

NEXSTAR BROADCASTING GROUP INC  
Form 10-Q  
May 09, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

\_\_\_\_\_  
**FORM 10-Q**  
\_\_\_\_\_

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
for the quarterly period ended March 31, 2007

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 000-50478

\_\_\_\_\_  
**NEXSTAR BROADCASTING GROUP, INC.**

(Exact name of registrant as specified in its charter)

\_\_\_\_\_

Delaware  
(State of Organization)

or Incorporation)

909 Lake Carolyn Parkway, Suite 1450

23-3083125  
(IRS Employer

Identification No.)

(972) 373-8800

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Irving, Texas 75039

(Address of Principal Executive Offices, including Zip Code)

(Registrant's Telephone Number, Including Area Code)

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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 or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of April 30, 2007, the Registrant had outstanding:

14,328,310 shares of Class A Common Stock;

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

662,529 shares of Class C 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)**

|  | March 31,         | December 31,      |
|--|-------------------|-------------------|
|  | 2007              | 2006              |
|  | (Unaudited)       |                   |
| <b>ASSETS</b>  |                   |                   |
| Current assets:  |                   |                   |
| Cash and cash equivalents  | \$ 7,868          | \$ 11,179         |
| Accounts receivable, net of allowance for doubtful accounts of \$1,000 and \$1,061, respectively | 48,496            | 48,539            |
| Current portion of broadcast rights  | 10,509            | 14,740            |
| Taxes receivable   | 138               | 247               |
| Prepaid expenses and other current assets  | 1,768             | 2,261             |
| Deferred tax asset   | 153               | 157               |
| <b>Total current assets</b>  | <b>68,932</b>     | <b>77,123</b>     |
| Property and equipment, net  | 111,777           | 110,903           |
| Broadcast rights   | 8,084             | 9,869             |
| Goodwill   | 149,408           | 149,396           |
| FCC licenses   | 163,795           | 163,795           |
| Other intangible assets, net   | 199,794           | 206,259           |
| Other noncurrent assets  | 7,061             | 7,364             |
| <b>Total assets</b>  | <b>\$ 708,851</b> | <b>\$ 724,709</b> |
| <b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>  |                   |                   |
| Current liabilities:   |                   |                   |
| Current portion of debt  | \$ 3,485          | \$ 3,485          |
| Current portion of broadcast rights payable  | 10,855            | 15,099            |
| Accounts payable   | 10,013            | 10,040            |
| Accrued expenses   | 12,541            | 14,231            |
| Interest payable   | 3,079             | 6,657             |
| Deferred revenue   | 5,917             | 5,586             |
| <b>Total current liabilities</b>   | <b>45,890</b>     | <b>55,098</b>     |
| Debt   | 679,977           | 677,650           |
| Broadcast rights payable   | 9,042             | 10,807            |
| Deferred tax liabilities   | 40,116            | 38,697            |
| Deferred revenue   | 2,848             | 2,965             |
| Deferred gain on sale of assets  | 5,695             | 5,804             |
| Other liabilities  | 5,615             | 6,978             |
| <b>Total liabilities</b>   | <b>789,183</b>    | <b>797,999</b>    |

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### Commitments and contingencies

#### Stockholders' deficit:

Preferred stock - \$0.01 par value, authorized 200,000 shares; no shares issued and outstanding at both March 31, 2007 and December 31, 2006

#### Common stock:

Class A Common - \$0.01 par value, authorized 100,000,000 shares; issued and outstanding 14,321,310 and 14,316,810 at March 31, 2007 and December 31, 2006, respectively

143                      143

Class B Common - \$0.01 par value, authorized 20,000,000 shares; issued and outstanding 13,411,588 at both March 31, 2007 and December 31, 2006

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Class C Common - \$0.01 par value, authorized 5,000,000 shares; issued and outstanding 662,529 at both March 31, 2007 and December 31, 2006

7                              7

Additional paid-in capital

394,611                      394,120

Accumulated deficit

(475,227)                      (467,694)

Total stockholders' deficit

(80,332)                      (73,290)

Total liabilities and stockholders' deficit

\$ 708,851                      \$ 724,709

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

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

(in thousands, except per share amounts)

|   | <b>Three Months Ended</b> |             |
|---|---------------------------|-------------|
|   | <b>March 31,</b>          |             |
|   | <b>2007</b>               | <b>2006</b> |
|   | <b>(Unaudited)</b>        |             |
| Net revenue   | \$ 62,054                 | \$ 59,826   |
| Operating expenses:   |                           |             |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     | 18,156                    | 17,388      |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | 20,298                    | 20,378      |
| Amortization of broadcast rights  | 5,892                     | 5,228       |
| Amortization of intangible assets   | 6,465                     | 6,053       |
| Depreciation  | 4,988                     | 4,626       |
| Loss on asset disposal, net   | 152                       | 64          |
| Total operating expenses  | 55,951                    | 53,737      |
| Income from operations  | 6,103                     | 6,089       |
| Interest expense, including amortization of debt financing costs  | (13,720)                  | (12,242)    |
| Interest income   | 116                       | 117         |
| Loss before income taxes  | (7,501)                   | (6,036)     |
| Income tax expense  | (1,532)                   | (1,251)     |
| Net loss  | \$ (9,033)                | \$ (7,287)  |
| Net loss per common share:  |                           |             |
| Basic and diluted   | \$ (0.32)                 | \$ (0.26)   |
| Weighted average number of common shares outstanding:   |                           |             |
| Basic and diluted   | 28,393                    | 28,363      |

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 Three Months Ended March 31, 2007

(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, 2007<br/>(unaudited)</b>                 | 14,316,810 | \$ 143 | 13,411,588              | \$ 134 | 662,529 | \$ 7   | \$ 394,120                       | \$ (467,694)           | \$ (73,290)                      |
| Adjustment for the cumulative effect<br>of adopting FIN No. 48    |            |        |                         |        |         |        |                                  | 1,500                  | 1,500                            |
| Stock-based compensation expense                                  |            |        |                         |        |         |        | 482                              |                        | 482                              |
| Issuance of common shares related<br>to exercise of stock options | 2,000      |        |                         |        |         |        | 9                                |                        | 9                                |
| Issuance of common shares related<br>to restricted stock award    | 2,500      |        |                         |        |         |        |                                  |                        |                                  |
| Net loss  |            |        |                         |        |         |        |                                  | (9,033)                | (9,033)                          |
| <b>Balance at March 31, 2007<br/>(unaudited)</b>                  | 14,321,310 | \$ 143 | 13,411,588              | \$ 134 | 662,529 | \$ 7   | \$ 394,611                       | \$ (475,227)           | \$ (80,332)                      |

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

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

(in thousands)

|   | <b>Three Months Ended</b> |                |
|---|---------------------------|----------------|
|   | <b>March 31,</b>          | <b>2006</b>    |
|   | <b>(Unaudited)</b>        |                |
| <b>Cash flows from operating activities:</b>                                    |                           |                |
| Net loss  | \$ (9,033)                | \$ (7,287)     |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                           |                |
| Deferred income taxes   | 1,423                     | 1,251          |
| Provision for bad debts   | 90                        | 153            |
| Depreciation of property and equipment  | 4,988                     | 4,626          |
| Amortization of intangible assets   | 6,465                     | 6,053          |
| Amortization of debt financing costs  | 261                       | 291            |
| Amortization of broadcast rights, excluding barter                              | 2,262                     | 2,096          |
| Payments for broadcast rights   | (2,254)                   | (2,302)        |
| Loss on asset disposal, net   | 152                       | 64             |
| Deferred gain recognition   | (109)                     | (109)          |
| Amortization of debt discount   | 3,199                     | 2,865          |
| Stock-based compensation expense  | 482                       | 438            |
| Changes in operating assets and liabilities:                                    |                           |                |
| Accounts receivable   | (75)                      | 582            |
| Prepaid expenses and other current assets                                       | 493                       | 250            |
| Taxes receivable  | 109                       |                |
| Other noncurrent assets   | (119)                     | (409)          |
| Accounts payable and accrued expenses   | (1,701)                   | 25             |
| Taxes payable   |                           | 4              |
| Interest payable  | (3,578)                   | (3,558)        |
| Deferred revenue  | 214                       | 635            |
| Other noncurrent liabilities  | 137                       | 382            |
| <b>Net cash provided by operating activities</b>                                | <b>3,406</b>              | <b>6,050</b>   |
| <b>Cash flows from investing activities:</b>                                    |                           |                |
| Additions to property and equipment   | (5,858)                   | (2,982)        |
| Proceeds from sale of assets  | 4                         | 141            |
| <b>Net cash used for investing activities</b>                                   | <b>(5,854)</b>            | <b>(2,841)</b> |
| <b>Cash flows from financing activities:</b>                                    |                           |                |
| Repayment of long-term debt   | (872)                     | (4,871)        |
| Proceeds from issuance of common shares related to exercise of stock options    | 9                         |                |
| <b>Net cash used for financing activities</b>                                   | <b>(863)</b>              | <b>(4,871)</b> |
| Net decrease in cash and cash equivalents                                       | (3,311)                   | (1,662)        |
| Cash and cash equivalents at beginning of period                                | 11,179                    | 13,487         |
| Cash and cash equivalents at end of period                                      | \$ 7,868                  | \$ 11,825      |



**Supplemental schedule of cash flow information:**

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Cash paid for interest              | \$ 13,838 | \$ 12,640 |
| Cash refunded for income taxes, net | \$        | \$ 4      |

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 March 31, 2007, Nexstar Broadcasting Group, Inc. ( Nexstar ) owned, operated, programmed or provided sales and other services to 49 television stations, all of which were affiliated with the NBC, ABC, CBS, Fox, MyNetworkTV or The CW television networks, in markets located in New York, Pennsylvania, Illinois, Indiana, Missouri, Texas, Louisiana, Arkansas, Alabama, Montana and Maryland. Through various local service agreements, Nexstar provided sales, programming and other services to stations owned and/or operated by independent third parties. Nexstar operates in one reportable television broadcasting segment. The economic characteristics, services, production process, customer type and distribution methods for Nexstar s operations are substantially similar and are therefore aggregated as a single reportable segment.

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

**2. Summary of Significant Accounting Policies**

***Interim Financial Statements***

The condensed consolidated financial statements as of March 31, 2007 and for the three months ended March 31, 2007 and 2006 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, 2006. The balance sheet at December 31, 2006 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. As of March 31, 2007, the assets of Mission consisted of current assets of \$2.2 million (excluding broadcast rights), broadcast rights of \$3.9 million, FCC licenses of \$28.7 million, goodwill of \$16.7 million, other intangible assets of \$40.9 million, property and equipment of \$20.3 million and other noncurrent assets of \$0.2 million. Substantially all of Mission s assets, except for its FCC licenses, collateralize its secured debt obligation.



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

Nexstar has entered into local service agreements with Mission to provide sales and/or operating services to the Mission stations. The following table summarizes the various local service agreements Nexstar had in effect with Mission as of March 31, 2007:

| 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 and WTVO |

(1) Nexstar has a time brokerage agreement ( TBA ) with each of these stations which allows Nexstar to program most of each station's broadcast time, sell each station's advertising time and retain the advertising revenue generated in exchange for monthly payments to Mission.

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

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

**Variable Interest Entities**

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

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

Nexstar has determined that it has variable interests in WYZZ, the Fox affiliate in Peoria, Illinois and WUHF, the Fox affiliate in Rochester, New York, each owned by a subsidiary of Sinclair Broadcasting Group, Inc. ( Sinclair ), as a result of outsourcing agreements it has entered into with Sinclair. Nexstar also has determined that it has a variable interest in KTVE, the NBC affiliate in El Dorado, Arkansas, which is owned by Piedmont Television of Monroe/El Dorado LLC ( Piedmont ), as a result of a JSA and SSA entered into with Piedmont. Nexstar also has determined that it has a variable interest in WHP, the CBS affiliate in Harrisburg, Pennsylvania, which is owned by Clear Channel TV, Inc. ( Clear Channel ), as a result of Nexstar in December 2006 becoming successor to a TBA entered into by the former owner of WLYH. Nexstar has evaluated its arrangements with Sinclair, Piedmont and Clear Channel and has determined that it is not the primary beneficiary of the variable interests, and therefore, has not consolidated these stations under FIN No. 46R. Nexstar made payments to Sinclair under the outsourcing agreements of \$0.7 million and \$1.0 million for the three months ended March 31, 2007 and 2006, respectively. Nexstar received payments from Piedmont under the JSA of \$0.2 million for both the three months ended March 31, 2007 and 2006. Nexstar received payments from Clear Channel under the TBA of \$13 thousand for the three months ended March 31, 2007.

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



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

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

The Company recognized \$0.5 million and \$0.4 million, respectively, of stock-based compensation expense for the three months ended March 31, 2007 and 2006, which was included in selling, general and administrative expenses in the Company's condensed consolidated statement of operations. The Company does not currently recognize a tax benefit resulting from compensation costs expensed in the financial statements because the Company provides a valuation allowance against the deferred tax asset resulting from this type of temporary difference since it expects that it will not have sufficient future taxable income to realize such benefit. Accordingly, SFAS No. 123(R) has had no impact on income tax expense reported in the financial statements.

At March 31, 2007, there was approximately \$5.9 million of total unrecognized compensation cost, net of estimated forfeitures, related to stock options that is expected to be recognized over a weighted-average period of 3.63 years. The total intrinsic value and cash received for stock options exercised during the three months ended March 31, 2007 was \$9 thousand and \$11 thousand, respectively.

***Loss Per Share***

Basic loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period using the treasury stock method. Potential common shares consist of stock options and the unvested portion of restricted stock granted to employees. For the three months ended March 31, 2007 and 2006 there was no difference between basic and diluted net loss per share since the effect of potential common shares were anti-dilutive, and therefore excluded from the computation of diluted net loss per share.

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

|   | <b>Three Months Ended</b>                    |                           |
|---|--|---------------------------|
|   | <b>2007</b>                                  | <b>March 31,<br/>2006</b> |
|   | <b>(weighted-average shares outstanding)</b> |                           |
| Stock options excluded as the exercise price of the options was greater than the average market price of the common stock | 1,714,600                                    | 2,124,055                 |
| In-the-money stock options excluded as the Company had a net loss during the period                                       | 1,905,700                                    | 787,222                   |
| Unvested restricted stock   |  |                           |

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**NEXSTAR BROADCASTING GROUP, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

***Adoption of FIN No. 48***

On January 1, 2007, the Company adopted FIN No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ( FIN No. 48 ) which clarifies whether the benefit of tax positions taken in a filed tax return, or expected to be taken in a future tax return, should be reflected in income tax expense in the financial statements. FIN No. 48 requires that the benefit from an uncertain tax position be recognized in the financial statements only if it is more likely than not that the tax position will be sustained, based on its technical merits, upon examination by a taxing authority. The amount recognized in the financial statements from an uncertain tax position is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. To the extent a tax return position has not been reflected in the financial statements, a liability ( unrecognized tax benefit ) is recorded. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense, which is consistent with its recognition of these items in prior period financial statements. As a result of adopting FIN No. 48, the Company recorded a \$1.5 million decrease to other liabilities and a cumulative-effect adjustment decreasing the January 1, 2007 balance of accumulated deficit by a corresponding amount. See Note 8 for further discussion of the Company's unrecognized tax benefits.

***Recent Accounting Pronouncements***

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ( SFAS No. 157 ), which addresses how companies should determine fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Under SFAS No. 157, the definition of fair value retains the exchange price notion in earlier definitions of fair value, but clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, which is the Company's 2008 fiscal year. The Company will adopt this Statement in the first quarter 2008. Management is currently evaluating the impact of adopting SFAS No. 157, but does not presently anticipate it will have a material effect on its consolidated financial position or results of operations.

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 will adopt the provisions of this Statement beginning in fiscal 2008. Management is currently evaluating the impact the adoption of SFAS No. 159 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.

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Pending Transaction with Mission**

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

In May 2006, two affiliates of Equity Broadcasting Corporation (Equity) filed a petition to deny against the KFTA assignment application alleging that Nexstar improperly controls Mission and its stations. Nexstar and Mission submitted a joint opposition to Equity's petition to deny. The FCC is currently considering the KFTA assignment application. In September 2006, Equity submitted a petition to deny Nexstar's applications for the renewal of the KFTA and KNWA FCC licenses. Nexstar has filed its response to Equity's petition to deny the license renewals. Although Nexstar's and Mission's management believe that the petitions have no merit, it is not possible to predict what action the FCC will take on the petitions to deny, or when it will take such action.

**4. Intangible Assets and Goodwill**

Intangible assets subject to amortization consisted of the following:

|  | Estimated<br>useful life<br>(years) | March 31, 2007    |   |                   | December 31, 2006 |   |                   |
|--|-------------------------------------|-------------------|---|-------------------|-------------------|---|-------------------|
|  |                                     | Gross             | Accumulated<br>Amortization<br>(in thousands) | Net               | Gross             | Accumulated<br>Amortization<br>(in thousands) | Net               |
| Network affiliation agreements                         | 15                                  | \$ 355,878        | \$ (165,046)                                  | \$ 190,832        | \$ 355,878        | \$ (159,112)                                  | \$ 196,766        |
| Other definite-lived intangible assets                 | 1-15                                | 20,636            | (11,674)                                      | 8,962             | 20,636            | (11,143)                                      | 9,493             |
| <b>Total intangible assets subject to amortization</b> |                                     | <b>\$ 376,514</b> | <b>\$ (176,720)</b>                           | <b>\$ 199,794</b> | <b>\$ 376,514</b> | <b>\$ (170,255)</b>                           | <b>\$ 206,259</b> |

Total amortization expense from definite-lived intangibles was \$6.5 million and \$6.1 million for the three months ended March 31, 2007 and 2006, respectively. The Company's estimate of amortization expense for definite-lived intangible assets recorded on its books as of March 31, 2007 is approximately \$26 million for the year of 2007 and approximately \$25 million for each year for the years of 2008 through 2011.

The aggregate carrying value of indefinite-lived intangible assets, consisting of FCC licenses and goodwill, was \$313.2 million at both March 31, 2007 and December 31, 2006. Indefinite-lived intangible assets are not subject to amortization, but are tested for impairment annually or whenever events or changes in circumstances indicate that such assets might be impaired. As of March 31, 2007, the Company did not identify any events that would trigger an impairment assessment.

The change in the carrying amount of goodwill for the three months ended March 31, 2007 was as follows:



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|                   | <b>March 31,<br/>2007</b> |
|-------------------|---------------------------|
|                   | <b>(in thousands)</b>     |
| Beginning balance | \$ 149,396                |
| Adjustment        | 12                        |
| Ending balance    | \$ 149,408                |

The change in goodwill shown above results from an adjustment to the estimated fair value of WTAJ assets which were acquired in 2006.

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Accrued Expenses**

Accrued expenses consisted of the following:

|  | March 31,      | December 31, |
|--|----------------|--------------|
|  | 2007           | 2006         |
|  | (in thousands) |              |
| Compensation and related taxes               | \$ 3,744       | \$ 4,348     |
| Sales commissions                            | 1,440          | 1,389        |
| Employee benefits                            | 1,364          | 1,327        |
| Property taxes                               | 791            | 595          |
| Other accruals related to operating expenses | 5,202          | 6,572        |
|  | \$ 12,541      | \$ 14,231    |

**6. Debt**

Long-term debt consisted of the following:

|  | March 31,      | December 31, |
|--|----------------|--------------|
|  | 2007           | 2006         |
|  | (in thousands) |              |
| Term loans   | \$ 331,272     | \$ 332,144   |
| Revolving credit facilities  | 38,000         | 38,000       |
| 7% senior subordinated notes due 2014, net of discount of \$2,166 and \$2,228    | 197,834        | 197,772      |
| 11.375% senior discount notes due 2013, net of discount of \$13,644 and \$16,781 | 116,356        | 113,219      |
|  | 683,462        | 681,135      |
| Less: current portion  | (3,485)        | (3,485)      |
|  | \$ 679,977     | \$ 677,650   |

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

The Nexstar senior secured credit facility (the *Nexstar Facility*) consists of a Term Loan B and a \$82.5 million revolving loan. As of March 31, 2007 and December 31, 2006, Nexstar had \$161.2 million and \$161.6 million, respectively, outstanding under its Term Loan B and \$38.0 million borrowings were outstanding under its revolving loan.

The Term Loan B, which matures in October 2012, is payable in consecutive quarterly installments amortized at 0.25% quarterly, with the remaining 93.25% due at maturity. During the three months ended March 31, 2007, repayments of Nexstar's Term Loan B totaled \$0.4 million, all of which were scheduled maturities. The revolving loan is not subject to incremental reduction and matures in April 2012.

The total weighted-average interest rate of the Nexstar Facility was 7.00% and 7.33% at March 31, 2007 and December 31, 2006, 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.

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

The Mission senior secured credit facility (the Mission Facility ) consists of a Term Loan B and a \$15.0 million revolving loan. As of March 31, 2007 and December 31, 2006, Mission had \$170.1 million and \$170.5 million, respectively, outstanding under its Term Loan B and no borrowings were outstanding under its revolving loan.

Terms of the Mission Facility, including repayment, maturity and interest rates, are the same as the terms of the Nexstar Facility described above. During the three months ended March 31, 2007, repayments of Mission s Term Loan B totaled \$0.4 million, all of which were scheduled maturities. The total weighted average interest rate of the Mission Facility was 7.10% and 7.11% at March 31, 2007 and December 31, 2006, respectively.

***Unused Commitments and Borrowing Availability***

Based on covenant calculations, as of March 31, 2007, all \$59.5 million of total unused revolving loan commitments under the Nexstar and Mission credit facilities were available for borrowing.

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**NEXSTAR BROADCASTING GROUP, INC.**

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

**6. Debt (Continued)**

***Debt Covenants***

The Nexstar Facility contains covenants which require the Company to comply with certain financial covenant ratios, including (1) a maximum total combined leverage ratio of Nexstar Broadcasting and Mission of 7.00 times the last twelve months operating cash flow (as defined in the credit agreement) at March 31, 2007, (2) a maximum combined senior leverage ratio of Nexstar Broadcasting and Mission of 5.00 times the last twelve months operating cash flow at March 31, 2007, (3) a minimum combined interest coverage ratio of 1.50 to 1.00, and (4) a fixed charge coverage ratio of 1.15 to 1.00. The covenants, which are formally calculated on a quarterly basis, are based on the combined results of Nexstar Broadcasting and Mission. Mission's bank credit facility agreement does not contain financial covenant ratio requirements, but does provide for default in the event Nexstar does not comply with all covenants contained in its credit agreement.

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

***Collateralization and Guarantees of Debt***

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

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

**7. Stock-Based Compensation Plans**

Nexstar's employee compensation plans (the Equity Plans) provide for the granting of stock options, stock appreciation rights, restricted stock and performance awards to directors, employees of Nexstar or consultants. A maximum of 4,500,000 shares of Nexstar's Class A common stock can be issued under the Equity Plans and as of March 31, 2007, a total of 877,000 shares were available for future grant. Employee stock options are granted with an exercise price at least equal to the fair market value of the underlying shares of common stock on the date of the grant, vest over five years and expire ten years from the date of grant.

**8. Income Taxes**

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

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**NEXSTAR BROADCASTING GROUP, INC.**

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

**8. Income Taxes (Continued)**

At January 1, 2007, the Company had gross unrecognized tax benefits of approximately \$4.2 million, which did not materially change as of March 31, 2007. 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. An immaterial portion of these unrecognized tax benefits is expected to reverse in the third quarter of 2007 upon the expiration of a statute of limitations. Due to the existence of a valuation allowance, only approximately \$0.1 million of the total amount of unrecognized tax benefits are expected to decrease the Company's provision for income taxes, resulting in a positive effect on the Company's effective tax rate.

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 2002. 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.

**9. 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 must broadcast with both analog and DTV signals.

Except for stations that have requested waiver of the FCC's deadline for construction, broadcast television stations are required to be broadcasting a full-power DTV signal. As of March 31, 2007, Mission's stations WUTR, WTVO, WYOU and KOLR and Nexstar's stations WBRE, WROC, KARK, KNWA, KFTA, WMBD, WTAJ, WLYH, KSFX, WQRF and KTAL are broadcasting with full-power DTV signals. Nexstar's and Mission's remaining stations are broadcasting low-power DTV signals. Nexstar and Mission have requested extension of time to begin broadcasting full-power digital television signals for their remaining stations. The FCC has not yet acted on these requests for extension of time. If the FCC denies the request for the extension of time, the stations may lose interference protection for their signals outside their low-power coverage area.

DTV conversion expenditures were \$3.7 million and \$1.2 million, respectively, for the three months ended March 31, 2007 and 2006. The Company will incur various capital expenditures to modify the remaining Nexstar and Mission stations' DTV transmitting equipment for full-power DTV operations, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. The Company anticipates these expenditures will be funded through available cash on hand and cash generated from operations as incurred in future years.

***Media Ownership***

In 2006, the FCC initiated a rulemaking proceeding which provides for a comprehensive review of all of its media ownership rules, as required by the Communications Act. The Commission is considering rules relating to ownership of two or more TV stations in a market, ownership of local TV and radio stations by daily newspapers in the same market, cross-ownership of local TV and radio stations, and changes to how the national TV ownership limits are calculated. The proceeding, which will include several public hearings to be held throughout the country, has

extended into 2007. At this time, it is not possible to predict the outcome of any changes, if any, to the FCC's media ownership rules.

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**NEXSTAR BROADCASTING GROUP, INC.**

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

**10. Commitments and Contingencies**

***Guarantee of Mission Debt***

Nexstar and its subsidiaries guarantee full payment of all obligations incurred under Mission's senior secured credit facility agreement. In the event that Mission is unable to repay amounts due under its credit facility, Nexstar will be obligated to repay such amounts. The maximum potential amount of future payments that Nexstar would be required to make under this guarantee would be generally limited to the amount of borrowings outstanding under the Mission credit facility. At March 31, 2007, Mission had \$170.1 million outstanding under its senior credit facility.

***Indemnification Obligations***

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

***Litigation***

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

**11. 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 is presented in lieu of separate financial statements and other related disclosures of Nexstar Finance Holdings pursuant to Regulation S-X Rule 3-10 of the Securities Exchange Act of 1934, as amended, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or being Registered.

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

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****BALANCE SHEET****March 31, 2007****(in thousands)**

|   | Nexstar          | Nexstar Finance Holdings | Non-Guarantor Subsidiary | Eliminations        | Consolidated Company |
|---|------------------|--------------------------|--------------------------|---------------------|----------------------|
| <b>ASSETS</b>   |                  |                          |                          |                     |                      |
| Current assets:   |                  |                          |                          |                     |                      |
| Cash and cash equivalents                                   | \$ 25            | \$ 6                     | \$ 7,868                 | \$ (24)             | \$ 7,868             |
| Other current assets  |                  |                          | 61,057                   |                     | 61,064               |
| <b>Total current assets</b>                                 | <b>25</b>        | <b>6</b>                 | <b>68,925</b>            | <b>(24)</b>         | <b>68,932</b>        |
| Investments in subsidiaries eliminated upon consolidation   | 13,662           | 130,052                  |                          | (143,714)           |                      |
| Amounts due from parents eliminated upon consolidation      |                  |                          | 4,059                    | (4,059)             |                      |
| Property and equipment, net                                 |                  |                          | 111,777                  |                     | 111,777              |
| Goodwill  |                  |                          | 149,408                  |                     | 149,408              |
| FCC licenses  |                  |                          | 163,795                  |                     | 163,795              |
| Other intangible assets, net                                |                  |                          | 199,794                  |                     | 199,794              |
| Other noncurrent assets                                     | 1                | 1,935                    | 13,220                   | (11)                | 15,145               |
| <b>Total assets</b>   | <b>\$ 13,688</b> | <b>\$ 131,993</b>        | <b>\$ 710,978</b>        | <b>\$ (147,808)</b> | <b>\$ 708,851</b>    |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>        |                  |                          |                          |                     |                      |
| Current liabilities:  |                  |                          |                          |                     |                      |
| Current portion of debt                                     | \$               | \$                       | \$ 3,485                 | \$                  | \$ 3,485             |
| Other current liabilities                                   |                  |                          | 42,430                   | (25)                | 42,405               |
| <b>Total current liabilities</b>                            |                  |                          | <b>45,915</b>            | <b>(25)</b>         | <b>45,890</b>        |
| Debt  |                  | 116,356                  | 563,621                  |                     | 679,977              |
| Amounts due to subsidiary eliminated upon consolidation     | 2,086            | 1,973                    |                          | (4,059)             |                      |
| Other noncurrent liabilities                                |                  | 2                        | 63,325                   | (11)                | 63,316               |
| <b>Total liabilities</b>                                    | <b>2,086</b>     | <b>118,331</b>           | <b>672,861</b>           | <b>(4,095)</b>      | <b>789,183</b>       |
| Stockholders' equity (deficit):                             |                  |                          |                          |                     |                      |
| Common stock  | 284              |                          |                          |                     | 284                  |
| Other stockholders' equity (deficit)                        | 11,318           | 13,662                   | 38,117                   | (143,713)           | (80,616)             |
| <b>Total stockholders' equity (deficit)</b>                 | <b>11,602</b>    | <b>13,662</b>            | <b>38,117</b>            | <b>(143,713)</b>    | <b>(80,332)</b>      |
| <b>Total liabilities and stockholders' equity (deficit)</b> | <b>\$ 13,688</b> | <b>\$ 131,993</b>        | <b>\$ 710,978</b>        | <b>\$ (147,808)</b> | <b>\$ 708,851</b>    |





**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Balance Sheet****December 31, 2006****(in thousands)**

|   | Nexstar   | Nexstar Finance Holdings | Non-Guarantor Subsidiary | Eliminations | Consolidated Company |
|---|-----------|--------------------------|--------------------------|--------------|----------------------|
| <b>ASSETS</b>   |           |                          |                          |              |                      |
| Current assets:   |           |                          |                          |              |                      |
| Cash and cash equivalents                                 | \$ 40     | \$ 6                     | \$ 11,179                | \$ (40)      | \$ 11,179            |
| Other current assets                                      |           |                          | 65,938                   |              | 65,944               |
| Total current assets                                      | 40        | 6                        | 77,117                   | (40)         | 77,123               |
| Investments in subsidiaries eliminated upon consolidation | 21,214    | 134,386                  |                          | (155,600)    |                      |
| Amounts due from parents eliminated upon consolidation    |           |                          | 4,550                    | (4,550)      |                      |
| Property and equipment, net                               |           |                          | 110,903                  |              | 110,903              |
| Goodwill  |           |                          | 149,396                  |              | 149,396              |
| FCC licenses  |           |                          | 163,795                  |              | 163,795              |
| Other intangible assets, net                              |           |                          | 206,259                  |              | 206,259              |
| Other noncurrent assets                                   | 1         | 2,016                    | 15,228                   | (12)         | 17,233               |
| Total assets  | \$ 21,255 | \$ 136,408               | \$ 727,248               | \$ (160,202) | \$ 724,709           |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>      |           |                          |                          |              |                      |
| Current liabilities:                                      |           |                          |                          |              |                      |
| Current portion of debt                                   | \$        | \$                       | \$ 3,485                 | \$           | \$ 3,485             |
| Other current liabilities                                 |           |                          | 51,654                   | (41)         | 51,613               |
| Total current liabilities                                 |           |                          | 55,139                   | (41)         | 55,098               |
| Debt  |           | 113,219                  | 564,431                  |              | 677,650              |
| Amounts due to subsidiary eliminated upon consolidation   | 2,577     | 1,973                    |                          | (4,550)      |                      |
| Other noncurrent liabilities                              |           | 2                        | 65,261                   | (12)         | 65,251               |
| Total liabilities   | 2,577     | 115,194                  | 684,831                  | (4,603)      | 797,999              |
| Stockholders' equity (deficit):                           |           |                          |                          |              |                      |
| Common stock  | 284       |                          |                          |              | 284                  |
| Other stockholders' equity (deficit)                      | 18,394    | 21,214                   | 42,417                   | (155,599)    | (73,574)             |
| Total stockholders' equity (deficit)                      | 18,678    | 21,214                   | 42,417                   | (155,599)    | (73,290)             |
| Total liabilities and stockholders' equity (deficit)      | \$ 21,255 | \$ 136,408               | \$ 727,248               | \$ (160,202) | \$ 724,709           |



**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended March 31, 2007****(in thousands)**

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

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended March 31, 2006****(in thousands)**

|   | <b>Nexstar</b> | <b>Nexstar Finance Holdings</b> | <b>Non-Guarantor Subsidiary</b> | <b>Eliminations</b> | <b>Consolidated Company</b> |
|---|----------------|---------------------------------|---------------------------------|---------------------|-----------------------------|
| Net revenue   | \$             | \$                              | \$ 59,826                       | \$                  | \$ 59,826                   |
| Operating expenses:   |                |                                 |                                 |                     |                             |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |                |                                 | 17,388                          |                     | 17,388                      |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | 35             |                                 | 20,343                          |                     | 20,378                      |
| Amortization of broadcast rights  |                |                                 | 5,228                           |                     | 5,228                       |
| Amortization of intangible assets   |                |                                 | 6,053                           |                     | 6,053                       |
| Depreciation  |                |                                 | 4,626                           |                     | 4,626                       |
| Loss on asset disposal, net   |                |                                 | 64                              |                     | 64                          |
| Total operating expenses  | 35             |                                 | 53,702                          |                     | 53,737                      |
| Income (loss) from operations   | (35)           |                                 | 6,124                           |                     | 6,089                       |
| Interest expense, including amortization of debt financing costs  |                | (2,888)                         | (9,354)                         |                     | (12,242)                    |
| Equity in loss of subsidiaries  | (5,815)        | (2,927)                         |                                 | 8,742               |                             |
| Other income, net   |                |                                 | 117                             |                     | 117                         |
| Loss before income taxes  | (5,850)        | (5,815)                         | (3,113)                         | 8,742               | (6,036)                     |
| Income tax expense  |                |                                 | (1,251)                         |                     | (1,251)                     |
| Net loss  | \$ (5,850)     | \$ (5,815)                      | \$ (4,364)                      | \$ 8,742            | \$ (7,287)                  |

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Three Months Ended March 31, 2007****(in thousands)**

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

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Three Months Ended March 31, 2006****(in thousands)**

|   | <b>Nexstar</b> | <b>Nexstar Finance<br/>Holdings</b> | <b>Non-Guarantor<br/>Subsidiary</b> | <b>Eliminations</b> | <b>Consolidated<br/>Company</b> |
|---|----------------|-------------------------------------|-------------------------------------|---------------------|---------------------------------|
| <b>Cash flows provided by operating activities</b>      | \$             | \$                                  | \$ 6,050                            | \$                  | \$ 6,050                        |
| <b>Cash flows from investing activities:</b>            |                |                                     |                                     |                     |                                 |
| Additions to property and equipment, net                |                |                                     | (2,982)                             |                     | (2,982)                         |
| Other investing activities                              |                |                                     | 141                                 |                     | 141                             |
| <b>Net cash used for investing activities</b>           |                |                                     | (2,841)                             |                     | (2,841)                         |
| <b>Cash flows from financing activities:</b>            |                |                                     |                                     |                     |                                 |
| Repayment of long-term debt                             |                |                                     | (4,871)                             |                     | (4,871)                         |
| <b>Net decrease in cash and cash equivalents</b>        |                |                                     | (1,662)                             |                     | (1,662)                         |
| <b>Cash and cash equivalents at beginning of period</b> |                |                                     | 13,487                              |                     | 13,487                          |
| <b>Cash and cash equivalents at end of period</b>       | \$             | \$                                  | \$ 11,825                           | \$                  | \$ 11,825                       |

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**NEXSTAR BROADCASTING GROUP, INC.**

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

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

***Senior Subordinated Notes***

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

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

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



**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Balance Sheet****March 31, 2007****(in thousands)**

|   | Nexstar   | Nexstar<br>Broadcasting | Mission    | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|---|-----------|-------------------------|------------|-----------------------------|--------------|-------------------------|
| <b>ASSETS</b>   |           |                         |            |                             |              |                         |
| Current assets:   |           |                         |            |                             |              |                         |
| Cash and cash equivalents                                 | \$        | \$ 6,412                | \$ 1,456   | \$                          | \$           | \$ 7,868                |
| Due from Mission  |           | 18,283                  |            |                             | (18,283)     |                         |
| Other current assets                                      | 25        | 58,057                  | 3,016      | 6                           | (40)         | 61,064                  |
| Total current assets                                      | 25        | 82,752                  | 4,472      | 6                           | (18,323)     | 68,932                  |
| Investments in subsidiaries eliminated upon consolidation | 13,662    |                         |            | 130,052                     | (143,714)    |                         |
| Amounts due from parents eliminated upon consolidation    |           | 4,059                   |            |                             | (4,059)      |                         |
| Property and equipment, net                               |           | 91,452                  | 20,344     |                             | (19)         | 111,777                 |
| Goodwill  |           | 132,757                 | 16,651     |                             |              | 149,408                 |
| FCC licenses  |           | 135,059                 | 28,736     |                             |              | 163,795                 |
| Other intangible assets, net                              |           | 158,942                 | 40,852     |                             |              | 199,794                 |
| Other noncurrent assets                                   | 1         | 11,323                  | 1,897      | 1,935                       | (11)         | 15,145                  |
| Total assets  | \$ 13,688 | \$ 616,344              | \$ 112,952 | \$ 131,993                  | \$ (166,126) | \$ 708,851              |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>      |           |                         |            |                             |              |                         |
| Current liabilities:                                      |           |                         |            |                             |              |                         |
| Current portion of debt                                   | \$        | \$ 1,758                | \$ 1,727   | \$                          | \$           | \$ 3,485                |
| Due to Nexstar Broadcasting                               |           |                         | 18,283     |                             | (18,283)     |                         |
| Other current liabilities                                 |           | 37,952                  | 4,494      |                             | (41)         | 42,405                  |
| Total current liabilities                                 |           | 39,710                  | 24,504     |                             | (18,324)     | 45,890                  |
| Debt  |           | 395,239                 | 168,382    | 116,356                     |              | 679,977                 |
| Amounts due to subsidiary eliminated upon consolidation   | 2,086     |                         |            | 1,973                       | (4,059)      |                         |
| Other noncurrent liabilities                              |           | 51,343                  | 11,982     | 2                           | (11)         | 63,316                  |
| Total liabilities   | 2,086     | 486,292                 | 204,868    | 118,331                     | (22,394)     | 789,183                 |
| Stockholders' equity (deficit):                           |           |                         |            |                             |              |                         |
| Common stock  | 284       |                         |            |                             |              | 284                     |
| Other stockholders' equity (deficit)                      | 11,318    | 130,052                 | (91,916)   | 13,662                      | (143,732)    | (80,616)                |
| Total stockholders' equity (deficit)                      | 11,602    | 130,052                 | (91,916)   | 13,662                      | (143,732)    | (80,332)                |

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|   |           |            |            |            |              |            |
|---|-----------|------------|------------|------------|--------------|------------|
| Total liabilities and stockholders equity (deficit) | \$ 13,688 | \$ 616,344 | \$ 112,952 | \$ 131,993 | \$ (166,126) | \$ 708,851 |
|---|-----------|------------|------------|------------|--------------|------------|

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Balance Sheet****December 31, 2006****(in thousands)**

|   | Nexstar   | Nexstar<br>Broadcasting | Mission    | Non-Guarantor<br>Subsidiary | Eliminations | Consolidated<br>Company |
|---|-----------|-------------------------|------------|-----------------------------|--------------|-------------------------|
| <b>ASSETS</b>   |           |                         |            |                             |              |                         |
| Current assets:   |           |                         |            |                             |              |                         |
| Cash and cash equivalents                                 | \$        | \$ 7,602                | \$ 3,577   | \$                          | \$           | \$ 11,179               |
| Due from Mission  |           | 20,167                  |            |                             | (20,167)     |                         |
| Other current assets                                      | 40        | 62,171                  | 3,767      | 6                           | (40)         | 65,944                  |
| Total current assets                                      | 40        | 89,940                  | 7,344      | 6                           | (20,207)     | 77,123                  |
| Investments in subsidiaries eliminated upon consolidation | 21,214    |                         |            | 134,386                     | (155,600)    |                         |
| Amounts due from parents eliminated upon consolidation    |           | 4,550                   |            |                             | (4,550)      |                         |
| Property and equipment, net                               |           | 90,505                  | 20,420     |                             | (22)         | 110,903                 |
| Goodwill  |           | 132,745                 | 16,651     |                             |              | 149,396                 |
| FCC licenses  |           | 135,059                 | 28,736     |                             |              | 163,795                 |
| Intangible assets, net                                    |           | 164,058                 | 42,201     |                             |              | 206,259                 |
| Other noncurrent assets                                   | 1         | 12,854                  | 2,374      | 2,016                       | (12)         | 17,233                  |
| Total assets  | \$ 21,255 | \$ 629,711              | \$ 117,726 | \$ 136,408                  | \$ (180,391) | \$ 724,709              |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>      |           |                         |            |                             |              |                         |
| Current liabilities:                                      |           |                         |            |                             |              |                         |
| Current portion of debt                                   | \$        | \$ 1,758                | \$ 1,727   | \$                          | \$           | \$ 3,485                |
| Due to Nexstar Broadcasting                               |           |                         | 20,167     |                             | (20,167)     |                         |
| Other current liabilities                                 |           | 46,262                  | 5,392      |                             | (41)         | 51,613                  |
| Total current liabilities                                 |           | 48,020                  | 27,286     |                             | (20,208)     | 55,098                  |
| Debt  |           | 395,617                 | 168,814    | 113,219                     |              | 677,650                 |
| Amounts due to subsidiary eliminated upon consolidation   | 2,577     |                         |            | 1,973                       | (4,550)      |                         |
| Other noncurrent liabilities                              |           | 51,688                  | 13,573     | 2                           | (12)         | 65,251                  |
| Total liabilities   | 2,577     | 495,325                 | 209,673    | 115,194                     | (24,770)     | 797,999                 |
| Stockholders' equity (deficit):                           |           |                         |            |                             |              |                         |
| Common stock  |           | 284                     |            |                             |              | 284                     |
| Other stockholders' equity (deficit)                      | 18,394    | 134,386                 | (91,947)   | 21,214                      | (155,621)    | (73,574)                |
| Total stockholders' equity (deficit)                      | 18,678    | 134,386                 | (91,947)   | 21,214                      | (155,621)    | (73,290)                |

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|   |           |            |            |            |              |            |
|---|-----------|------------|------------|------------|--------------|------------|
| Total liabilities and stockholders equity (deficit) | \$ 21,255 | \$ 629,711 | \$ 117,726 | \$ 136,408 | \$ (180,391) | \$ 724,709 |
|---|-----------|------------|------------|------------|--------------|------------|

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended March 31, 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   | \$             | \$ 60,387                       | \$ 1,667       | \$                                  | \$                  | \$ 62,054                       |
| Revenue between consolidated entities   |                | 1,965                           | 7,172          |                                     | (9,137)             |                                 |
| Net revenue   |                | 62,352                          | 8,839          |                                     | (9,137)             | 62,054                          |
| Operating expenses:   |                |                                 |                |                                     |                     |                                 |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |                | 16,932                          | 1,224          |                                     |                     | 18,156                          |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | 15             | 19,755                          | 528            |                                     |                     | 20,298                          |
| Local service agreement fees between consolidated entities  |                | 7,172                           | 1,965          |                                     | (9,137)             |                                 |
| Amortization of broadcast rights  |                | 4,942                           | 950            |                                     |                     | 5,892                           |
| Amortization of intangible assets   |                | 5,116                           | 1,349          |                                     |                     | 6,465                           |
| Depreciation  |                | 4,155                           | 836            |                                     | (3)                 | 4,988                           |
| Loss on asset disposal, net   |                | 151                             | 1              |                                     |                     | 152                             |
| Total operating expenses  | 15             | 58,223                          | 6,853          |                                     | (9,140)             | 55,951                          |
| Income (loss) from operations   | (15)           | 4,129                           | 1,986          |                                     | 3                   | 6,103                           |
| Interest expense, including amortization of debt financing costs  |                | (7,376)                         | (3,126)        | (3,218)                             |                     | (13,720)                        |
| Equity in loss of subsidiaries  | (7,552)        |                                 |                | (4,334)                             | 11,886              |                                 |
| Other income, net   |                | 96                              | 20             |                                     |                     | 116                             |
| Loss before income taxes  | (7,567)        | (3,151)                         | (1,120)        | (7,552)                             | 11,889              | (7,501)                         |
| Income tax expense  |                | (1,183)                         | (349)          |                                     |                     | (1,532)                         |
| Net loss  | \$ (7,567)     | \$ (4,334)                      | \$ (1,469)     | \$ (7,552)                          | \$ 11,889           | \$ (9,033)                      |

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Statement of Operations****For the Three Months Ended March 31, 2006****(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   | \$             | \$ 58,457                       | \$ 1,369       | \$                                  | \$                  | \$ 59,826                       |
| Revenue between consolidated entities   |                | 1,950                           | 6,976          |                                     | (8,926)             |                                 |
| Net revenue   |                | 60,407                          | 8,345          |                                     | (8,926)             | 59,826                          |
| Operating expenses:   |                |                                 |                |                                     |                     |                                 |
| Direct operating expenses (exclusive of depreciation and amortization shown separately below)                     |                | 16,249                          | 1,139          |                                     |                     | 17,388                          |
| Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below) | 35             | 19,842                          | 501            |                                     |                     | 20,378                          |
| Local service agreement fees between consolidated entities  |                | 6,976                           | 1,950          |                                     | (8,926)             |                                 |
| Amortization of broadcast rights  |                | 4,283                           | 945            |                                     |                     | 5,228                           |
| Amortization of intangible assets   |                | 4,704                           | 1,349          |                                     |                     | 6,053                           |
| Depreciation  |                | 3,848                           | 781            |                                     | (3)                 | 4,626                           |
| Loss on asset disposal, net   |                | 57                              | 7              |                                     |                     | 64                              |
| Total operating expenses  | 35             | 55,959                          | 6,672          |                                     | (8,929)             | 53,737                          |
| Income (loss) from operations   | (35)           | 4,448                           | 1,673          |                                     | 3                   | 6,089                           |
| Interest expense, including amortization of debt financing costs  |                | (6,565)                         | (2,789)        | (2,888)                             |                     | (12,242)                        |
| Equity in loss of subsidiaries  | (5,815)        |                                 |                | (2,927)                             | 8,742               |                                 |
| Other income, net   |                | 104                             | 13             |                                     |                     | 117                             |
| Loss before income taxes  | (5,850)        | (2,013)                         | (1,103)        | (5,815)                             | 8,745               | (6,036)                         |
| Income tax expense  |                | (914)                           | (337)          |                                     |                     | (1,251)                         |
| Net loss  | \$ (5,850)     | \$ (2,927)                      | \$ (1,440)     | \$ (5,815)                          | \$ 8,745            | \$ (7,287)                      |

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Three Months Ended March 31, 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> |
|---|----------------|---------------------------------|-----------------|-------------------------------------|---------------------|---------------------------------|
| <b>Cash flows provided by (used for) operating activities</b> | \$ (9)         | \$ 4,344                        | \$ (929)        | \$                                  | \$                  | \$ 3,406                        |
| <b>Cash flows from investing activities:</b>                  |                |                                 |                 |                                     |                     |                                 |
| Additions to property and equipment, net                      |                | (5,096)                         | (762)           |                                     |                     | (5,858)                         |
| Other investing activities                                    |                | 2                               | 2               |                                     |                     | 4                               |
| <b>Net cash used for investing activities</b>                 |                | <b>(5,094)</b>                  | <b>(760)</b>    |                                     |                     | <b>(5,854)</b>                  |
| <b>Cash flows from financing activities:</b>                  |                |                                 |                 |                                     |                     |                                 |
| Repayment of long-term debt                                   |                | (440)                           | (432)           |                                     |                     | (872)                           |
| Other financing activities                                    | 9              |                                 |                 |                                     |                     | 9                               |
| <b>Net cash provided by (used for) financing activities</b>   | <b>9</b>       | <b>(440)</b>                    | <b>(432)</b>    |                                     |                     | <b>(863)</b>                    |
| <b>Net decrease in cash and cash equivalents</b>              |                | <b>(1,190)</b>                  | <b>(2,121)</b>  |                                     |                     | <b>(3,311)</b>                  |
| <b>Cash and cash equivalents at beginning of period</b>       |                | <b>7,602</b>                    | <b>3,577</b>    |                                     |                     | <b>11,179</b>                   |
| <b>Cash and cash equivalents at end of period</b>             | <b>\$</b>      | <b>\$ 6,412</b>                 | <b>\$ 1,456</b> | <b>\$</b>                           | <b>\$</b>           | <b>\$ 7,868</b>                 |

**Table of Contents****NEXSTAR BROADCASTING GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Condensed Consolidating Financial Information (Continued)****Statement of Cash Flows****For the Three Months Ended March 31, 2006****(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>Cash flows provided by (used for) operating activities</b> | \$             | \$ 6,135                        | \$ (85)        | \$                                  | \$                  | \$ 6,050                        |
| <b>Cash flows from investing activities:</b>                  |                |                                 |                |                                     |                     |                                 |
| Additions to property and equipment, net                      |                | (2,806)                         | (176)          |                                     |                     | (2,982)                         |
| Other investing activities                                    |                | 137                             | 4              |                                     |                     | 141                             |
| Net cash used for investing activities                        |                | (2,669)                         | (172)          |                                     |                     | (2,841)                         |
| <b>Cash flows from financing activities:</b>                  |                |                                 |                |                                     |                     |                                 |
| Repayment of long-term debt                                   |                | (4,440)                         | (431)          |                                     |                     | (4,871)                         |
| Net decrease in cash and cash equivalents                     |                | (974)                           | (688)          |                                     |                     | (1,662)                         |
| Cash and cash equivalents at beginning of period              |                | 12,083                          | 1,404          |                                     |                     | 13,487                          |
| Cash and cash equivalents at end of period                    | \$             | \$ 11,109                       | \$ 716         | \$                                  | \$                  | \$ 11,825                       |



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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 March 31, 2007, unaudited condensed consolidated statements of operations for the three months ended March 31, 2007 and 2006, unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2007 and 2006 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, 2006.

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

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

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

**Executive Summary**

***First Quarter 2007 Highlights***

Net revenue increased 3.7% during the first quarter of 2007 compared to the same period in 2006, primarily from the increase in local and national advertising revenue and retransmission compensation. Gross local and national advertising revenue on a combined basis increased 4.1% during the first quarter of 2007. Total revenue from the retransmission consent agreements was approximately \$3.8 million for the three months ended March 31, 2007 (which included approximately \$2.6 million of retransmission compensation and approximately \$1.2 million of advertising revenue generated from the retransmission consent agreements), compared to \$3.0 million for the three months ended March 31, 2006 (which included approximately \$2.0 million of retransmission compensation and approximately \$1.0 million of advertising revenue generated from the retransmission consent agreements).

On December 29, 2006, we completed our acquisition of WTAJ, the CBS affiliate in Johnstown-Altoona, Pennsylvania, and WLYH, The CW affiliate in Harrisburg-Lancaster-Lebanon-York, Pennsylvania. First quarter 2007 is the initial quarter for the inclusion of the financial results for WTAJ and WLYH.

***Overview of Operations***

We owned and operated 32 television stations as of March 31, 2007. Through various local service agreements, we programmed or provided sales and other services to 17 additional television stations, including 15 television stations owned and operated by Mission as of March 31, 2007. 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 March 31, 2007 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, |

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WFXW, WYOU, KODE and WTVO

- 
- (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.

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

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

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

***Seasonality***

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

***Industry Trends***

The Television Bureau of Advertising has forecasted U.S. television spot advertising revenue (total of local and national advertising revenue, excluding political advertising revenue) in 2007 to decline by approximately 1% to 3% compared to 2006.

Our net revenue increased 3.7% to \$62.1 million for the three months ended March 31, 2007, compared to \$59.8 million for the three months ended March 31, 2006 primarily due to the inclusion of approximately \$2.5 million from our newly acquired television station WTAJ. This increase was partially offset by the loss of advertising revenue generated during the coverage of the Olympic Games in 2006 and a decrease in political advertising revenue in 2007 due to the decline in the volume of advertising time purchased by campaigns for elective offices and for political issues.

Political advertising revenue was \$0.4 million for the three months ended March 31, 2007, a significant decrease from the \$1.9 million for the three months ended March 31, 2006. The demand for political advertising is generally higher in even-numbered years, when congressional and presidential elections occur, than in odd-numbered years. During an election year, political advertising revenue makes up a significant portion of the increase in revenue in that year. Since 2006 was an election year, a significant percentage of the Company's revenue growth in 2006 was attributable to political revenue. However, even during an election year, political revenue is influenced by geography and the competitiveness of the election races. Conversely, given that 2007 is a non-election year, we expect nominal political advertising revenue to be reported in 2007 in relation to the amount of political advertising reported in 2006.

Automotive-related advertising, our largest advertising category, represented approximately 22.2% and 23.8% of our core local and national advertising revenue for the three months ended March 31, 2007 and 2006, respectively. Our automotive-related advertising decreased approximately 5.8% for the three months ended March 31, 2007 as compared to the same period in 2006. Automotive-related advertising on a quarter-to-quarter comparison to the prior year has followed a consistent downward trend over the last two years. This trend is primarily due to the current condition of the automotive industry and resulting decline in the demand for advertising from this business category. A continued pattern of deterioration in advertising revenue from this source could materially affect our future results of operations.

***Recent Developments***

On April 18, 2006, we and Mission filed an application with the FCC for consent to assignment of the license of KFTA Channel 24 (Ft. Smith, Arkansas) from us to Mission. Consideration for this transaction is set at \$5.6 million. On August 28, 2006, we and Mission entered into

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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

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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 May, 2006, two subsidiaries of Equity Broadcasting Corporation ( Equity ) filed a petition to deny against the KFTA assignment application alleging that we improperly control Mission and its stations. We and Mission submitted a joint opposition to Equity s petition to deny. The FCC is currently considering the KFTA assignment application. In September 2006, Equity submitted a petition to deny Nexstar s applications for renewal of the KFTA and KNWA FCC licenses. Nexstar subsequently filed its response to the petition. Although Nexstar s and Mission s management believe that the petitions have no merit, it is not possible to predict what action the FCC will take on the petitions to deny, or when it will take such action.

**Historical Performance****Revenue**

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

|                              | Three Months Ended March 31,<br>2007 |              | 2006             |              |
|------------------------------|--------------------------------------|--------------|------------------|--------------|
|                              | Amount                               | %            | Amount           | %            |
|                              | (in thousands, except percentages)   |              |                  |              |
| Local                        | \$ 41,597                            | 64.6         | \$ 39,209        | 62.8         |
| National                     | 17,350                               | 27.0         | 17,431           | 27.9         |
| Political                    | 441                                  | 0.7          | 1,862            | 3.0          |
| Retransmission compensation  | 2,626                                | 4.1          | 2,006            | 3.2          |
| Network compensation         | 1,225                                | 1.9          | 1,049            | 1.7          |
| Other                        | 1,132                                | 1.7          | 854              | 1.4          |
| <b>Total gross revenue</b>   | <b>64,371</b>                        | <b>100.0</b> | <b>62,411</b>    | <b>100.0</b> |
| Less: Agency commissions     | 7,287                                | 11.3         | 7,290            | 11.7         |
| <b>Net broadcast revenue</b> | <b>57,084</b>                        | <b>88.7</b>  | <b>55,121</b>    | <b>88.3</b>  |
| Trade and barter revenue     | 4,970                                |              | 4,705            |              |
| <b>Net revenue</b>           | <b>\$ 62,054</b>                     |              | <b>\$ 59,826</b> |              |

**Results of Operations**

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

|   | Three Months Ended March 31,<br>2007 |       | 2006      |       |
|---|--------------------------------------|-------|-----------|-------|
|   | Amount                               | %     | Amount    | %     |
|   | (in thousands, except percentages)   |       |           |       |
| Net revenue                                     | \$ 62,054                            | 100.0 | \$ 59,826 | 100.0 |
| Operating expenses:                             |                                      |       |           |       |
| Corporate expenses                              | 3,046                                | 4.9   | 3,217     | 5.4   |
| Station direct operating expenses, net of trade | 16,848                               | 27.2  | 15,790    | 26.4  |
| Selling, general and administrative expenses    | 17,252                               | 27.8  | 17,161    | 28.7  |
| Loss on asset disposal, net                     | 152                                  | 0.2   | 64        | 0.1   |
| Trade and barter expense                        | 4,938                                | 8.0   | 4,730     | 7.9   |

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|  |          |      |          |      |
|--|----------|------|----------|------|
| Depreciation and amortization                      | 11,453   | 18.5 | 10,679   | 17.9 |
| Amortization of broadcast rights, excluding barter | 2,262    | 3.6  | 2,096    | 3.5  |
| Income from operations                             | \$ 6,103 |      | \$ 6,089 |      |

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**Table of Contents*****Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006.******Revenue***

Gross local advertising revenue was \$41.6 million for the three months ended March 31, 2007, compared to \$39.2 million for the same period in 2006, an increase of \$2.4 million, or 6.1%. Gross national advertising revenue was \$17.3 million for the three months ended March 31, 2007, compared to \$17.4 million for the same period in 2006, a decrease of \$0.1 million, or 0.5%. The combined net increase in gross local and national advertising revenue of \$2.3 million was primarily the result of (1) the inclusion of local and national advertising revenue of approximately \$2.5 million for 2007 from newly acquired television station WTAJ and (2) advertising revenue generated from the retransmission consent agreements which increased by approximately \$0.2 million compared to the same period in 2006. Advertising revenue from the Telecommunications, Paid Programming and Furniture business categories, which increased by approximately \$0.3 million, \$0.2 million and \$0.2 million during the first quarter of 2007 compared to the prior year, respectively, were offset by declines in advertising revenue from the Automotive and Insurance business categories, which decreased by approximately \$0.8 million and \$0.3 million during the first quarter of 2007 compared to the prior year, respectively.

Gross political advertising revenue was \$0.4 million for the three months ended March 31, 2007, compared to \$1.9 million for the same period in 2006, a decrease of \$1.5 million, or 76.3%. The decrease in gross political revenue was attributed to statewide and/or local races (primarily in Illinois, Texas and Arkansas) that occurred during the three months ended March 31, 2006 as compared to nominal political advertising during the three months ended March 31, 2007.

Retransmission compensation was \$2.6 million for the three months ended March 31, 2007, compared to \$2.0 million for the same period in 2006, an increase of \$0.6 million, or 30.9%. The increase in retransmission compensation was primarily the result of (1) a few additional markets under retransmission consent agreements in 2007, (2) annual rate increases in 2007 for certain retransmission consent agreements and (3) additional subscriber base for certain content distributors in 2007 compared to 2006.

***Operating Expenses***

Corporate expenses, related to costs associated with the centralized management of Nexstar's and Mission's stations, were \$3.0 million for the three months ended March 31, 2007, compared to \$3.2 million for the three months ended March 31, 2006, a decrease of \$0.2 million, or 5.3%. The decrease during the three months ended March 31, 2007 was primarily attributed to approximately \$0.3 million less incentive compensation recognized in 2007 than in 2006.

Station direct operating expenses, consisting primarily of news, engineering and programming, net of trade, and selling, general and administrative expenses were \$34.1 million for the three months ended March 31, 2007, compared to \$33.0 million for the same period in 2006, an increase of \$1.1 million, or 3.5%. The increase in station direct operating expenses, net of trade, and selling, general and administrative expenses for the three months ended March 31, 2007 was primarily attributed to the inclusion of such expenses totaling approximately \$1.2 million for 2007 from newly acquired television station WTAJ.

Amortization of broadcast rights, excluding barter, was \$2.3 million for the three months ended March 31, 2007, compared to \$2.1 million for the same period in 2006, an increase of \$0.2 million, or 7.9%. The increase was primarily attributed to the commencement of amortization of broadcast rights of approximately \$0.2 million for 2007 from newly acquired television station WTAJ.

Amortization of intangible assets was \$6.5 million for the three months ended March 31, 2007, compared to \$6.1 million for the same period in 2006, an increase of \$0.4 million, or 6.8%. The increase was primarily related to the commencement of amortization of intangible assets of approximately \$0.4 million for 2007 from newly acquired television station WTAJ.

Depreciation of property and equipment was \$5.0 million for the three months ended March 31, 2007, as compared to \$4.6 million for the same period in 2006, an increase of \$0.4 million, or 7.8%. The increase was primarily attributed to the commencement of depreciation of assets of approximately \$0.3 million for 2007 from newly acquired television station WTAJ.

***Income from Operations***

Income from operations was \$6.1 million for both the three months ended March 31, 2007 and 2006. The favorable impact of the increase in net revenue on income from operations for the three months ended March 31, 2007 compared to the same period in 2006 was offset by an increase in operating expenses, particularly in station direct operating expenses, net of trade, selling, general and administrative expenses, depreciation and amortization of intangible assets as described above.

*Interest Expense*

Interest expense, including amortization of debt financing costs, was \$13.7 million for the three months ended March 31, 2007, compared to \$12.2 million for the same period in 2006, an increase of \$1.5 million, or 12.1%. The increase in interest expense was primarily attributed to higher interest rates in 2007 under our and Mission's senior credit facilities and a greater amount of debt outstanding in 2007 under our senior credit facility resulting from the borrowing in connection with our acquisition of WTAJ and WLYH in December 2006.



**Table of Contents****Income Taxes**

Income tax expense was \$1.5 million for the three months ended March 31, 2007, compared to \$1.3 million for the same period in 2006. Our provision for income taxes is primarily created by an increase in the deferred tax liabilities position during the year arising from the amortizing of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. This expense has no impact on our cash flows. No tax benefit was recorded with respect to the losses for 2007 and 2006, as the utilization of such losses is not likely to be realized in the foreseeable future.

**Liquidity and Capital Resources**

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

**Overview**

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

|   | <b>Three Months Ended<br/>March 31,<br/>2007      2006<br/>(in thousands)</b> |            |
|---|---|------------|
| Net cash provided by operating activities | \$ 3,406  | \$ 6,050   |
| Net cash used for investing activities    | (5,854)   | (2,841)    |
| Net cash used for financing activities    | (863)   | (4,871)    |
| Net decrease in cash and cash equivalents | \$ (3,311)  | \$ (1,662) |
| Cash paid for interest                    | \$ 13,838   | \$ 12,640  |
| Cash refunded for income taxes, net       | \$  | \$ 4       |

|  | <b>March 31,<br/>2007</b> | <b>December 31,<br/>2006</b> |
|--|---------------------------|------------------------------|
|  | <b>(in thousands)</b>     |                              |
| Cash and cash equivalents  | \$ 7,868                  | \$ 11,179                    |
| Long-term debt including current portion                         | \$ 683,462                | \$ 681,135                   |
| Unused commitments under senior credit facilities <sup>(1)</sup> | \$ 59,500                 | \$ 59,500                    |

<sup>(1)</sup> Based on covenant calculations, as of March 31, 2007, all \$59.5 million of total unused revolving loan commitments under the Nexstar and Mission credit facilities were available for borrowing.

**Cash Flows - Operating Activities**

The comparative net cash flows provided by operating activities decreased by \$2.6 million during the three months ended March 31, 2007 compared to the same period in 2006. The decrease was primarily due to decreases of \$1.7 million in cash flows from accounts payable and accrued expenses and \$0.7 million in cash flows from accounts receivable.

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Cash paid for interest increased by \$1.2 million during the three months ended March 31, 2007 compared to the same period in 2006. The increase was due to an increase in cash payments of interest on our and Mission's bank debt. Cash payments of interest on our and Mission's senior credit facilities were \$6.8 million for the three months ended March 31, 2007, compared to \$5.6 million for the three months ended March 31, 2006, an increase of \$1.2 million due to higher interest rates and a greater amount of debt outstanding in 2007 on the respective credit facilities.

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

**Table of Contents****Cash Flows Investing Activities**

The comparative net cash used for investing activities increased by \$3.0 million during the three months ended March 31, 2007 compared to the same period in 2006. Cash flows from investing activities consist of cash used for capital additions. The increase was due to an increase in purchases of property and equipment.

Capital expenditures were \$5.9 million for the three months ended March 31, 2007, compared to \$3.0 million for the three months ended March 31, 2006. The increase was primarily attributable to digital conversion expenditures, which was \$3.7 million for the three months ended March 31, 2007 compared to \$1.2 million for the same period in 2006. We project that 2007 full-year capital expenditures will be approximately \$15 million.

**Cash Flows Financing Activities**

The comparative net cash used for financing activities decreased by \$4.0 million during the three months ended March 31, 2007 compared to the same period in 2006, due to the decrease in repayments during 2007 under our and Mission's senior secured credit facilities.

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

During the three months ended March 31, 2006, there were \$4.9 million of repayments under our and Mission's senior secured credit facilities, consisting of scheduled term loan maturities of \$0.9 million and voluntary repayments of \$4.0 million of term loans.

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 March 31, 2007, Nexstar and Mission had total combined debt of \$683.5 million, which represented 113.3% 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 March 31, 2007:

|   | <b>Remainder</b>      |                 |                  |                  |                   |
|---|-----------------------|-----------------|------------------|------------------|-------------------|
|   | <b>Total</b>          | <b>of 2007</b>  | <b>2008-2009</b> | <b>2010-2011</b> | <b>Thereafter</b> |
|   | <b>(in thousands)</b> |                 |                  |                  |                   |
| Nexstar senior credit facility                        | \$ 199,163            | \$ 1,319        | \$ 3,516         | \$ 3,516         | \$ 190,812        |
| Mission senior credit facility                        | 170,109               | 1,295           | 3,454            | 3,454            | 161,906           |
| 7% senior subordinated notes due 2014                 | 200,000               |                 |                  |                  | 200,000           |
| 11.375% senior discount notes due 2013 <sup>(1)</sup> | 130,000               |                 | 46,906           |                  | 83,094            |
|   | <b>\$ 699,272</b>     | <b>\$ 2,614</b> | <b>\$ 53,876</b> | <b>\$ 6,970</b>  | <b>\$ 635,812</b> |

<sup>(1)</sup> On April 1, 2008, Nexstar is required to redeem a principal amount of notes outstanding sufficient to ensure that the notes will not be applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986.

We make semiannual interest payments on our 7% Notes of \$7.0 million on January 15<sup>th</sup> and July 15<sup>th</sup> of each year. The 11.375% senior discount notes ( 11.375% Notes ) will not begin to accrue cash interest until 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.

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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 formally calculated on a quarterly basis, are based on the combined results of Nexstar Broadcasting and Mission. The senior subordinated notes and senior discount notes contain restrictive covenants customary for borrowing arrangements of this type. Mission's bank credit facility agreement does not contain financial covenant ratio requirements, but does provide for default in the event Nexstar does not comply with all covenants contained in its credit agreement.

As of March 31, 2007, we were in compliance with all covenants contained in the credit agreements governing our senior secured credit facility and the indentures governing the publicly-held notes. We anticipate compliance with all the covenants through December 31, 2007. For a discussion of the financial ratio requirements of these covenants, we refer you to Note 6 of our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### ***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 March 31, 2007, Mission's stations WUTR, WTVO, WYOU and KOLR and Nexstar's stations WBRE, WROC, KARK, KNWA, KFTA, WMBD, WTAJ, WLYH, KSFY, WQRF and KTAL are broadcasting with full-power DTV signals. Nexstar's and Mission's remaining stations are broadcasting low-power DTV signals. Nexstar and Mission have requested extension of time to begin broadcasting full-power digital television signals for their remaining stations. The FCC has not yet acted on these requests for extension of time. If the FCC denies the request for the extension of time, the stations may lose interference protection for their signals outside their low-power coverage area.

DTV conversion expenditures were \$3.7 million and \$1.2 million, respectively, for the three months ended March 31, 2007 and 2006. We estimate that it will require an average capital expenditure of approximately \$1.5 million per station (for 29 stations as of March 31, 2007) to modify our and Mission's remaining stations' DTV transmitting equipment for full-power DTV operations, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. We anticipate these expenditures will be funded through available cash on hand and cash generated from operations as incurred in future years.

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

At March 31, 2007, 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 intangible assets, bad debts, broadcast rights, trade and barter, income taxes, commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Results of operations for interim periods are not necessarily indicative of results for the full year.

Information with respect to our critical accounting policies which we believe could have the most significant effect on our reported results and require subjective or complex judgments by management is contained on pages 51 through 54 in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

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The information presented below updates, and should be read in conjunction with, the critical accounting policies and estimates discussed in our 2006 Annual Report on Form 10-K.

### **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 our adoption of Financial Accounting Standards Board ( FASB ) Interpretation No. 48 Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ( FIN No. 48 ) recently issued accounting pronouncements, including our expected date of adoption and effects on results of operations and financial position.

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**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, 2006 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.

**Table of Contents****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.

All term loan borrowings at March 31, 2007 under the senior credit facilities bear interest at 7.10%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. All revolving loan borrowings at March 31, 2007 under the senior credit facilities bear interest at 6.60%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. Interest is payable in accordance with the credit agreements.

The following table estimates the changes to cash flow from operations as of March 31, 2007 if interest rates were to fluctuate by 100 or 50 basis points, or BPS (where 100 basis points represents one percentage point), for a twelve-month period:

|                          | Interest rate decrease |           | No change to interest rate<br>(in thousands) | Interest rate increase |           |
|--------------------------|------------------------|-----------|--|------------------------|-----------|
|                          | 100 BPS                | 50 BPS    |  | 50 BPS                 | 100 BPS   |
| Senior credit facilities | \$ 22,336              | \$ 24,182 | \$ 26,028                                    | \$ 27,875              | \$ 29,721 |

Our 7% senior subordinated notes due 2014 and our 11.375% senior discount notes due 2013 are fixed rate debt obligations and therefore do not result in a change in our cash flow from operations. As of March 31, 2007, we have no financial instruments in place to hedge against changes in the benchmark interest rates on this fixed rate debt.

In the past, we have used derivative instruments to manage our exposures to interest rate risks. As of March 31, 2007, we had no derivative financial instruments. Our objective for holding derivatives is to minimize these risks using the most effective methods to eliminate or reduce the impacts of these exposures. We used interest rate swap arrangements, not designated as hedging instruments under SFAS No. 133, in connection with our variable rate senior credit facilities. We do not use derivative financial instruments for speculative or trading purposes.

***Impact of Inflation***

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

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

Our management, with the participation of our President and Chief Executive Officer along with our 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.

Based upon that evaluation, our President and Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report our controls and procedures (i) were effective in recording, processing, summarizing and reporting material information required to be included in our periodic filings under the Securities Exchange Act of 1934 within the time periods specified in the SEC's rules and forms; and (ii) include controls and other procedures designed to ensure that information required to be disclosed in our reports filed with the SEC was accumulated and communicated to management, including our President and Chief Executive Officer and Chief Financial Officer, 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 our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Nexstar's internal control over financial reporting.





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**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

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

**ITEM 1A. Risk Factors**

There are no material changes from the risk factors previously disclosed in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2006.

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

None.

**ITEM 3. Defaults Upon Senior Securities**

None.

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

None.

**ITEM 5. Other Information**

None.

**ITEM 6. Exhibits**

| <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.*                            |

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\* 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: May 9, 2007