NEXSTAR BROADCASTING GROUP INC
Form 10-Q/A
September 05, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

(Amendment No. 1)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the quarterly period ended June 30, 2008

OR

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

Commission File Number: 000-50478

NEXSTAR BROADCASTING GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**23-3083125**
(State of Organization or Incorporation)	**(IRS Employer Identification No.)**

5215 N. O Connor Blvd., Suite 1400

Irving, Texas 75039	**(972) 373-8800**
(Address of Principal Executive Offices, including Zip Code)	**(Registrant s Telephone Number, Including Area Code)**

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

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨
(Do not check if a smaller reporting company)	

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

As of July 31, 2008 the Registrant had outstanding:

15,013,839 shares of Class A Common Stock

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

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A is being filed to revise footnote (1) under the section Liquidity and Capital Resources under Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations of the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 that was filed by Nexstar Broadcasting Group, Inc. (the Company) on August 12, 2008 (the Report). The revision clarifies that of the unused $69.5 million of revolver commitments under the Company s and Mission Broadcasting, Inc. s credit facilities, based on covenant calculations, as of June 30, 2008, $5.6 million is available for borrowings. Exhibits 31.1 and 31.2 hereto have been provided with respect to and in light of the disclosure being amended.

Except for the revision above, no other information included in the Report is being amended. This amendment does not reflect events occurring after August 12, 2008, the filing date of the Report, or modify or update those disclosures affected by subsequent events. Among other things, forward-looking statements made in the Report have not been revised to reflect events that occurred or facts that became known to the Company after the filing of the Report, and such forward-looking statements should be read in their historical context. Accordingly, this amendment should be read in conjunction with the Report and the Company s other filings made with the Securities and Exchange Commission subsequent to the filing of the Report.

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

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

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

As a result of our controlling financial interest in Mission under accounting principles generally accepted in the United States of America (U.S. GAAP) and in order to present fairly our financial position, results of operations and cash flows, we consolidate the financial position, results of operations and cash flows of Mission as if it were a wholly-owned entity. We believe this presentation is meaningful for understanding our financial performance. As discussed in Note 2 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, we have considered the method of accounting under Financial Accounting Standards Board (FASB) Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation on Accounting Research Bulletin No. 51 (FIN No. 46) as revised in December 2003 (FIN No. 46R) and have determined that we are required to continue consolidating Mission s financial position, results of operations and cash flows. Therefore, the following discussion of our financial condition and results of operations includes Mission s financial position and results of operations.

Executive Summary

Second Quarter 2008 Highlights

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

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

On June 30, 2008, we and Mission in total made repayments of $45.9 million under the senior secured credit facilities, of which $0.9 million were scheduled term loan maturities and $45.0 million was a repayment of Nexstar s revolving loans.

On April 1, 2008, Nexstar redeemed a principal amount of $46.9 million of the 11.375% notes outstanding in accordance with the terms of the debt agreement.

On January 16, 2008, Mission completed its acquisition of KTVE, the NBC affiliate serving the Monroe, Louisiana/El Dorado, Arkansas market. The financial results for KTVE are included in the three months ended June 30, 2008, but not in the corresponding period of 2007.

Overview of Operations

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

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

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

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

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

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

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

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

Seasonality

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

Industry Trends

The Television Bureau of Advertising has forecasted U.S. television spot advertising revenue in 2008 to increase by approximately 9% to 10% compared to 2007.

Our net revenue increased 2.7% to $134.3 million for the six months ended June 30, 2008, compared to $130.8 million for the six months ended June 30, 2007 primarily due to the increases in political advertising revenue in 2008 (as a result of the increase in the volume of advertising time purchased by campaigns for elective offices and for political issues) and in eMedia revenue (as a result of all markets having implemented this web-based revenue source as of June 2007).

Political advertising revenue was $5.6 million for the six months ended June 30, 2008, a significant increase from the $1.7 million for the six months ended June 30, 2007. The demand for political advertising is generally higher in even-numbered years, when congressional and presidential elections occur, than in odd-numbered years when there are no federal elections scheduled. During an election year, political advertising revenue makes up a significant portion of the increase in revenue in that year. Since 2008 is an election year, a significant percentage of the Company s revenue growth in 2008 is expected to be attributable to political revenue. However, even during an election year, political revenue is influenced by geography and the competitiveness of the election races. Since 2007 was a non-election year, we expect significantly more political advertising revenue to be reported in 2008 in relation to the amount of political advertising reported in 2007.

Automotive-related advertising, our largest advertising category, represented approximately 22% of our core local and national advertising revenue for both the six months ended June 30, 2008 and 2007. Our automotive-related advertising decreased approximately 5.8% for the six months ended June 30, 2008 as compared to the same period in 2007. Automotive-related advertising on a quarter-to-quarter comparison to the prior year has followed a consistent downward trend over the last two years. This trend is primarily due to the current condition of the automotive industry and resulting decline in the demand for advertising from this business category. A continued pattern of deterioration in advertising revenue from this source could materially affect our future results of operations.

Recent Developments

On April 11, 2006, we and Mission filed an application with the FCC for consent to assignment of the license of KFTA Channel 24 (Ft. Smith, Arkansas) from us to Mission. Consideration for this transaction is set at $5.6 million. On August 28, 2006, we and Mission entered into a local service agreement whereby (a) Mission pays us $5 thousand per month for the right to broadcast Fox programming on KFTA during the Fox network programming time periods and (b) we pay Mission $20 thousand per month for the right to sell all advertising time on KFTA within the Fox network programming time periods. The local service agreement between us and Mission will

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terminate upon assignment of KFTA s FCC license from us to Mission. Upon completing the assignment of KFTA s license, Mission plans to enter into a JSA and SSA with our station KNWA in Fort Smith-Fayetteville-Springdale-Rogers, Arkansas, whereby KNWA will provide local news, sales and other non-programming services to KFTA. Our station KNWA Channel 51, licensed to Rogers, Arkansas, has renewed its affiliation agreement for KNWA to continue as the NBC affiliate in Ft. Smith-Fayetteville-Springdale-Rogers, Arkansas through 2014. In March 2008, the FCC granted the application to assign the license for KFTA from Nexstar to Mission.

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 June 30,				Six Months Ended June 30,			
	2008		2007		2008		2007	
	Amount	%	Amount	%	Amount	%	Amount	%
	(in thousands, except percentages)				(in thousands, except percentages)			
Local	$ 45,689	61.4	$ 46,026	63.6	$ 87,605	62.0	$ 87,623	64.1
National	17,757	23.9	19,325	26.7	33,921	24.0	36,675	26.8
Political	3,598	4.8	1,229	1.7	5,648	4.0	1,670	1.2
Retransmission compensation	3,331	4.5	2,922	4.0	6,607	4.7	5,548	4.1
Network compensation	916	1.2	1,097	1.5	1,765	1.2	2,322	1.7
EMedia revenue	2,609	3.5	890	1.2	4,612	3.3	1,150	0.8
Other	545	0.7	896	1.3	1,102	0.8	1,768	1.3
Total gross revenue	74,445	100.0	72,385	100.0	141,260	100.0	136,756	100.0
Less: Agency commissions	8,494	11.4	8,330	11.5	16,014	11.3	15,617	11.4
Net broadcast revenue	65,951	88.6	64,055	88.5	125,246	88.7	121,139	88.6
Trade and barter revenue	4,667		4,674		9,084		9,644	
Net revenue	$ 70,618		$ 68,729		$ 134,330		$ 130,783	

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 June 30,				Six Months Ended June 30,			
	2008		2007		2008		2007	
	Amount	%	Amount	%	Amount	%	Amount	%
	(in thousands, except percentages)				(in thousands, except percentages)			
Net revenue	$ 70,618	100.0	$ 68,729	100.0	$ 134,330	100.0	$ 130,783	100.0
Operating expenses:								
Corporate expenses	3,588	5.1	3,175	4.6	6,811	5.1	6,221	4.8
Station direct operating expenses, net of trade	17,583	24.9	16,915	24.6	35,659	26.5	33,763	25.8
Selling, general and administrative expenses	18,251	25.8	18,612	27.1	35,913	26.7	35,864	27.4
Non-cash contract termination fees					7,167	5.3		
Gain on asset exchange	(2,742)	(3.9)	(1,035)	(1.5)	(3,592)	(2.7)	(1,035)	(0.8)

Gain on asset disposal, net	(205)	(0.3)	(242)	(0.4)	(170)	(0.1)	(90)	(0.1)
Trade and barter expense	4,449	6.3	4,426	6.4	8,958	6.7	9,364	7.2
Depreciation and amortization.	11,471	16.2	11,491	16.7	23,176	17.3	22,944	17.5
Amortization of broadcast rights, excluding barter	2,057	2.9	1,966	2.9	4,303	3.2	4,228	3.2
Income from operations	$ 16,166		$ 13,421		$ 16,105		$ 19,524	

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Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007.

Revenue

Gross local advertising revenue was $45.7 million for the three months ended June 30, 2008, which was relatively flat when compared to $46.0 million for the same period in 2007. Gross national advertising revenue was $17.8 million for the three months ended June 30, 2008, compared to $19.3 million for the same period in 2007, a decrease of $1.5 million, or 8.1%. Net revenue for the three months ended June 30, 2008 grew 2.7% to $70.6 million compared to $68.7 million for the three months ended June 30, 2007. Increases in political, eMedia and retransmission consent revenues overcame declines in national, local and network compensation revenue. Advertising revenue from Paid Programming, Automotive and Fast Foods/Restaurants business categories, which decreased by approximately $0.3 million, $1.0 million and $0.7 million during the second quarter of 2008 compared to the prior year, respectively, were partially offset by an increase in advertising revenue from the Retail, Medical/Healthcare, Telecom and Legal business categories, which increased by approximately $0.3 million during the second quarter of 2008 compared to the prior year.

Gross political advertising revenue was $3.6 million for the three months ended June 30, 2008, compared to $1.2 million for the same period in 2007, an increase of $2.4 million, or 192.8%. The increase in gross political revenue was mainly attributed to presidential and statewide primary elections and to statewide and/or local races (primarily in Pennsylvania, Indiana, Alabama, Missouri and Montana) that occurred during the three months ended June 30, 2008 as compared to nominal political advertising during the three months ended June 30, 2007.

Cash retransmission compensation was $3.3 million for the three months ended June 30, 2008, compared to $2.9 million for the same period in 2007, an increase of $0.4 million, or 14.0%. The increase in retransmission compensation was primarily the result of (1) additional subscriber base for certain content distributors in 2008 compared to 2007, (2) annual rate increases in 2008 for certain retransmission consent agreements and (3) a few new markets under retransmission consent agreements in 2008.

eMedia revenue, representing revenue generated from non-television web-based advertising, was $2.6 million for the three months ended June 30, 2008, compared to $0.9 million for the three months ended June 30, 2007. The increase in eMedia revenue was a result of our markets implementation of this digital media platform initiative as of June 2007.

Operating Expenses

Corporate expenses, related to costs associated with the centralized management of Nexstar s and Mission s stations, were $3.6 and $3.2 million each of the three month periods ended June 30, 2008 and 2007 an increase of $0.4 million, 13.0%. The increase in corporate expense is primarily due to a one time settlement payment related to a former employee.

Station direct operating expenses, consisting primarily of news, engineering and programming, net of trade, and selling, general and administrative expenses were $35.8 million for the three months ended June 30, 2008, compared to $35.5 million for the same period in 2007, an increase of $0.3 million, or 0.9%. This increase is primarily attributed to (1) the inclusion of such expenses for 2008 from Mission s newly acquired television station KTVE, and (2) additional payroll costs incurred in 2008 mainly as a result of creating a new Web-based revenue department. These increases in expense were partially offset in other areas due to increased efforts by corporate and station level personnel to manage expenses within their control.

Amortization of intangible assets was $6.4 and $6.5 million for the three months ended June 30, 2008 and 2007, respectively.

While there are no known circumstances or events as of June 30, 2008 that indicate an impairment might exist, any future significant adverse change in the advertising marketplaces in which Nexstar and Mission operate could lead to an impairment and reduction of the carrying value of the Company s goodwill and intangible assets, including FCC licenses. If such a condition were to occur, the resulting non-cash charge could have a material adverse effect on Nexstar and Mission s financial position and results of operations.

Depreciation of property and equipment was $5.1 million for the three months ended June 30, 2008, compared to $5.0 million for the same period in 2007, an increase of $0.1 million, or 1.3%. The increase in depreciation is due to a corresponding increase in property and equipment, including Mission s acquisition of KTVE.

For the three months ended June 30, 2008 and June 30, 2007, we recognized a gain of $2.7 million and $1.0 million, respectively from the exchange of equipment under an arrangement we first transacted with Sprint Nextel Corporation during the second quarter of 2007.

Income from Operations

Income from operations was $16.2 million for the three months ended June 30, 2008, compared to $13.4 million for the same period in 2007, an increase of $2.8 million, or 20.5%. The increase was primarily due to an increase in net revenue of $1.9 million, an increase in the gain on asset exchange of $1.7 million, partially off set by a $0.7 million increase in direct operating expenses and $0.1 million increase in amortization of broadcast rights.

Interest Expense

Interest expense, including amortization of debt financing costs, was $10.8 million for the three months ended June 30, 2008, compared to $13.8 million for the same period in 2007, a decrease of $3.0 million, or 21.5%. The decrease in interest expense was primarily attributed to lower average interest rates incurred during the second quarter of 2008 compared to the second quarter of 2007 under our and Mission s senior credit facilities, combined with the $46.9 million principal payment on our 11.375% senior discount notes on April 1, 2008.

Income Taxes

Income tax expense was $1.6 million for the three months ended June 30, 2008, compared to $1.1 million for the same period in 2007, an increase of $0.5 million, or 50.5%. The increase was primarily due to the $0.5 million reduction in net deferred taxes recorded in the second quarter of 2007 resulting from a technical correction of the Texas Margin Tax. Our provision for income taxes is primarily created by an increase in the deferred tax liabilities position during the year arising from the amortizing of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. No tax benefit was recorded with respect to the losses for 2008 and 2007, as the utilization of such losses is not likely to be realized in the foreseeable future.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007.

Revenue

Gross local advertising revenue was $87.6 million for each of the six months ended June 30, 2008 and 2007. Gross national advertising revenue was $33.9 million for the six months ended June 30, 2008, compared to $36.7 million for the same period in 2007, a decrease of $2.8 million, or 7.5%. Net revenue for the six months ended June 30, 2008 grew 2.7% to $134.3 million compared to $130.8 million for the six months ended June 30, 2007. Increases in political, eMedia and retransmission consent revenues overcame declines in national, network compensation and barter revenue. Advertising revenue from Paid Programming, Automotive and Fast Foods/Restaurants business categories, which decreased by approximately $0.9 million, $1.7 million and $1.3 million during the six months ended June 30, 2008 compared to the prior year, respectively, were partially offset by an increase in advertising revenue from the Retail, Insurance and Legal business categories, which increased by approximately $0.5 million during the six months ended June 30, 2008, compared to the same period in the prior year.

Gross political advertising revenue was $5.6 million for the six months ended June 30, 2008, compared to $1.7 million for the same period in 2007, an increase of $3.9 million, or 238.2%. The increase in gross political revenue was mainly attributed to presidential and statewide primary elections and to statewide and/or local races (primarily in Pennsylvania, Indiana, Alabama, Missouri and Montana) that occurred during the six months ended June 30, 2008 as compared to nominal political advertising during the six months ended June 30, 2007.

Cash retransmission compensation was $6.6 million for the six months ended June 30, 2008, compared to $5.5 million for the same period in 2007, an increase of $1.1 million, or 19.1%. The increase in retransmission compensation was primarily the result of (1) additional subscriber base for certain content distributors in 2008 compared to 2007, (2) annual rate increases in 2008 for certain retransmission consent agreements and (3) a few new markets under retransmission consent agreements in 2008.

eMedia revenue, representing revenue generated from non-television web-based advertising, was $4.6 million for the six months ended June 30, 2008, compared to $1.2 million for the six months ended June 30, 2007. The increase in eMedia revenue was a result of our markets implementation of this digital media platform initiative as of June 2007.

Operating Expenses

Corporate expenses, related to costs associated with the centralized management of Nexstar s and Mission s stations, were $6.8 million for the six months ended June 30, 2008, compared to $6.2 million for the six months ended June 30, 2007, an increase of $0.6 million, or 9.5%. The increase during the six months ended June 30, 2008 was primarily attributed to additional payroll-related costs incurred in 2008 than in 2007 and the settlement of $0.4 million related to a former employee.

Station direct operating expenses, consisting primarily of news, engineering and programming, net of trade, and selling, general and administrative expenses were $71.6 million for the six months ended June 30, 2008, compared to $69.6 million for the same period in 2007, an increase of $2.0 million, or 2.8%. This increase is primarily attributed to (1) the inclusion of such expenses for 2008 from Mission s newly acquired television station KTVE, and (2) additional payroll costs incurred in 2008 mainly as a result of creating a new Web-based revenue department. These increases in expense were partially offset in other areas due to increased efforts by corporate and station level personnel to manage expenses within their control.

Amortization of intangible assets was $12.8 and $12.9 million for the six months ended June 30, 2008 and 2007, respectively.

While there are no known circumstances or events as of June 30, 2008 that indicate an impairment might exist, any future significant adverse change in the advertising marketplaces in which Nexstar and Mission operate could lead to an impairment and reduction of the carrying value of the Company s goodwill and intangible assets, including FCC licenses. If such a condition were to occur, the resulting non-cash charge could have a material adverse effect on Nexstar and Mission s financial position and results of operations.

Depreciation of property and equipment was $10.4 million for the six months ended June 30, 2008, compared to $10.0 million for the same period in 2007, an increase of $0.4 million, or 4.1%. The increase in depreciation is due to a corresponding increase in property and equipment, including Mission s acquisition of KTVE.

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For the six months ended June 30, 2008, and June, 30 2007 respectively, we recognized a gain of $3.6 million and $1.0 million from the exchange of equipment under an arrangement we first transacted with Sprint Nextel Corporation during the second quarter of 2007.

Income from Operations

Income from operations was $16.1 million for the six months ended June 30, 2008, compared to income from operations of $19.5 million for the same period in 2007, a decrease of $3.4 million, or 17.5%. The decrease was primarily the result of an increase in direct operating expenses of $1.9 million, a non-cash contract termination fees of $7.2 million, partially offset by the increase in net revenue of $3.5 million and an increase in gain on asset exchange of $2.6 million.

Interest Expense

Interest expense, including amortization of debt financing costs, was $24.8 million for the six months ended June 30, 2008, compared to $27.5 million for the same period in 2007, a decrease of $2.7 million, or 9.8%. The decrease in interest expense was primarily attributed to lower average interest rates incurred during the six months ended June 30, 2008 compared to the same period in 2007 under our and Mission s senior credit facilities, combined with the $46.9 million principal payment on our 11.375% senior discount notes on April 1, 2008.

Income Taxes

Income tax expense was $3.3 million for the six months ended June 30, 2008, compared to $2.6 million for the same period in 2007, an increase of $0.7 million, or 26.5%. The increase was primarily due to the $0.5 million reduction in net deferred taxes recorded in the second quarter of 2007 resulting from a technical correction of the Texas Margin Tax, along with a $0.2 million increase related to the deferred tax liabilities associated with Mission s newly acquired television station KTVE and the impact of reclassifying assets as goodwill in September 2007. Our provision for income taxes is primarily created by an increase in the deferred tax liabilities position during the year arising from the amortizing of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. No tax benefit was recorded with respect to the losses for 2008 and 2007, as the utilization of such losses is not likely to be realized in the foreseeable future.

Liquidity and Capital Resources

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

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Overview

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

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(in thousands)	
Net cash provided by operating activities	$ 28,841	$ 13,508
Net cash used for investing activities	(15,825)	(10,173)
Net cash used for financing activities	(13,611)	(5,687)
Net decrease in cash and cash equivalents	$ (595)	$ (2,352)
Cash paid for interest	$ 16,732	$ 20,473
Cash paid for income taxes, net	$ 178	$ 51

	June 30, 2008	December 31, 2007
	(in thousands)	
Cash and cash equivalents	$ 15,631	$ 16,226
Long-term debt including current portion	$ 671,165	$ 681,176
Unused commitments under senior credit facilities [1]	$ 69,500	$ 69,500

(1) Based on covenant calculations, as of June 30, 2008, $5.6 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 increased by $15.3 million during the six months ended June 30, 2008 compared to the same period in 2007. The increase was primarily due to the timing of working capital accounts including (1) an increase of $5.5 million resulting from the timing of collections of accounts receivable, (2) an increase of $5.1 million resulting from the timing of payments for accounts payable and accrued expenses and (3) an increase of $3.8 million in cash flows from the timing of interest payments.

Cash paid for interest decreased by $3.7 million during the six months ended June 30, 2008 compared to the same period in 2007. The decrease was due to the timing of the LIBOR contracts under which our senior credit loans were borrowed and a decrease in the average interest rates.

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

Cash Flows Investing Activities

The comparative net cash used for investing activities increased by $5.7 million during the six months ended June 30, 2008 compared to the same period in 2007. The increase was primarily due to an increase in acquisition-related payments of $7.9 million, offset by a decrease in purchases of property and equipment of $2.2 million.

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

Capital expenditures were $7.9 million for the six months ended June 30, 2008, compared to $10.1 million for the six months ended June 30, 2007. The decrease was primarily attributable to digital conversion expenditures, which were $5.1 million for the six months ended June 30, 2008 compared to $5.2 million for the same period in 2007. We project that 2008 full-year capital expenditures will be approximately $33.0 million, which is expected to include approximately $30.0 million of digital conversion expenditures. We expect to conclude our digital conversion expenditures during 2008.

Cash Flows Financing Activities

The comparative net cash used for financing activities increased by $7.9 million during the six months ended June 30, 2008 compared to the same period in 2007, due primarily to the repayment of long-term debt of $48.7 million, partially offset by proceeds from the Senior Subordinated PIK notes of $35.0 million.

During the six months ended June 30, 2008, there were $50.0 million of revolving loan borrowings under our and Mission s senior secured credit facilities, compared to no borrowings for the six months ended June 30, 2007.

During the six months ended June 30, 2008, there were $51.8 million of repayments under our and Mission s senior secured credit facilities, consisting of scheduled term loan maturities of $1.8 million and a repayment of $50.0 million of Nexstar s revolving loans. In addition, on April 1, 2008, Nexstar redeemed a principal amount of $46.9 million of the 11.375% notes outstanding in accordance with the terms of the debt agreement.

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 June 30, 2008, Nexstar and Mission had total combined debt of $671.2 million, which represented 117.1% 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 June 30, 2008:

	Total	Remainder of 2008	2009-2010	2011-2012	Thereafter
			(in thousands)		
Nexstar senior credit facility	$ 179,966	$ 879	$ 3,516	$ 175,571	
Mission senior credit facility	174,951	864	3,454	170,633	
7% senior subordinated notes due 2014	200,000				200,000
11.375% senior discount notes due 2013	83,094				83,094
Senior subordinated PIK due 2014 (1)	42,503				42,503
	$ 680,514	$ 1,743	$ 6,970	346,204	325,597

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

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

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

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

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

Debt Covenants

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

As of June 30, 2008, we were in compliance with all covenants contained in the credit agreements governing our senior secured credit facility and the indentures governing the publicly-held notes. We anticipate compliance with all the covenants through December 31, 2008. For a discussion of the financial ratio requirements of these covenants, we refer you to Note 9 of our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

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

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

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

DTV conversion expenditures were $5.1 million and $5.2 million, respectively, for the six months ended June 30, 2008 and 2007. We estimate that it will require an average capital expenditure of approximately $1.5 million per station (for 21 stations as of June 30, 2008) to modify our and Mission s remaining stations DTV transmitting equipment for full-power DTV operations, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. We anticipate these expenditures will be funded through available cash on hand and cash generated from operations as incurred in future years.

No Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

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Recent Accounting Pronouncements

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

Cautionary Note Regarding Forward-Looking Statements

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

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

PART II. OTHER INFORMATION

ITEM 6. Exhibits

Exhibit No.	Exhibit Index
4.1	Indenture dated as of June 30, 2008, by and between Nexstar Broadcasting, Inc. and The Bank of New York, as Trustee. (Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on July 7, 2008)
4.2	First Supplemental Indenture, dated as of June 30, 2008, by and among Nexstar Broadcasting, Inc., Nexstar Broadcasting Group, Inc., as Gurantor, and The Bank of New York, as Trustee. (Incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on July 7, 2008)
4.3	Guarantee, dated as of June 30, 2008, of Nexstar Broadcasting Group, Inc. executed pursuant to the Indenture dated as of June 30, 2008 by and between Nexstar Broadcasting, Inc. and The Bank of New York, as amended and supplemented by the Supplemental Indenture referred to above. (Incorporated by reference to Exhibit 4.3 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on July 7, 2008)
10.1	Executive Employment Agreement between Timothy Busch and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on August 12, 2008)
10.2	Executive Employment Agreement between Brian Jones and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on August 12, 2008)
10.3	Purchase Agreement, dated June 27, 2008, by and among Nexstar Broadcasting, Inc., Nexstar Broadcasting Group, Inc. and certain initial purchasers named therein. (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on July 3, 2008)
10.4	Registration Rights Agreement, dated as of June 30, 2008, by and among Nexstar Broadcasting, Inc., Nexstar Broadcasting Group, Inc. and certain initial purchasers named therein. (Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on July 7, 2008)
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.*

* 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: September 5, 2008