| Equity in loss of subsidiaries                                                                                    | (41,493)    | (39,093)                    |                             | 80,586       |                         |
| Other income, net                                                                                                 |             |                             | 74                          |              | 74                      |
| Loss before income taxes                                                                                          | (41,493)    | (41,493)                    | (45,931)                    | 80,586       | (48,331)                |
| Income tax benefit                                                                                                |             |                             | 3,003                       |              | 3,003                   |
| Net loss                                                                                                          | \$ (41,493) | \$ (41,493)                 | \$ (42,928)                 | \$ 80,586    | \$ (45,328)             |

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### Statement of Operations

For the Three Months Ended September 30, 2007

(in thousands)

|                                                                                                                   | Nexstar    | Nexstar Finance<br>Holdings | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|-------------------------------------------------------------------------------------------------------------------|------------|-----------------------------|-----------------------------|--------------|-------------------------|
| Net revenue                                                                                                       | \$         | \$                          | \$ 64,463                   | \$           | \$ 64,463               |
| Operating expenses:                                                                                               |            |                             |                             |              |                         |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |            |                             | 18,202                      |              | 18,202                  |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | (135)      |                             | 21,704                      |              | 21,569                  |
| Amortization of broadcast rights                                                                                  |            |                             | 5,526                       |              | 5,526                   |
| Amortization of intangible assets                                                                                 |            |                             | 6,377                       |              | 6,377                   |
| Depreciation                                                                                                      |            |                             | 5,011                       |              | 5,011                   |
| Gain on asset exchange                                                                                            |            |                             | (500)                       |              | (500)                   |
| Gain on asset disposal, net                                                                                       |            |                             | (47)                        |              | (47)                    |
| Total operating expenses                                                                                          | (135)      |                             | 56,273                      |              | 56,138                  |
| Income from operations                                                                                            | 135        |                             | 8,190                       |              | 8,325                   |
| Interest expense, including amortization of debt financing costs                                                  |            | (3,397)                     | (10,390)                    |              | (13,787)                |
| Equity in loss of subsidiaries                                                                                    | (5,522)    | (2,125)                     |                             | 7,647        |                         |
| Other income, net                                                                                                 |            |                             | 125                         |              | 125                     |
| Loss before income taxes                                                                                          | (5,387)    | (5,522)                     | (2,075)                     | 7,647        | (5,337)                 |
| Income tax expense                                                                                                |            |                             | (1,507)                     |              | (1,507)                 |
| Net loss                                                                                                          | \$ (5,387) | \$ (5,522)                  | \$ (3,582)                  | \$ 7,647     | \$ (6,844)              |

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### Statement of Operations

For the Nine Months Ended September 30, 2008

(in thousands)

|                                                                                                                   | Nexstar     | Nexstar Finance Holdings | Non-Guarantor Subsidiary | Eliminations | Consolidated Company |
|-------------------------------------------------------------------------------------------------------------------|-------------|--------------------------|--------------------------|--------------|----------------------|
| Net revenue                                                                                                       | \$          | \$                       | \$ 204,605               | \$           | \$ 204,605           |
| Operating expenses (income):                                                                                      |             |                          |                          |              |                      |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |             |                          | 58,189                   |              | 58,189               |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | 1           |                          | 65,638                   |              | 65,639               |
| Non-cash contract termination fees                                                                                |             |                          | 7,167                    |              | 7,167                |
| Impairment of intangible assets                                                                                   |             |                          | 48,537                   |              | 48,537               |
| Amortization of broadcast rights                                                                                  |             |                          | 15,393                   |              | 15,393               |
| Amortization of intangible assets                                                                                 |             |                          | 19,100                   |              | 19,100               |
| Depreciation                                                                                                      |             |                          | 15,650                   |              | 15,650               |
| Gain on asset exchange                                                                                            |             |                          | (4,079)                  |              | (4,079)              |
| Loss on asset disposal, net                                                                                       |             |                          | (297)                    |              | (297)                |
| Total operating expenses (income)                                                                                 | 1           |                          | 225,298                  |              | 225,299              |
| Loss from operations                                                                                              | (1)         |                          | (20,693)                 |              | (20,694)             |
| Interest expense, including amortization of debt financing costs                                                  |             | (8,429)                  | (27,972)                 |              | (36,401)             |
| Equity in loss of subsidiaries                                                                                    | (52,716)    | (44,287)                 |                          | 97,003       |                      |
| Other income, net                                                                                                 |             |                          | 626                      |              | 626                  |
| Loss before income taxes                                                                                          | (52,717)    | (52,716)                 | (48,039)                 | 97,003       | (56,469)             |
| Income tax expense                                                                                                |             |                          | (310)                    |              | (310)                |
| Net loss                                                                                                          | \$ (52,717) | \$ (52,716)              | \$ (48,349)              | \$ 97,003    | \$ (56,779)          |

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## Statement of Operations

For the Nine Months Ended September 30, 2007

(in thousands)

|                                                                                                                   | Nexstar     | Nexstar Finance Holdings | Non-Guarantor Subsidiary | Eliminations | Consolidated Company |
|-------------------------------------------------------------------------------------------------------------------|-------------|--------------------------|--------------------------|--------------|----------------------|
| Net revenue                                                                                                       | \$          | \$                       | \$ 195,246               | \$           | \$ 195,246           |
| Operating expenses:                                                                                               |             |                          |                          |              |                      |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |             |                          | 54,909                   |              | 54,909               |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | (105)       |                          | 63,759                   |              | 63,654               |
| Amortization of broadcast rights                                                                                  |             |                          | 16,174                   |              | 16,174               |
| Amortization of intangible assets                                                                                 |             |                          | 19,309                   |              | 19,309               |
| Depreciation                                                                                                      |             |                          | 15,023                   |              | 15,023               |
| Gain on asset exchange                                                                                            |             |                          | (1,535)                  |              | (1,535)              |
| Gain on asset disposal, net                                                                                       |             |                          | (137)                    |              | (137)                |
| Total operating expenses                                                                                          | (105)       |                          | 167,502                  |              | 167,397              |
| Income from operations                                                                                            | 105         |                          | 27,744                   |              | 27,849               |
| Interest expense, including amortization of debt financing costs                                                  |             | (10,011)                 | (31,267)                 |              | (41,278)             |
| Equity in loss of subsidiaries                                                                                    | (13,863)    | (3,852)                  |                          | 17,715       |                      |
| Other income, net                                                                                                 |             |                          | 386                      |              | 386                  |
| Loss before income taxes                                                                                          | (13,758)    | (13,863)                 | (3,137)                  | 17,715       | (13,043)             |
| Income tax expense                                                                                                |             |                          | (4,125)                  |              | (4,125)              |
| Net loss                                                                                                          | \$ (13,758) | \$ (13,863)              | \$ (7,262)               | \$ 17,715    | \$ (17,168)          |

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### Statement of Cash Flows

For the Nine Months Ended September 30, 2008

(in thousands)

|                                                                   | Nexstar | Nexstar Finance<br>Holdings | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|-------------------------------------------------------------------|---------|-----------------------------|-----------------------------|--------------|-------------------------|
| <b>Cash flows provided by (used for) operating activities</b>     | \$      | \$ 52,180                   | \$ (11,454)                 | \$           | \$ 40,726               |
| <b>Cash flows from investing activities:</b>                      |         |                             |                             |              |                         |
| Additions to property and equipment, net                          |         |                             | (18,119)                    |              | (18,119)                |
| Acquisition of broadcast properties and related transaction costs |         |                             | (7,923)                     |              | (7,923)                 |
| Other investing activities                                        |         |                             | 494                         |              | 494                     |
| Net cash used for investing activities                            |         |                             | (25,548)                    |              | (25,548)                |
| <b>Cash flows from financing activities:</b>                      |         |                             |                             |              |                         |
| Repayment of long-term debt                                       |         | (52,180)                    | (52,614)                    |              | (104,794)               |
| 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              |         | (52,180)                    | 32,424                      |              | (19,756)                |
| Net increase in cash and cash equivalents                         |         |                             | (4,578)                     |              | (4,578)                 |
| Cash and cash equivalents at beginning of period                  |         |                             | 16,226                      |              | 16,226                  |
| Cash and cash equivalents at end of period                        | \$      | \$                          | \$ 11,648                   | \$           | \$ 11,648               |

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### Statement of Cash Flows

For the Nine Months Ended September 30, 2007

(in thousands)

|                                                               | Nexstar | Nexstar Finance Holdings | Non-Guarantor Subsidiary | Eliminations | Consolidated Company |
|---------------------------------------------------------------|---------|--------------------------|--------------------------|--------------|----------------------|
| <b>Cash flows provided by (used for) operating activities</b> | \$ (56) | \$                       | \$ 20,044                | \$           | \$ 19,988            |
| <b>Cash flows from investing activities:</b>                  |         |                          |                          |              |                      |
| Additions to property and equipment, net                      |         |                          | (13,636)                 |              | (13,636)             |
| Other investing activities                                    |         |                          | (64)                     |              | (64)                 |
| <b>Net cash used for investing activities</b>                 |         |                          | (13,700)                 |              | (13,700)             |
| <b>Cash flows from financing activities:</b>                  |         |                          |                          |              |                      |
| Repayment of long-term debt                                   |         |                          | (11,614)                 |              | (11,614)             |
| Other financing activities                                    | 56      |                          |                          |              | 56                   |
| <b>Net cash provided by (used for) financing activities</b>   | 56      |                          | (11,614)                 |              | (11,558)             |
| Net decrease in cash and cash equivalents                     |         |                          | (5,270)                  |              | (5,270)              |
| Cash and cash equivalents at beginning of period              |         |                          | 11,179                   |              | 11,179               |
| Cash and cash equivalents at end of period                    | \$      | \$                       | \$ 5,909                 | \$           | \$ 5,909             |

## 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****Balance Sheet****September 30, 2008****(in thousands)**

|                                                           | <b>Nexstar</b> | <b>Nexstar<br/>Broadcasting</b> | <b>Mission</b> | <b>Non-Guarantor<br/>Subsidiary</b> | <b>Eliminations</b> | <b>Consolidated<br/>Company</b> |
|-----------------------------------------------------------|----------------|---------------------------------|----------------|-------------------------------------|---------------------|---------------------------------|
| <b>ASSETS</b>                                             |                |                                 |                |                                     |                     |                                 |
| Current assets:                                           |                |                                 |                |                                     |                     |                                 |
| Cash and cash equivalents                                 | \$             | \$ 10,922                       | \$ 726         | \$                                  | \$                  | \$ 11,648                       |
| Due from Mission                                          |                | 14,732                          |                |                                     | (14,732)            |                                 |
| Other current assets                                      |                | 70,785                          | 5,047          | 6                                   |                     | 75,838                          |
| Total current assets                                      |                | 96,439                          | 5,773          | 6                                   | (14,732)            | 87,486                          |
| Investments in subsidiaries eliminated upon consolidation | (47,360)       |                                 |                | 35,410                              | 11,950              |                                 |
| Amounts due from parents eliminated upon consolidation    |                | 368                             |                |                                     | (368)               |                                 |
| Property and equipment, net                               |                | 100,741                         | 27,698         |                                     |                     | 128,439                         |
| Goodwill                                                  |                | 106,883                         | 19,763         |                                     |                     | 126,646                         |
| FCC licenses                                              |                | 120,072                         | 26,716         |                                     |                     | 146,788                         |
| Other intangible assets, net                              |                | 127,583                         | 32,447         |                                     |                     | 160,030                         |
| Other noncurrent assets                                   |                | 11,136                          | 3,248          | 1,445                               |                     | 15,829                          |
| Total assets                                              | \$ (47,360)    | \$ 563,222                      | \$ 115,645     | \$ 36,861                           | \$ (3,150)          | \$ 665,218                      |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>      |                |                                 |                |                                     |                     |                                 |
| Current liabilities:                                      |                |                                 |                |                                     |                     |                                 |
| Current portion of debt                                   | \$             | \$ 1,758                        | \$ 1,727       | \$                                  | \$                  | \$ 3,485                        |
| Due to Nexstar Broadcasting                               |                |                                 | 14,732         |                                     | (14,732)            |                                 |
| Other current liabilities                                 |                | 48,226                          | 8,371          | 4,425                               |                     | 61,022                          |
| Total current liabilities                                 |                | 49,984                          | 24,830         | 4,425                               | (14,732)            | 64,507                          |
| Debt                                                      |                | 412,145                         | 172,792        | 77,820                              |                     | 662,757                         |
| Amounts due to subsidiary eliminated upon consolidation   | (1,579)        |                                 |                | 1,973                               | (394)               |                                 |
| Other noncurrent liabilities                              | (3)            | 65,684                          | 16,572         | 3                                   | 1                   | 82,257                          |
| Total liabilities                                         | (1,582)        | 527,813                         | 214,194        | 84,221                              | (15,125)            | 809,521                         |
| Stockholders' equity (deficit):                           |                |                                 |                |                                     |                     |                                 |
| Common stock                                              |                | 284                             |                |                                     |                     | 284                             |
| Other stockholders' equity (deficit)                      | (46,062)       | 35,409                          | (98,549)       | (47,360)                            | 11,975              | (144,587)                       |
| Total stockholders' equity (deficit)                      | (45,778)       | 35,409                          | (98,549)       | (47,360)                            | 11,975              | (144,303)                       |
| Total liabilities and stockholders' equity (deficit)      | \$ (47,360)    | \$ 563,222                      | \$ 115,645     | \$ 36,861                           | \$ (3,150)          | \$ 665,218                      |



# Table of Contents

## Balance Sheet

December 31, 2007

(in thousands)

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

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### Statement of Operations

For the Three Months Ended September 30, 2008

(in thousands)

|                                                                                                                   | Nexstar     | Nexstar<br>Broadcasting | Mission    | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|-------------------------------------------------------------------------------------------------------------------|-------------|-------------------------|------------|-----------------------------|--------------|-------------------------|
| Net broadcast revenue (including trade and barter)                                                                | \$          | \$ 68,550               | \$ 1,725   | \$                          | \$           | \$ 70,275               |
| Revenue between consolidated entities                                                                             |             | 2,025                   | 9,066      |                             | (11,091)     |                         |
| Net revenue                                                                                                       |             | 70,575                  | 10,791     |                             | (11,091)     | 70,275                  |
| Operating expenses (income):                                                                                      |             |                         |            |                             |              |                         |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |             | 17,813                  | 1,597      |                             |              | 19,410                  |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) |             | 22,284                  | 631        |                             |              | 22,915                  |
| Local service agreement fees between consolidated entities                                                        |             | 9,066                   | 2,025      |                             | (11,091)     |                         |
| Non-cash contract termination fees                                                                                |             |                         |            |                             |              |                         |
| Impairment of intangible assets                                                                                   |             | 42,678                  | 5,859      |                             |              | 48,537                  |
| Amortization of broadcast rights                                                                                  |             | 3,922                   | 1,330      |                             |              | 5,252                   |
| Amortization of intangible assets                                                                                 |             | 4,994                   | 1,351      |                             |              | 6,345                   |
| Depreciation                                                                                                      |             | 4,421                   | 808        |                             |              | 5,229                   |
| Gain on asset exchange                                                                                            |             | (487)                   |            |                             |              | (487)                   |
| (Gain) loss on asset disposal, net                                                                                |             | 14                      | (141)      |                             |              | (127)                   |
| Total operating expenses                                                                                          |             | 104,705                 | 13,460     |                             | (11,091)     | 107,074                 |
| Loss from operations                                                                                              |             | (34,130)                | (2,669)    |                             |              | (36,799)                |
| Interest expense, including amortization of debt financing costs                                                  |             | (7,151)                 | (2,055)    | (2,400)                     |              | (11,606)                |
| Equity in loss of subsidiaries                                                                                    | (41,493)    |                         |            | (39,093)                    | 80,586       |                         |
| Other income, net                                                                                                 |             | 70                      | 4          |                             |              | 74                      |
| Loss before income taxes                                                                                          | (41,493)    | (41,211)                | (4,720)    | (41,493)                    | 80,586       | (48,331)                |
| Income tax benefit                                                                                                |             | 2,118                   | 885        |                             |              | 3,003                   |
| Net loss                                                                                                          | \$ (41,493) | \$ (39,093)             | \$ (3,835) | \$ (41,493)                 | \$ 80,586    | \$ (45,328)             |

**Table of Contents****Statement of Operations****For the Three Months Ended September 30, 2007****(in thousands)**

|                                                                                                                   | <b>Nexstar</b> | <b>Nexstar<br/>Broadcasting</b> | <b>Mission</b> | <b>Non-Guarantor<br/>Subsidiary</b> | <b>Eliminations</b> | <b>Consolidated<br/>Company</b> |
|-------------------------------------------------------------------------------------------------------------------|----------------|---------------------------------|----------------|-------------------------------------|---------------------|---------------------------------|
| Net broadcast revenue                                                                                             | \$             | \$ 62,784                       | \$ 1,679       | \$                                  | \$                  | \$ 64,463                       |
| Revenue between consolidated entities                                                                             |                | 1,965                           | 7,206          |                                     | (9,171)             |                                 |
| Net revenue                                                                                                       |                | 64,749                          | 8,885          |                                     | (9,171)             | 64,463                          |
| Operating expenses:                                                                                               |                |                                 |                |                                     |                     |                                 |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |                | 16,910                          | 1,292          |                                     |                     | 18,202                          |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | (135)          | 21,152                          | 552            |                                     |                     | 21,569                          |
| Local service agreement fees between consolidated entities                                                        |                | 7,206                           | 1,965          |                                     | (9,171)             |                                 |
| Amortization of broadcast rights                                                                                  |                | 4,249                           | 1,277          |                                     |                     | 5,526                           |
| Amortization of intangible assets                                                                                 |                | 5,045                           | 1,332          |                                     |                     | 6,377                           |
| Depreciation                                                                                                      |                | 4,208                           | 807            |                                     | (4)                 | 5,011                           |
| Gain on asset exchange                                                                                            |                | (183)                           | (317)          |                                     |                     | (500)                           |
| Loss (gain) on asset disposal, net                                                                                |                | (46)                            | (1)            |                                     |                     | (47)                            |
| Total operating expenses                                                                                          | (135)          | 58,541                          | 6,907          |                                     | (9,175)             | 56,138                          |
| Income from operations                                                                                            | 135            | 6,208                           | 1,978          |                                     | 4                   | 8,325                           |
| Interest expense, including amortization of debt financing costs                                                  |                | (7,284)                         | (3,106)        | (3,397)                             |                     | (13,787)                        |
| Equity in loss of subsidiaries                                                                                    | (5,522)        |                                 |                | (2,125)                             | 7,647               |                                 |
| Other income, net                                                                                                 |                | 102                             | 23             |                                     |                     | 125                             |
| Loss before income taxes                                                                                          | (5,387)        | (974)                           | (1,105)        | (5,522)                             | 7,651               | (5,337)                         |
| Income tax expense                                                                                                |                | (1,151)                         | (356)          |                                     |                     | (1,507)                         |
| Net loss                                                                                                          | \$ (5,387)     | \$ (2,125)                      | \$ (1,461)     | \$ (5,522)                          | \$ 7,651            | \$ (6,844)                      |

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## Statement of Operations

For the Nine Months Ended September 30, 2008

(in thousands)

|                                                                                                                   | Nexstar     | Nexstar<br>Broadcasting | Mission    | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|-------------------------------------------------------------------------------------------------------------------|-------------|-------------------------|------------|-----------------------------|--------------|-------------------------|
| Net broadcast revenue (including trade and barter)                                                                | \$          | \$ 199,716              | \$ 4,889   | \$                          | \$           | \$ 204,605              |
| Revenue between consolidated entities                                                                             |             | 6,065                   | 25,619     |                             | (31,684)     |                         |
| Net revenue                                                                                                       |             | 205,781                 | 30,508     |                             | (31,684)     | 204,605                 |
| Operating expenses (income):                                                                                      |             |                         |            |                             |              |                         |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |             | 53,485                  | 4,704      |                             |              | 58,189                  |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | 1           | 63,739                  | 1,899      |                             |              | 65,639                  |
| Local service agreement fees between consolidated entities                                                        |             | 25,619                  | 6,065      |                             | (31,684)     |                         |
| Non-cash contract termination fees                                                                                |             | 7,167                   |            |                             |              | 7,167                   |
| Impairment of intangible assets                                                                                   |             | 42,678                  | 5,859      |                             |              | 48,537                  |
| Amortization of broadcast rights                                                                                  |             | 11,760                  | 3,633      |                             |              | 15,393                  |
| Amortization of intangible assets                                                                                 |             | 15,049                  | 4,051      |                             |              | 19,100                  |
| Depreciation                                                                                                      |             | 13,144                  | 2,506      |                             |              | 15,650                  |
| Gain on asset exchange                                                                                            |             | (3,486)                 | (593)      |                             |              | (4,079)                 |
| Loss on asset disposal, net                                                                                       |             | 94                      | (391)      |                             |              | (297)                   |
| Total operating expenses                                                                                          | 1           | 229,249                 | 27,733     |                             | (31,684)     | 225,299                 |
| Income (loss) from operations                                                                                     | (1)         | (23,468)                | 2,775      |                             |              | (20,694)                |
| Interest expense, including amortization of debt financing costs                                                  |             | (20,958)                | (7,014)    | (8,429)                     |              | (36,401)                |
| Equity in loss of subsidiaries                                                                                    | (52,716)    |                         |            | (44,287)                    | 97,003       |                         |
| Other income, net                                                                                                 |             | 577                     | 49         |                             |              | 626                     |
| Loss before income taxes                                                                                          | (52,717)    | (43,849)                | (4,190)    | (52,716)                    | 97,003       | (56,469)                |
| Income tax benefit (expense)                                                                                      |             | (438)                   | 128        |                             |              | (310)                   |
| Net loss                                                                                                          | \$ (52,717) | \$ (44,287)             | \$ (4,062) | \$ (52,716)                 | \$ 97,003    | \$ (56,779)             |

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## Statement of Operations

For the Nine Months Ended September 30, 2007

(in thousands)

|                                                                                                                   | Nexstar     | Nexstar<br>Broadcasting | Mission    | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|-------------------------------------------------------------------------------------------------------------------|-------------|-------------------------|------------|-----------------------------|--------------|-------------------------|
| Net broadcast revenue                                                                                             | \$          | \$ 190,241              | \$ 5,005   | \$                          | \$           | \$ 195,246              |
| Revenue between consolidated entities                                                                             |             | 5,895                   | 22,352     |                             | (28,247)     |                         |
| Net revenue                                                                                                       |             | 196,136                 | 27,357     |                             | (28,247)     | 195,246                 |
| Operating expenses:                                                                                               |             |                         |            |                             |              |                         |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |             | 51,101                  | 3,808      |                             |              | 54,909                  |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | (105)       | 62,044                  | 1,715      |                             |              | 63,654                  |
| Local service agreement fees between consolidated entities                                                        |             | 22,352                  | 5,895      |                             | (28,247)     |                         |
| Amortization of broadcast rights                                                                                  |             | 13,014                  | 3,160      |                             |              | 16,174                  |
| Amortization of intangible assets                                                                                 |             | 15,279                  | 4,030      |                             |              | 19,309                  |
| Depreciation                                                                                                      |             | 12,564                  | 2,470      |                             | (11)         | 15,023                  |
| Gain on asset exchange                                                                                            |             | (1,218)                 | (317)      |                             |              | (1,535)                 |
| Loss (gain) on asset disposal, net                                                                                |             | (141)                   | 4          |                             |              | (137)                   |
| Total operating expenses                                                                                          | (105)       | 174,995                 | 20,765     |                             | (28,258)     | 167,397                 |
| Income from operations                                                                                            | 105         | 21,141                  | 6,592      |                             | 11           | 27,849                  |
| Interest expense, including amortization of debt financing costs                                                  |             | (21,957)                | (9,310)    | (10,011)                    |              | (41,278)                |
| Equity in loss of subsidiaries                                                                                    | (13,863)    |                         |            | (3,852)                     | 17,715       |                         |
| Other income, net                                                                                                 |             | 325                     | 61         |                             |              | 386                     |
| Loss before income taxes                                                                                          | (13,758)    | (491)                   | (2,657)    | (13,863)                    | 17,726       | (13,043)                |
| Income tax expense                                                                                                |             | (3,361)                 | (764)      |                             |              | (4,125)                 |
| Net loss                                                                                                          | \$ (13,758) | \$ (3,852)              | \$ (3,421) | \$ (13,863)                 | \$ 17,726    | \$ (17,168)             |

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### Statement of Cash flows

For the Nine Months Ended September 30, 2008

(in thousands)

|                                                                   | Nexstar | Nexstar<br>Broadcasting | Mission  | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|-------------------------------------------------------------------|---------|-------------------------|----------|-----------------------------|--------------|-------------------------|
| <b>Cash flows provided by (used for) operating activities</b>     | \$      | \$ (16,219)             | \$ 4,765 | \$ 52,180                   | \$           | \$ 40,726               |
| <b>Cash flows from investing activities:</b>                      |         |                         |          |                             |              |                         |
| Additions to property and equipment, net                          |         | (12,888)                | (5,231)  |                             |              | (18,119)                |
| Acquisition of broadcast properties and related transaction costs |         |                         | (7,923)  |                             |              | (7,923)                 |
| Other investing activities                                        |         |                         | 494      |                             |              | 494                     |
| Net cash used for investing activities                            |         | (12,888)                | (12,660) |                             |              | (25,548)                |
| <b>Cash flows from financing activities:</b>                      |         |                         |          |                             |              |                         |
| Repayment of long-term debt                                       |         | (51,319)                | (1,295)  | (52,180)                    |              | (104,794)               |
| 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              |         | 33,719                  | (1,295)  | (52,180)                    |              | (19,756)                |
| Net increase (decrease) in cash and cash equivalents              |         | 4,612                   | (9,190)  |                             |              | (4,578)                 |
| Cash and cash equivalents at beginning of period                  |         | 6,310                   | 9,916    |                             |              | 16,226                  |
| Cash and cash equivalents at end of period                        | \$      | \$ 10,922               | \$ 726   | \$                          | \$           | \$ 11,648               |

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### Statement of Cash flows

For the Nine Months Ended September 30, 2007

(in thousands)

|                                                               | Nexstar | Nexstar<br>Broadcasting | Mission  | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|---------------------------------------------------------------|---------|-------------------------|----------|-----------------------------|--------------|-------------------------|
| <b>Cash flows provided by (used for) operating activities</b> | \$ (56) | \$ 18,006               | \$ 2,038 | \$                          | \$           | \$ 19,988               |
| <b>Cash flows from investing activities:</b>                  |         |                         |          |                             |              |                         |
| Additions to property and equipment, net                      |         | (12,227)                | (1,409)  |                             |              | (13,636)                |
| Other investing activities                                    |         | 316                     | (380)    |                             |              | (64)                    |
| Net cash used for investing activities                        |         | (11,911)                | (1,789)  |                             |              | (13,700)                |
| <b>Cash flows from financing activities:</b>                  |         |                         |          |                             |              |                         |
| Repayment of long-term debt                                   |         | (10,319)                | (1,295)  |                             |              | (11,614)                |
| Other financing activities                                    | 56      |                         |          |                             |              | 56                      |
| Net cash provided by (used for) financing activities          | 56      | (10,319)                | (1,295)  |                             |              | (11,558)                |
| Net decrease in cash and cash equivalents                     |         | (4,224)                 | (1,046)  |                             |              | (5,270)                 |
| Cash and cash equivalents at beginning of period              |         | 7,602                   | 3,577    |                             |              | 11,179                  |
| Cash and cash equivalents at end of period                    | \$      | \$ 3,378                | \$ 2,531 | \$                          | \$           | \$ 5,909                |

### 19. Subsequent Events

On October 7, 2008, Nexstar Broadcasting Group, Inc. announced that it entered into a definitive agreement to acquire the assets of KWBF, the MyNetworkTV affiliate serving the Little Rock, Arkansas market for \$4.0 million from Equity Broadcasting Corp. The transaction, which is subject to FCC approval and other customary conditions, is expected to close in the first half of 2009.

As of January 1, 2009, KBTB in Beaumont, Texas will become a FOX affiliate. KBTB's current NBC network affiliation expires on December 31, 2008. Amortization of the remaining value of the NBC affiliation agreement (\$2.9 million) will be accelerated to coincide with the affiliation expiration.

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### **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 September 30, 2008, unaudited condensed consolidated statements of operations for the three months and nine months ended September 30, 2008 and 2007, unaudited condensed statement of changes in stockholders' deficit for the nine months ended September 30, 2008, unaudited condensed consolidated statements of cash flows for the nine months ended September 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**

#### ***Third Quarter 2008 Highlights***

As required by SFAS 142 "Goodwill and Other Intangible Assets", in addition to the required annual test, we test the impairment of our indefinite-lived assets whenever events or changes in the circumstances indicate that such assets might be impaired. The events that triggered the need for the impairment analysis at September 30, 2008 included: (a) the decline of the price of our Class A common stock as of September 30, 2008; (b) the decline in overall economic conditions; and (c) the decline in non-political advertising revenues at some of our stations. Following this test, we recorded a \$48.5 million non-cash impairment charge for the third quarter ended September 30, 2008, which included a goodwill impairment charge of \$27.8 million and an FCC license impairment charge of \$19.7 million. In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company tests network affiliation agreements whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. An impairment in the carrying amount of a network affiliation agreement is recognized when the expected future operating cash flow derived from the operation to which the asset relates to is less than its carrying value. Following this test, the Company recorded an impairment charge of \$1.0 million to network affiliation agreements.

Net revenue increased 9.0% during the third 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 \$7.0 million during the third quarter of 2008 mainly due to presidential and statewide primary elections that occurred during 2008. Total revenue from the retransmission consent agreements was approximately \$6.2 million for the three months ended September 30, 2008 (which included approximately \$3.9 million of retransmission compensation and approximately \$2.3 million of advertising revenue generated from the retransmission consent agreements), compared to \$4.5 million for the three months ended September 30, 2007 (which included approximately \$3.1 million of retransmission compensation and approximately \$1.4 million of advertising revenue generated from the retransmission consent agreements). eMedia revenue increased by \$1.1 million during the third quarter of 2008 as a result of expanding markets and the introduction of additional products in this area.

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

We owned and operated 32 television stations as of September 30, 2008. Through various local service agreements, we programmed or provided sales and other services to 18 additional television stations, including 16 television stations owned and operated by Mission as of September 30, 2008. All of the stations we program or provide sales and other services to, including Mission, are 100% owned by independent third parties.

The following table summarizes the various local service agreements we had in effect as of September 30, 2008 with Mission:

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

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

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

We also guarantee all obligations incurred under Mission's senior secured credit facility. Similarly, Mission is a guarantor of our senior secured credit facility and the 7% senior subordinated notes we have issued. In consideration of our guarantee of Mission's senior credit facility, the sole shareholder of Mission has granted us a purchase option to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent, for consideration equal to the greater of (1) seven times the station's cash flow, as defined in the option agreement, less the amount of its indebtedness as defined in the option agreement, or (2) the amount of its indebtedness. These option agreements (which expire on various dates between 2008 and 2014) are freely exercisable or assignable by us without consent or approval by the sole shareholder of Mission. We expect these option agreements to be renewed upon expiration.

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

### ***Seasonality***

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

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### ***Industry Trends***

Our net revenue increased 4.8% to \$204.6 million for the nine months ended September 30, 2008, compared to \$195.2 million for the nine months ended September 30, 2007 primarily due to the increases in political advertising revenue in 2008 (as a result of the increase in the volume of advertising time purchased by campaigns for elective offices and for political issues) and in eMedia revenue (as a result of expanding markets and the introduction of additional products in this area.).

Political advertising revenue was \$13.4 million for the nine months ended September 30, 2008, a significant increase from the \$2.5 million for the nine months ended September 30, 2007. The demand for political advertising is generally higher in even-numbered years, when congressional and presidential elections occur, than in odd-numbered years when there are no federal elections scheduled. Since 2008 is an election year, a significant percentage of the Company's revenue growth in 2008 is expected to be attributable to political revenue. However, even during an election year, political revenue is influenced by geography and the competitiveness of the election races. Since 2007 was a non-election year, we expect significantly more political advertising revenue to be reported in 2008 in relation to the amount of political advertising reported in 2007.

Automotive-related advertising, our largest advertising category, represented approximately 22.7% of our core local and national advertising revenue for the nine months ended September 30, 2008, compared to 24.1% for the same period in 2007. Our automotive-related advertising decreased approximately 7.5% for the nine months ended September 30, 2008 as compared to the same period in 2007. Automotive-related advertising on a quarter-to-quarter comparison to the prior year has followed a consistent downward trend over the last two years. This trend is primarily due to the current condition of the automotive industry and resulting decline in the demand for advertising from this business category. A continued pattern of deterioration in advertising revenue from this source could materially affect our future results of operations.

The continued economic slowdown in the United States is likely to adversely affect our results of operations and cash flows by, among other things, reducing demand for local and national television advertising and making it more difficult for customers to pay their accounts. Our ability to access funds under our credit facility depends, in part, on our compliance with certain financial covenants in the credit facility, including covenants based on our operating cash flow. If our operating cash flow is not sufficient to ensure compliance with these covenants, we might not be able to draw down funds under our revolving credit facility.

### ***Recent Developments***

On April 11, 2006, we and Mission filed an application with the FCC for consent to assignment of the license of KFTA Channel 24 (Ft. Smith, Arkansas) from us to Mission. Consideration for this transaction was set at \$5.6 million. On August 28, 2006, we and Mission entered into a local service agreement whereby (a) Mission pays us \$5 thousand per month for the right to broadcast Fox programming on KFTA during the Fox network programming time periods and (b) we pay Mission \$20 thousand per month for the right to sell all advertising time on KFTA within the Fox network programming time periods. The local service agreement between us and Mission will terminate upon assignment of KFTA's FCC license from us to Mission. Upon completing the assignment of KFTA's license, Mission plans to enter into a JSA and SSA with our station KNWA in Fort Smith-Fayetteville-Springdale-Rogers, Arkansas, whereby KNWA will provide local news, sales and other non-programming services to KFTA. Our station KNWA Channel 51, licensed to Rogers, Arkansas, has renewed its affiliation agreement for KNWA to continue as the NBC affiliate in Ft. Smith-Fayetteville-Springdale-Rogers, Arkansas through 2014. In March 2008, the FCC granted the application to assign the license for KFTA from Nexstar to Mission. The grant contained conditions which Nexstar is currently appealing.

**Table of Contents****Historical Performance****Revenue**

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

|                             | Three Months Ended September 30,   |       |           |       | Nine Months Ended September 30,    |       |            |       |
|-----------------------------|------------------------------------|-------|-----------|-------|------------------------------------|-------|------------|-------|
|                             | 2008                               |       | 2007      |       | 2008                               |       | 2007       |       |
|                             | Amount                             | %     | Amount    | %     | Amount                             | %     | Amount     | %     |
|                             | (in thousands, except percentages) |       |           |       | (in thousands, except percentages) |       |            |       |
| Local                       | \$ 42,394                          | 56.9  | \$ 41,281 | 61.1  | \$ 129,999                         | 60.2  | \$ 128,904 | 63.1  |
| National                    | 16,375                             | 22.0  | 18,612    | 27.6  | 50,296                             | 23.3  | 55,287     | 27.1  |
| Political                   | 7,770                              | 10.4  | 808       | 1.2   | 13,418                             | 6.2   | 2,478      | 1.2   |
| Retransmission compensation | 3,854                              | 5.2   | 3,143     | 4.6   | 10,461                             | 4.8   | 8,691      | 4.2   |
| Network compensation        | 850                                | 1.1   | 1,087     | 1.6   | 2,615                              | 1.2   | 3,409      | 1.7   |
| EMedia revenue              | 2,730                              | 3.7   | 1,679     | 2.5   | 7,342                              | 3.4   | 2,828      | 1.4   |
| Other                       | 533                                | 0.7   | 922       | 1.4   | 1,635                              | 0.9   | 2,691      | 1.3   |
| Total gross revenue         | 74,506                             | 100.0 | 67,532    | 100.0 | 215,766                            | 100.0 | 204,288    | 100.0 |
| Less: Agency commissions    | 8,530                              | 11.4  | 7,591     | 11.2  | 24,544                             | 11.4  | 23,208     | 11.4  |
| Net broadcast revenue       | 65,976                             | 88.6  | 59,941    | 88.8  | 191,222                            | 88.6  | 181,080    | 88.6  |
| Trade and barter revenue    | 4,299                              |       | 4,522     |       | 13,383                             |       | 14,166     |       |
| Net revenue                 | \$ 70,275                          |       | \$ 64,463 |       | \$ 204,605                         |       | \$ 195,246 |       |

**Results of Operations**

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

|                                                    | Three Months Ended September 30,   |       |           |       | Nine Months Ended September 30,    |       |            |       |
|----------------------------------------------------|------------------------------------|-------|-----------|-------|------------------------------------|-------|------------|-------|
|                                                    | 2008                               |       | 2007      |       | 2008                               |       | 2007       |       |
|                                                    | Amount                             | %     | Amount    | %     | Amount                             | %     | Amount     | %     |
|                                                    | (in thousands, except percentages) |       |           |       | (in thousands, except percentages) |       |            |       |
| Net revenue                                        | \$ 70,275                          | 100.0 | \$ 64,463 | 100.0 | \$ 204,605                         | 100.0 | \$ 195,246 | 100.0 |
| Operating expenses:                                |                                    |       |           |       |                                    |       |            |       |
| Corporate expenses                                 | 4,222                              | 6.0   | 3,074     | 4.8   | 11,033                             | 5.4   | 9,295      | 4.8   |
| Station direct operating expenses, net of trade    | 18,124                             | 25.8  | 17,003    | 26.4  | 53,783                             | 26.3  | 50,766     | 26.0  |
| Selling, general and administrative expenses       | 18,693                             | 26.6  | 18,495    | 28.7  | 54,606                             | 26.7  | 54,359     | 27.8  |
| Non-cash contract termination fees                 |                                    |       |           |       | 7,167                              | 3.5   |            |       |
| Impairment of goodwill and intangible assets       | 48,537                             | 69.1  |           |       | 48,537                             | 23.7  |            |       |
| Gain on asset exchange                             | (487)                              | (0.7) | (500)     | (0.8) | (4,079)                            | (2.0) | (1,535)    | (0.8) |
| Gain on asset disposal, net                        | (127)                              | (0.1) | (47)      | (0.1) | (297)                              | (0.1) | (137)      | (0.1) |
| Trade and barter expense                           | 4,139                              | 5.9   | 4,131     | 6.4   | 13,097                             | 6.4   | 13,495     | 6.9   |
| Depreciation and amortization                      | 11,574                             | 16.5  | 11,388    | 17.7  | 34,750                             | 17.0  | 34,332     | 17.6  |
| Amortization of broadcast rights, excluding barter | 2,399                              | 3.4   | 2,594     | 4.0   | 6,702                              | 3.3   | 6,822      | 3.5   |
| Income (loss) from operations                      | \$ (36,799)                        |       | \$ 8,325  |       | \$ (20,694)                        |       | \$ 27,849  |       |

*Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007.*

***Revenue***

Gross local advertising revenue was \$42.4 million for the three months ended September 30, 2008, an increase of 2.7% when compared to \$41.3 million for the same period in 2007. Gross national advertising revenue was \$16.4 million for the three months ended September 30, 2008, compared to \$18.6 million for the same period in 2007, a decrease of \$2.2 million, or 12.0%. Net revenue for the three months ended September 30, 2008 grew 9.0% to \$70.3 million compared to \$64.5 million for the three months ended September 30, 2007. Increases in political, eMedia and retransmission consent revenues overcame declines in national and network compensation revenue, and the negative impact that Hurricane Ike had on operations. Advertising revenue from Paid Programming, Automotive and Fast Foods/Restaurants business categories,

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which decreased by approximately \$0.5 million, \$1.7 million and \$0.4 million during the third quarter of 2008 compared to the prior year, respectively, were partially offset by an increase in advertising revenue from the Retail, Medical/Healthcare, Telecom and Legal business categories, which collectively increased by approximately \$0.7 million during the third quarter of 2008 compared to the prior year.

Gross political advertising revenue was \$7.8 million for the three months ended September 30, 2008, compared to \$0.8 million for the same period in 2007, an increase of \$7.0 million. The increase in gross political revenue was mainly attributed to presidential and statewide primary elections and to statewide and/or local races (primarily in Louisiana, Pennsylvania, Indiana, Alabama, Maryland and Montana) that occurred during the three months ended September 30, 2008 as compared to nominal political advertising during the three months ended September 30, 2007.

Cash retransmission compensation was \$3.9 million for the three months ended September 30, 2008, compared to \$3.1 million for the same period in 2007, an increase of \$0.8 million, or 22.6%. The increase in retransmission compensation was primarily the result of (1) additional subscriber base for certain content distributors in 2008 compared to 2007, (2) annual rate increases in 2008 for certain retransmission consent agreements, (3) the addition of new markets under retransmission consent agreements in 2008 and (4) renewal of various multi-year contracts at higher rates with certain distributors.

eMedia revenue, representing revenue generated from non-television web-based advertising, was \$2.7 million for the three months ended September 30, 2008, compared to \$1.7 million for the three months ended September 30, 2007. The increase in eMedia revenue was a result of expanding markets and the introduction of additional products in this area.

### ***Operating Expenses***

Corporate expenses, related to costs associated with the centralized management of Nexstar's and Mission's stations, were \$4.2 million and \$3.1 million for the three months ended September 30, 2008 and 2007 an increase of \$1.1 million or 37.3%. The increase in corporate expenses was primarily due to an increase in payroll-related costs, which was partially a result of an increase in eMedia related personnel at the corporate office. Additionally, there were increases in professional services fees.

Station direct operating expenses, consisting primarily of news, engineering and programming, net of trade, and selling, general and administrative expenses were \$36.8 million for the three months ended September 30, 2008, compared to \$35.5 million for the same period in 2007, an increase of \$1.3 million, or 3.7%. This increase was primarily attributed to (1) the inclusion of such expenses for 2008 from Mission's newly acquired television station KTVE, and (2) additional payroll costs incurred in 2008 mainly as a result of creating a new web-based revenue department. These increases in expense were partially offset in other areas due to increased efforts by corporate and station level personnel to manage expenses within their control.

Amortization of intangible assets was \$6.3 and \$6.4 million for the three months ended September 30, 2008 and 2007, respectively.

We recorded an impairment charge of \$48.5 million during the third quarter of 2008 that included an impairment to the carrying values of FCC licenses of \$19.7 million, related to 12 of our television stations; an impairment to the carrying value of network affiliation agreements of \$1.0 million, related to 3 of our television stations; and an impairment to the carrying values of goodwill of \$27.8 million, related to 5 reporting units consisting of 6 of our television stations. As required by SFAS 142, *Goodwill and Other Intangible Assets* (SFAS 142), we tested our unamortized intangible assets for impairment at September 30, 2008, between the required annual tests, because we believed events had occurred and circumstances changed that would more likely than not reduce the fair value of our FCC licenses and goodwill below their carrying amounts. These events included: (a) the decline of the price of our Class A common stock as of September 30, 2008; (b) the decline in the overall economic conditions; and (c) the decline in non-political advertising revenues at some of our stations. Further deterioration in the advertising marketplaces in which Nexstar and Mission operate could lead to further impairment and reduction of the carrying value of the Company's goodwill and intangible assets, including FCC licenses and network affiliation agreements. If such a condition were to occur, the resulting non-cash charge could have a material adverse effect on Nexstar and Mission's financial position and results of operations.

Depreciation of property and equipment was \$5.2 million for the three months ended September 30, 2008, compared to \$5.0 million for the same period in 2007, an increase of \$0.2 million, or 4.4%. The increase in depreciation was due to a corresponding increase in property and equipment, including Mission's acquisition of KTVE.

For both of the three months ended September 30, 2008 and September 30, 2007, we recognized a gain of \$0.5 million from the exchange of equipment under an arrangement we first transacted with Sprint Nextel Corporation during the second quarter of 2007.

### ***Income (Loss) from Operations***

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The Company had a loss from operations of \$36.8 million for the three months ended September 30, 2008, compared to income from operations of \$8.3 million for the same period in 2007, a decrease of \$45.1 million. The decrease was primarily due to the \$48.5 million impairment of intangible assets, partially offset by an increase in net revenue of \$5.8 million.

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### ***Interest Expense***

Interest expense, including amortization of debt financing costs, was \$11.6 million for the three months ended September 30, 2008, compared to \$13.8 million for the same period in 2007, a decrease of \$2.2 million, or 15.8%. The decrease in interest expense was primarily attributed to lower average interest rates during the third quarter of 2008 compared to the third quarter of 2007 under our and Mission's senior credit facilities, combined with the \$46.9 million principal payment on our 11.375% senior discount notes on April 1, 2008 and a \$5.3 million dollar repurchase of the 11.375% notes in early September 2008.

### ***Income Taxes***

The Company had an income tax benefit of \$3.0 million for the three months ended September 30, 2008, compared to income tax expense of \$1.5 million for the same period in 2007, a decrease of \$4.5 million. The decrease was primarily due to the deferred tax effect of the impairment charge of \$47.5 million related to goodwill and other indefinite-lived intangible assets. Our provision/benefit for income taxes is primarily created by changes in the deferred tax liabilities position during the year arising from both the amortizing of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes as well as the adjustments made during the third quarter to the Company's deferred tax liabilities as a result of the impairment charges discussed above. No tax benefit was recorded with respect to the losses for 2008 and 2007, as the utilization of such losses is not likely to be realized in the foreseeable future.

### ***Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007.***

### ***Revenue***

Gross local advertising revenue was \$130.0 million and \$128.9 million for each of the nine months ended September 30, 2008 and 2007. Gross national advertising revenue was \$50.3 million for the nine months ended September 30, 2008, compared to \$55.3 million for the same period in 2007, a decrease of \$5.0 million, or 9.0%. Net revenue for the nine months ended September 30, 2008 grew 4.8% to \$204.6 million compared to \$195.2 million for the nine months ended September 30, 2007. Increases in political, eMedia and retransmission consent revenues overcame declines in national, network compensation and barter revenue. Advertising revenue from Paid Programming, Automotive and Fast Foods/Restaurants business categories, which decreased by approximately \$1.4 million, \$3.3 million and \$1.6 million during the nine months ended September 30, 2008 compared to the prior year, respectively, were partially offset by an increase in advertising revenue from the Retail, Telecom and Legal business categories, which collectively increased by approximately \$1.0 million during the nine months ended September 30, 2008, compared to the same period in the prior year.

Gross political advertising revenue was \$13.4 million for the nine months ended September 30, 2008, compared to \$2.5 million for the same period in 2007, an increase of \$10.9 million. The increase in gross political revenue was mainly attributed to presidential and statewide primary elections and to statewide and/or local races (primarily in Pennsylvania, Indiana, Alabama, Missouri and Montana) that occurred during the nine months ended September 30, 2008 as compared to nominal political advertising during the nine months ended September 30, 2007.

Cash retransmission compensation was \$10.5 million for the nine months ended September 30, 2008, compared to \$8.7 million for the same period in 2007, an increase of \$1.8 million, or 20.4%. The increase in retransmission compensation was primarily the result of (1) additional subscriber base for certain content distributors in 2008 compared to 2007, (2) annual rate increases in 2008 for certain retransmission consent agreements, (3) the addition of new markets under retransmission consent agreements in 2008 and (4) renewal of various multi-year contracts at higher rates with certain distributors.

eMedia revenue, representing revenue generated from non-television web-based advertising, was \$7.3 million for the nine months ended September 30, 2008, compared to \$2.8 million for the nine months ended September 30, 2007. The increase in eMedia revenue was a result of our markets' implementation of this digital media platform initiative as of June 2007 and also the introduction of additional products in this area.

### ***Operating Expenses***

Corporate expenses, related to costs associated with the centralized management of Nexstar's and Mission's stations, were \$11.0 million for the nine months ended September 30, 2008, compared to \$9.3 million for the nine months ended September 30, 2007, an increase of \$1.7 million, or 18.7%. The increase during the nine months ended September 30, 2008 was primarily due to an increase in payroll-related costs, which were partially a result of an increase in eMedia related personnel at the corporate office. Additionally, there were increases in professional services fees.

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Station direct operating expenses, consisting primarily of news, engineering and programming, net of trade, and selling, general and administrative expenses were \$108.4 million for the nine months ended September 30, 2008, compared to \$105.1 million for the same period in 2007, an increase of \$3.3 million, or 3.1%. This increase was primarily attributed to (1) the inclusion of such expenses for 2008 from Mission s newly acquired television station KTVE, and (2) additional payroll costs incurred in 2008 mainly as a result of creating a new Web-based revenue department. These increases in expense were partially offset in other areas due to increased efforts by corporate and station level personnel to manage expenses within their control.

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Amortization of intangible assets was \$19.1 million and \$19.3 million for the nine months ended September 30, 2008 and 2007, respectively.

We recognized a \$7.2 million non-cash charge related to the termination of the national sales representation contract.

We recorded an impairment charge of \$48.5 million during the third quarter of 2008 that included an impairment to the carrying values of FCC licenses of \$19.7 million, related to 12 of our television stations; an impairment to the carrying value of network affiliation agreements of \$1.0 million, related to 3 of our television stations; and an impairment to the carrying values of goodwill of \$27.8 million, related to 5 reporting units consisting of 6 of our television stations. As required by SFAS 142, *Goodwill and Other Intangible Assets* (SFAS 142), we tested our unamortized intangible assets for impairment at September 30, 2008, between the required annual tests, because we believed events had occurred and circumstances changed that would more likely than not reduce the fair value of our FCC licenses and goodwill below their carrying amounts. These events included: (a) the decline of the price of our Class A common stock as of September 30, 2008; (b) the decline in the overall economic conditions; and (c) the decline in non-political advertising revenues at some of our stations. Further deterioration in the advertising marketplaces in which Nexstar and Mission operate could lead to further impairment and reduction of the carrying value of the Company's goodwill and intangible assets, including FCC licenses and network affiliation agreements. If such a condition were to occur, the resulting non-cash charge could have a material adverse effect on Nexstar and Mission's financial position and results of operations.

Depreciation of property and equipment was \$15.7 million for the nine months ended September 30, 2008, compared to \$15.0 million for the same period in 2007, an increase of \$0.7 million, or 4.2%. The increase in depreciation was due to a corresponding increase in property and equipment, including Mission's acquisition of KTVE.

For the nine months ended September 30, 2008, and September 30, 2007 respectively, we recognized a gain of \$4.1 million and \$1.5 million from the exchange of equipment under an arrangement we first transacted with Sprint Nextel Corporation during the second quarter of 2007.

### ***Income (Loss) from Operations***

The Company had a loss from operations of \$20.7 million for the nine months ended September 30, 2008, compared to income from operations of \$27.8 million for the same period in 2007, a decrease of \$48.5 million. The decrease was primarily due to the \$48.5 million impairment of intangible assets, a non-cash contract termination fee of \$7.2 million and an increase in direct operating expense of \$3.0 million, partially offset by an increase in net revenue of \$9.4 million.

### ***Interest Expense***

Interest expense, including amortization of debt financing costs, was \$36.4 million for the nine months ended September 30, 2008, compared to \$41.3 million for the same period in 2007, a decrease of \$4.9 million, or 11.8%. The decrease in interest expense was primarily attributed to lower average interest rates during the nine months ended September 30, 2008 compared to the same period in 2007 under our and Mission's senior credit facilities, combined with the \$46.9 million principal payment on our 11.375% senior discount notes on April 1, 2008 and a \$5.3 million dollar repurchase of the 11.375% notes in early September 2008.

### ***Income Taxes***

Income tax expense was \$0.3 million for the nine months ended September 30, 2008, compared to \$4.1 million for the same period in 2007, a decrease of \$3.8 million, or 92.5%. The decrease was primarily due to the deferred tax effect of the impairment charge of \$47.5 million related to goodwill and other indefinite-lived intangible assets. Our provision for income taxes is primarily created by changes in the deferred tax liabilities position during the year arising from both the amortizing of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes as well as the adjustments made during the third quarter 2008 to the Company's deferred tax liabilities as a result of the impairment charges discussed above. No tax benefit was recorded with respect to the losses for 2008 and 2007, as the utilization of such losses is not likely to be realized in the foreseeable future.

### ***Liquidity and Capital Resources***

We and Mission are highly leveraged, which makes the Company vulnerable to changes in general economic conditions. Our and Mission's ability to meet the future cash requirements described below depends on our and Mission's ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other conditions, many of which are beyond our and Mission's control. Based on current operations and anticipated future growth, we believe that our and Mission's available cash, anticipated cash flow from operations and available borrowings under the Nexstar and Mission senior credit facilities will be sufficient to fund working capital, capital expenditure requirements, interest payments and scheduled debt principal payments for at least the next twelve months. In order to meet future

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cash needs we may, from time to time, borrow under credit facilities or issue other long- or short-term debt or equity, if the market and the terms of our existing debt arrangements permit, and Mission may, from time to time, borrow under its available credit facility. We will continue to evaluate the best use of Nexstar's operating cash flow among its capital expenditures, acquisitions and debt reduction.

Disruptions in the capital and credit markets, as have been experienced during 2008, could adversely affect our ability to draw on our bank revolving credit facilities. Our access to funds under the revolving credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

**Table of Contents****Overview**

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

|                                           | <b>Nine Months Ended<br/>September 30,<br/>2008                      2007<br/>(in thousands)</b> |            |
|-------------------------------------------|--------------------------------------------------------------------------------------------------|------------|
| Net cash provided by operating activities | \$ 40,726                                                                                        | \$ 19,988  |
| Net cash used for investing activities    | (25,548)                                                                                         | (13,700)   |
| Net cash used for financing activities    | (19,756)                                                                                         | (11,558)   |
| Net decrease in cash and cash equivalents | \$ (4,578)                                                                                       | \$ (5,270) |
| Cash paid for interest                    | \$ 29,440                                                                                        | \$ 34,038  |
| Cash paid for income taxes, net           | \$ 178                                                                                           | \$ 51      |

|                                                                  | <b>September 30,<br/>2008</b> | <b>December 31,<br/>2007</b> |
|------------------------------------------------------------------|-------------------------------|------------------------------|
|                                                                  | <b>(in thousands)</b>         |                              |
| Cash and cash equivalents                                        | \$ 11,648                     | \$ 16,226                    |
| Long-term debt including current portion                         | \$ 666,242                    | \$ 681,176                   |
| Unused commitments under senior credit facilities <sup>(1)</sup> | \$ 69,500                     | \$ 69,500                    |

- <sup>(1)</sup> The Company had \$69.5 million of total unused revolving loan commitments at September 30, 2008 under the Nexstar and Mission credit facilities, of which \$19.0 million was available for borrowing.

**Cash Flows    Operating Activities**

The comparative net cash flows provided by operating activities increased by \$20.7 million during the nine months ended September 30, 2008 compared to the same period in 2007. The increase was primarily due to a \$9.4 million increase in net revenue and the timing of working capital accounts including (1) an increase of \$5.9 million resulting from the timing of collections of accounts receivable, (2) an increase of \$4.5 million resulting from the timing of payments for accounts payable and accrued expenses and (3) an increase of \$4.5 million in cash flows from the timing of interest payments.

Cash paid for interest decreased by \$4.6 million during the nine months ended September 30, 2008 compared to the same period in 2007. The decrease was due to the timing of the LIBOR contracts under which our senior credit loans were borrowed and a decrease in the average interest rates.

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

**Cash Flows    Investing Activities**

The comparative net cash used for investing activities increased by \$11.8 million during the nine months ended September 30, 2008 compared to the same period in 2007. The increase was primarily due to an increase in acquisition-related payments of \$7.9 million combined with an increase in net purchases of property and equipment of \$4.0 million.

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Acquisition-related payments for the nine months ended September 30, 2008 consisted of consideration of \$7.9 million, inclusive of transaction costs of \$0.5 million, which is included in goodwill for Mission's acquisition of KTVE.

Capital expenditures were \$17.6 million, net of insurance proceeds of \$0.5 million, for the nine months ended September 30, 2008, compared to \$13.6 million for the nine months ended September 30, 2007. The increase was primarily attributable to digital conversion expenditures, which were \$13.6 million for the nine months ended September 30, 2008 compared to \$6.8 million for the same period in 2007. We project that 2008 full-year capital expenditures will be approximately \$33.0 million, which is expected to include approximately \$30.0 million of digital conversion expenditures. We expect to conclude our digital conversion expenditures in early 2009.

**Table of Contents****Cash Flows   Financing Activities**

The comparative net cash used for financing activities increased by \$8.2 million during the nine months ended September 30, 2008 compared to the same period in 2007, due primarily to the repayment of long-term debt of \$52.2 million, partially offset by proceeds from the Senior Subordinated PIK notes of \$35.0 million and also \$9.0 million less in net payments on the revolving credit facility during the nine months ended September 30, 2008 compared to the same period in 2007.

During the nine months ended September 30, 2008, there were \$50.0 million of revolving loan borrowings under our and Mission's senior secured credit facilities, compared to no borrowings for the nine months ended September 30, 2007. The \$50.0 million of borrowings was also repaid in the nine months ended September 30, 2008.

During the nine months ended September 30, 2008, there were payments of \$2.6 million for scheduled term loan maturities under our and Mission's senior secured credit facilities.

On April 1, 2008, Nexstar redeemed a principal amount of \$46.9 million of the 11.375% Notes outstanding in accordance with the terms of the debt agreement and in September 2008, the Company repurchased \$5.3 million on the 11.375% Notes in accordance with the terms of the Senior Subordinated PIK notes.

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

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

As of September 30, 2008, Nexstar and Mission had total combined debt of \$666.2 million, which represented 127.7% of Nexstar and Mission's combined capitalization. Our and Mission's high level of debt requires that a substantial portion of cash flow be dedicated to pay principal and interest on debt which reduces the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes.

The following table summarizes the approximate aggregate amount of principal indebtedness scheduled to mature for the periods referenced as of September 30, 2008:

|                                                 | Total      | Remainder<br>of 2008 | 2009-2010<br>(in thousands) | 2011-2012  | Thereafter |
|-------------------------------------------------|------------|----------------------|-----------------------------|------------|------------|
| Nexstar senior credit facility                  | \$ 179,527 | \$ 440               | \$ 3,516                    | \$ 175,571 |            |
| Mission senior credit facility                  | 174,518    | 431                  | 3,454                       | 170,633    |            |
| 7% senior subordinated notes due 2014           | 200,000    |                      |                             |            | 200,000    |
| 11.375% senior discount notes due 2013          | 77,820     |                      |                             |            | 77,820     |
| Senior subordinated PIK due 2014 <sup>(1)</sup> | 42,503     |                      |                             |            | 42,503     |
|                                                 | \$ 674,368 | \$ 871               | \$ 6,970                    | 346,204    | 320,323    |

<sup>(1)</sup> Includes principal amount of \$35.6 million and \$6.9 million in payment-in-kind interest which accrues at 12% per annum through January 15, 2010.

On April 1, 2008, Nexstar redeemed a principal amount of approximately \$46.9 million of 11.375% Notes outstanding sufficient to ensure that the 11.375% Notes would not be applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code. This principal payment was funded with cash generated from borrowings under its senior secured credit facility and operations. In September 2008, Nexstar repurchased \$5.3 million on the 11.375% Notes in accordance with the terms of the Senior Subordinated PIK notes.

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

payable based on the type of interest rate selected.

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

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

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### ***Debt Covenants***

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

As of September 30, 2008, we were in compliance with all covenants contained in the credit agreements governing our senior secured credit facility and the indentures governing the publicly-held notes. We anticipate compliance with all the covenants through the next twelve months. For a discussion of the financial ratio requirements of these covenants, we refer you to Note 9 of our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In order to make further borrowings under the Nexstar Facility, Nexstar Broadcasting is required to be in compliance with these and other covenants including the requirement that there shall not have occurred any material adverse effect on the operations, business assets, properties, condition (financial or otherwise) or prospects of the Company.

Effective on April 1, 2008 under our bank credit facility agreement, we are now required to include the remaining principal balance of Nexstar Finance Holdings 11.375% Notes in the calculation of our total leverage ratio. Accordingly, as of September 30, 2008, the outstanding principal of \$77.8 million on the 11.375% Notes was included as debt outstanding in this covenant compliance ratio.

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

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

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 September 30, 2008, Mission's stations WUTR, WTVO, WYOU, KRBC, KCIT, KTVE 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 KBTB, KFDX, WFFT, WFXV, WTWO, KMID and KSNF and Mission stations KJTL, KSNF, WFXW, WFXP and KODE. The FCC has established February 17, 2009 as the deadline for Nexstar stations KQTV, WCFN, WJET, WHAG, WDHN, KSVI, and KLST and Mission stations KOLR and KHMT.

Extension requests were filed with the FCC on September 19, 2008 for the Nexstar and Mission stations with permit expiration dates of November 19, 2008 unless the stations were expected to begin DTV full-power operations by the November 19, 2008 deadline. All of the Nexstar stations are expected to be operating at DTV full-power on or before February 17, 2009, except for KLST, KSNF, KBTB, KMID and KQTV, which are expected to initiate full-power DTV operations on or before April 10, 2009. A request for authority for these stations to begin full-power DTV operations after February 17, 2009 will be filed with the FCC.

DTV conversion expenditures were \$13.5 million and \$6.8 million, respectively, for the nine months ended September 30, 2008 and 2007. We estimate that it will require an average capital expenditure of approximately \$1.5 million per station to modify our and Mission's remaining stations' DTV transmitting equipment for full-power DTV operations, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. We anticipate these expenditures will be funded through available cash on hand and cash generated from operations as incurred.

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

At September 30, 2008, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. All of our arrangements with Mission are on-balance sheet arrangements. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

***Critical Accounting Policies and Estimates***

Our condensed consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenue and expenses during the period. On an ongoing basis, we evaluate our estimates, including those related to goodwill and intangible assets, bad debts, broadcast rights, trade and barter, income taxes, commitments and contingencies. We base our estimates on historical experience and on various

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other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Results of operations for interim periods are not necessarily indicative of results for the full year.

Information with respect to our critical accounting policies which we believe could have the most significant effect on our reported results and require subjective or complex judgments by management is contained on pages 51 through 54 in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. Management believes that as of September 30, 2008 there has been no material change to this information.

### *Valuation of long-lived assets and intangible assets*

Approximately \$433.5 million, or 65%, of our total assets as of September 30, 2008 consisted of intangible assets. Intangible assets principally include network affiliation agreements, FCC licenses and goodwill. If the fair value of these assets is less than the carrying value, we may be required to record an impairment charge.

As required by SFAS 142, we test the impairment of our FCC licenses annually or whenever events or changes in circumstances indicate that such assets might be impaired. The impairment test consists of a comparison of the fair value of FCC licenses with their carrying amount on a station-by-station basis using a discounted cash flow valuation method, assuming a hypothetical startup scenario.

Also as required by SFAS 142, we test the impairment of our goodwill annually or whenever events or changes in circumstances indicate that goodwill might be impaired. The first step of the goodwill impairment test compares the fair value of the combined stations in a market (reporting unit) to its carrying amount, including goodwill. The fair value of a reporting unit is determined through the use of a discounted cash flow analysis. The valuation assumptions used in the discounted cash flow model reflect historical performance of the reporting unit and the prevailing values in the markets for broadcasting properties. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by performing an assumed purchase price allocation, using the reporting unit's fair value (as determined in the first step described above) as the purchase price. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess but not more than the carrying value of goodwill.

In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company tests network affiliation agreements whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. An impairment in the carrying amount of a network affiliation agreement is recognized when the expected future operating cash flow derived from the operation to which the asset relates to is less than its carrying value.

We recorded an impairment charge of \$48.5 million during the third quarter of 2008 that included an impairment to the carrying values of FCC licenses of \$19.7 million, related to 12 of our television stations; an impairment to the carrying value of network affiliation agreements of \$1.0 million, related to 3 of our television stations; and an impairment to the carrying values of goodwill of \$27.8 million, related to 5 reporting units consisting of 6 of our television stations. As required by SFAS 142, *Goodwill and Other Intangible Assets* (SFAS 142), we tested our FCC licenses and goodwill for impairment at September 30, 2008, between the required annual tests, because we believed events had occurred and circumstances changed that would more likely than not reduce the fair value of our reporting units below their carrying amounts and that our FCC licenses might be impaired. These events included: (a) the decline of the price of our Class A common stock as of September 30, 2008; (b) the decline in overall economic conditions; and (c) the decline in advertising revenues at some of our stations.

The assumptions used in the valuation testing have certain subjective components including anticipated future operating results and cash flows based on our own internal business plans as well as future expectations about general economic and local market conditions.

We based the valuation of FCC licenses on the following basic assumptions for the nine months ended September 30, 2008:

|                          |                |
|--------------------------|----------------|
| Market growth rates      | 2.0% to 2.8%   |
| Operating profit margins | 12.1% to 34.1% |
| Discount rate            | 9.5%           |

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|                     |                |
|---------------------|----------------|
| Tax rate            | 34.0% to 40.6% |
| Capitalization rate | 6.8% to 7.5%   |

We based the valuation of network affiliation agreements on the following basic assumptions for the nine months ended September 30, 2008:

|                          |                |
|--------------------------|----------------|
| Market growth rates      | 2.0% to 2.8%   |
| Operating profit margins | 14.3% to 42.6% |
| Discount rate            | 9.5%           |
| Tax rate                 | 34.0% to 40.6% |
| Capitalization rate      | 6.8% to 7.5%   |

We based the valuation of goodwill on the following basic assumptions for the nine months ended September 30, 2008:

|                          |                |
|--------------------------|----------------|
| Market revenue growth    | 2.0% to 2.8%   |
| Operating profit margins | 20.0% to 42.6% |
| Discount rate            | 9.5%           |
| Tax rate                 | 34.0% to 40.6% |
| Capitalization rate      | 6.8% to 7.5%   |

### Recent Accounting Pronouncements

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

### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including: any projections or expectations of earnings, revenue, financial performance, liquidity and capital resources or other financial items; any assumptions or projections about the television broadcasting industry; any statements of our plans, strategies and objectives for our future operations, performance, liquidity and capital resources or other financial items; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words may, will, should, could, would, predicts, potential, continue, expects, anticipates, future, intends, plans, believes, words.

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

### ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

#### Interest Rate Risk

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

The term loan borrowings at September 30, 2008 under the senior credit facilities bear interest at a weighted average interest rate of 5.5%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. The revolving loan borrowings at September 30, 2008 under the senior credit facilities bear interest at a weighted average interest rate of 4.6%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. Interest is payable in accordance with the credit agreements.

The following table estimates the changes to cash flow from operations as of September 30, 2008 if interest rates were to fluctuate by 100 or 50 basis points, or BPS (where 100 basis points represents one percentage point), for a twelve-month period:

|                          | Interest rate<br>decrease |         | Interest rate<br>increase |           |
|--------------------------|---------------------------|---------|---------------------------|-----------|
|                          | 100 BPS                   | 50 BPS  | 50 BPS                    | 100 BPS   |
|                          | (in thousands)            |         |                           |           |
| Senior credit facilities | \$3,540                   | \$1,770 | \$(1,770)                 | \$(3,540) |

Our 7% senior subordinated notes due 2014, our 11.375% senior discount notes due 2013 and our senior subordinated PIK notes due 2014 are fixed rate debt obligations and therefore do not result in a change in our cash flow from operations. As of September 30, 2008, we have no financial instruments in place to hedge against changes in the benchmark interest rates on this fixed rate debt.

***Impact of Inflation***

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

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### **ITEM 4. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

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

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

#### ***Changes in Internal Control over Financial Reporting***

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

## **PART II. OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

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

### **ITEM 1A. Risk Factors**

At September 30, 2008, we updated the risk factors in our 2007 Annual Report on Form 10-K as described below.

*The continued economic slowdown in the United States and the national and world-wide financial crisis may adversely affect our results of operations, cash flows and financial condition. Among other things, these negative economic trends could adversely affect demand for television advertising, reduce the availability, and increase the cost, of short-term funds for liquidity requirements, and adversely affect our ability to meet long-term commitments.*

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The continued economic slowdown in the United States is likely to adversely affect our results of operations and cash flows by, among other things, reducing demand for local and national television advertising and making it more difficult for customers to pay their accounts. Our ability to access funds under our credit facility depends, in part, on our compliance with certain financial covenants in the credit facility, including covenants based on our operating cash flow. If our operating cash flow is not sufficient to ensure compliance with these covenants, we might not be able to draw down funds under our revolving credit facility.

Disruptions in the capital and credit markets, as have been experienced during 2008, could adversely affect our ability to draw on our bank revolving credit facilities. Our access to funds under the revolving credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include deferring capital expenditures and other discretionary uses of cash.

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

None.

**ITEM 3. Defaults Upon Senior Securities**

None.

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

Nexstar Broadcasting Group, Inc. held its 2008 Annual Meeting of Stockholders on May 29, 2008. Each of the following matters were approved by the stockholders by the following votes:

Proposal 1 The election of ten members to the Board of Directors to serve as directors until the next meeting of stockholders.

| Nominees                                                                                                                                                                                                                                                   | For        | Withheld  | Abstain |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|---------|
| Perry A. Sook                                                                                                                                                                                                                                              | 12,134,464 | 1,853,144 | 0       |
| Blake R. Battaglia                                                                                                                                                                                                                                         | 12,133,315 | 1,854,293 | 0       |
| Erik Brooks                                                                                                                                                                                                                                                | 12,133,315 | 1,854,293 | 0       |
| Jay M. Grossman                                                                                                                                                                                                                                            | 12,031,001 | 1,956,607 | 0       |
| Brent Stone                                                                                                                                                                                                                                                | 12,133,315 | 1,854,293 | 0       |
| Royce Yudkoff                                                                                                                                                                                                                                              | 12,033,501 | 1,954,107 | 0       |
| Geoff Armstrong                                                                                                                                                                                                                                            | 13,665,822 | 321,786   | 0       |
| Michael Donovan                                                                                                                                                                                                                                            | 13,665,822 | 321,786   | 0       |
| I. Martin Pompadur                                                                                                                                                                                                                                         | 13,665,822 | 321,786   | 0       |
| Lisbeth McNabb                                                                                                                                                                                                                                             | 13,665,822 | 321,786   | 0       |
| Proposal 2 The ratification of the selection of PricewaterhouseCoopers LLP as Nexstar Broadcasting Group, Inc.'s independent registered public accounting firm for the fiscal year ending December 31, 2008. There were no broker non-votes for this item. |            |           |         |

| For        | Against | Abstain |
|------------|---------|---------|
| 13,953,375 | 32,582  | 1,651   |

**ITEM 5. Other Information**

None.

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**ITEM 6. Exhibits**

| <b>Exhibit No.</b> | <b>Exhibit Index</b>                                                                           |
|--------------------|------------------------------------------------------------------------------------------------|
| 31.1               | Certification of Perry A. Sook pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*     |
| 31.2               | Certification of Matthew E. Devine pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| 32.1               | Certification of Perry A. Sook pursuant to 18 U.S.C. ss. 1350.*                                |
| 32.2               | Certification of Matthew E. Devine pursuant to 18 U.S.C. ss. 1350.*                            |

\* Filed herewith

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**SIGNATURES**

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

NEXSTAR BROADCASTING GROUP, INC.

/s/ PERRY A. SOOK

**By: Perry A. Sook**

**Its: President and Chief Executive Officer**

**(Principal Executive Officer)**

/s/ MATTHEW E. DEVINE

**By: Matthew E. Devine**

**Its: Chief Financial Officer**

**(Principal Accounting and Financial Officer)**

Dated: November 10, 2008