NEXSTAR BROADCASTING GROUP INC Form 424B2 December 03, 2012 Table of Contents

> Filed Pursuant to Rule 424(b)(2) Registration No. 333-184743

PROSPECTUS SUPPLEMENT

(To Prospectus dated November 20, 2012)

### 8,000,000 Shares of Class A Common Stock

### Nexstar Broadcasting Group, Inc.

### Class A Common Stock

The selling stockholders named in this prospectus supplement are offering up to 8,000,000 shares of our Class A common stock. The selling stockholders, ABRY Broadcast Partners II, L.P. and ABRY Broadcast Partners III, L.P., hold shares of our Class A common stock and Class B common stock, which may be converted into shares of Class A common stock. The selling stockholders will receive all of the proceeds from any sales of their shares. We will not receive any proceeds from the sale of shares of Class A common stock by the selling stockholders. We will bear a portion of the expenses of the offering of Class A common stock, except that the selling stockholders will pay any applicable underwriting fees, discounts or commissions and certain transfer taxes.

Our Class A common stock is traded on The NASDAQ Global Market under the symbol NXST. On November 26, 2012, the last reported sale price of our Class A common stock on The NASDAQ Global Market was \$11.16 per share.

The selling stockholders have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus supplement, to purchase up to 1,200,000 additional shares at the public offering price, less the underwriting discounts and commissions.

Investing in our Class A common stock involves risks. See <u>Risk Factors</u> beginning on page S-11 of this prospectus supplement to read about risks that you should consider before buying shares of our Class A common stock.

	Per Share	Total		
Public offering price	\$9.25000	\$74,000,000		
Underwriting discounts and commissions	\$0.41625	\$3,330,000		
Proceeds, before expenses, to the selling stockholders	\$8.83375	\$70,670,000		
You should carefully read this prospectus supplement and the accompanying prospectus, together with the documents we incorporate by				

You should carefully read this prospectus supplement and the accompanying prospectus, together with the documents we incorporate by reference, before you invest in our Class A common stock.

Delivery of the Class A common stock will be made on or about December 5, 2012.

### Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

**Credit Suisse** 

### Wells Fargo Securities UBS Investment Bank

**RBC Capital Markets** 

**Evercore Partners** 

The date of this prospectus supplement is November 29, 2012.

### TABLE OF CONTENTS

### **Prospectus Supplement**

About This Prospectus Supplement	S-ii
Non-Gaap Financial Measures	S-ii
WHERE YOU CAN FIND MORE INFORMATION	S-iii
Incorporation of Certain Information by Reference	S-iii
Industry and Market Data	S-iv
Disclosure Regarding Forward-Looking Statements	S-v
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-11
<u>Use of Proceeds</u>	S-25
Dividend Policy	S-25
Unaudited Pro Forma Combined Financial Data	S-26
<u>Selected Historical Financial Data</u>	S-34
<u>Management</u> s Discussiomind Analysis of Financial Condition and Results of Operations	S-35
Business	S-55
Management	S-69
Selling Stockholders	S-73
<u>Certain Relationships</u> and Related-Party Transactions	S-75
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS	S-77
Underwriting	S-80
Legal Matters	S-87
<u>Experts</u>	S-87
Prospectus	

About This Prospectus	i
WHERE YOU CAN FIND MORE INFORMATION	i
Incorporation of Certain Information by Reference	ii
Disclosure Regarding Forward-Looking Statements	iii
Nexstar Broadcasting Group, Inc.	1
Nexstar Broadcasting, Inc.	2
<u>Risk Factors</u>	2
<u>Use of Proceeds</u>	2
Ratio of Earnings to Cominbed Fixed Charges and Preferred Dividends	3
Selling Stockholders	4
Description of Common Stock	7
Description of Preferred Stock	10
DESCRIPTION OF DEBT SECURITIES AND GUARANTEES OF NEXSTAR BROADCASTING GROUP, INC.	13
DESCRIPTION OF WARRANTS	16
DESCRIPTION OF DEBT SECURITIES AND GUARANTEES OF NEXSTAR BROADCASTING, INC.	18
PLAN OF DISTRIBUTION	21
LEGAL MATTERS	22
Experts	22
Index to Financial Statements	F-1

### ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus form part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which contains more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the caption Where You Can Find More Information.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely upon the information in this prospectus supplement. Any statement made in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

We are responsible for the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus we have authorized for use in connection with this offering. This prospectus supplement may be used only for the purpose for which it has been prepared. Neither we, the selling stockholders, nor any underwriter has authorized anyone to provide information different from that contained in this prospectus supplement, the accompanying prospectus and any related free writing prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Neither we nor the selling stockholders nor the underwriters are making an offer to sell our Class A common stock in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus, any free writing prospectus we have authorized for use in connection with this offering or any document incorporated by reference herein or therein is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations, and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the selling stockholders or underwriters, to subscribe for and purchase any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

### NON-GAAP FINANCIAL MEASURES

We refer to the terms Adjusted EBITDA and broadcast cash flow (as defined in Summary Summary Historical Consolidated Financial and Other Data ) in various places in this prospectus supplement. These are supplemental financial measures of our performance that are not prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP.

The SEC has adopted rules to regulate the use in filings with the SEC and in public disclosures of non-GAAP financial measures, such as Adjusted EBITDA and broadcast cash flow and ratios related thereto. These measures are derived on the basis of methodologies other than in accordance with GAAP.

Our measurements of Adjusted EBITDA and broadcast cash flow may not be comparable to those of other companies. Please see Summary Summary Historical Consolidated Financial and Other Data for a discussion

S-ii

of our use of Adjusted EBITDA and broadcast cash flow in this prospectus supplement, including the reasons that we believe this information is useful to management and to investors, and a reconciliation of Adjusted EBITDA and broadcast cash flow to the most closely comparable financial measure calculated in accordance with GAAP.

### WHERE YOU CAN FIND MORE INFORMATION

Nexstar Broadcasting Group, Inc. files annual, quarterly and current reports, proxy statements and other information with the SEC. The public may read and copy the information we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

Our website address is located at http://www.nexstar.tv. Through links on the News portion of our website, we make available free of charge our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Such material is made available through our website as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. The information contained on our website does not constitute part of this prospectus supplement.

We have filed with the SEC a registration statement on Form S-3 relating to the securities covered by this prospectus supplement. This prospectus supplement does not contain all the information set forth in the registration statement, parts of which are omitted in accordance with the rules and regulations of the SEC. You will find additional information about us in the registration statement. Any statement made in this prospectus supplement concerning a contract or other document of ours is not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter. Each such statement is qualified in all respects by reference to the document to which it refers. You may inspect without charge a copy of the registration statement at the SEC s Public Reference Room, as well as through the SEC s Web site.

### INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference information into this prospectus supplement, which means that we can disclose important information about us by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this prospectus supplement. This prospectus supplement incorporates by reference the documents and reports listed below (other than portions of these documents that are either (1) described in paragraph (e) of Item 201 of Registration S-K or paragraphs (d)(1)-(3) and (e)(5) of Item 407 of Regulation S-K promulgated by the SEC or (2) furnished under Item 2.02 or Item 7.01 of a Current Report on Form 8-K):

Nexstar Broadcasting Group, Inc. s Annual Report on Form 10-K for the year ended December 31, 2011 (filed with the SEC on March 15, 2012) and Form 10-K/A (filed with the SEC on March 16, 2012);

Nexstar Broadcasting Group, Inc. s Quarterly Reports on Form 10-Q for the period ended March 31, 2012 (filed with the SEC on May 9, 2012), for the period ended June 30, 2012 (filed with the SEC on August 8, 2012), Form 10-Q/A for the period ended June 30, 2012 (filed with the SEC on September 7, 2012), Form 10-Q for the period ended September 30, 2012 (filed with the SEC on November 8, 2012) and Form 10-Q/A for the period ended September 30, 2012 (filed with the SEC on November 9, 2012);

the portions of our Definitive Proxy Statement on Schedule 14A, filed on April 19, 2012, that are incorporated by reference into Part III of our Annual Report on Form 10-K for the year ended December 31, 2011;

Nexstar Broadcasting Group, Inc. s Current Reports on Form 8-K filed with the SEC on May 31, 2012, July 24, 2012, September 17, 2012, October 2, 2012, October 3, 2012, October 24, 2012, October 25, 2012 (two filings), November 6, 2012 (Item 8.01 only), November 9, 2012, November 19, 2012 and November 23, 2012;

Information contained in reports or documents that we file with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act ) after the date of this prospectus supplement until the sale of all of the shares covered by this prospectus supplement or the termination of this offering; and

The description of our Class A common stock, \$0.01 par value per share, included under the caption Description of Capital Stock in the Prospectus forming a part of the Company s Registration Statement on Form S-1, initially filed with the SEC on April 25, 2002 (Registration No. 333-86994).

We also incorporate by reference the information contained in all other documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than portions of these documents that are either (1) described in paragraph (e) of Item 201 of Registration S-K or paragraphs (d)(1)-(3) and (e)(5) of Item 407 of Regulation S-K promulgated by the SEC or (2) furnished under Item 2.02 or Item 7.01 of a Current Report on Form 8-K, unless otherwise indicated therein) after the date of this prospectus supplement and prior to the filing of a post-effective amendment that indicates that all securities offered hereunder have been sold or which deregisters all securities then remaining outstanding. The information contained in any such document will be considered part of this prospectus supplement from the date the document is filed with the SEC.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

If you make a request for such information in writing or by telephone, we will provide you, without charge, a copy of any or all of the information incorporated by reference into this prospectus. Any such request should be directed to:

Nexstar Broadcasting Group, Inc.

5215 N. O Connor Blvd., Suite 1400

Irving, Texas 75039

#### (972) 373-8800

You should rely only on the information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, in any other prospectus supplement or in any free writing prospectus filed by us with the SEC. We have not authorized anyone to provide you with different or additional information. We are not offering to sell or soliciting any offer to buy any securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus supplement, the accompanying prospectus or in any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document.

### INDUSTRY AND MARKET DATA

There are 210 generally recognized television markets, known as Designated Market Areas ( DMAs ), in the United States. DMAs are ranked in size according to various factors based upon actual or potential audience. DMA rankings contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus are from *Investing in Television Market Report 2011 4th Edition*, as published by BIA Financial Network, Inc. Reference is made to the following trademarks or tradenames, which are owned by the third parties referenced in parentheses: *Seinfeld* (Columbia Tristar Television Distribution, a unit of Sony Pictures) and *Entertainment Tonight* (CBS Television Distribution, a division of CBS Studios, Inc.).

Unless otherwise indicated, information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus concerning the television broadcast markets and our general expectations concerning these markets are based on information from independent industry analysts and publications, government reports and management estimates. We have derived management estimates from publicly available information released by third-party sources, as well as data from our internal research, and have based our estimates on such data and our knowledge of our industry and markets, which we believe to be reasonable. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein and cannot guarantee the accuracy or completeness of any such data or the related forecasts contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus. None of the independent industry publications referred to in this prospectus supplement or the accompanying prospectus were prepared on our or our affiliates behalf. Estimates of historical growth rates are not necessarily indicative of future growth rates.

In the context of describing ownership of television stations in a particular market, the term duopoly refers to owning or deriving the majority of the economic benefit through local service agreements, from two or more stations in a particular market.

### DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement contain forward-looking statements regarding, among other things, our plans, strategies and prospects. 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; any statements regarding the benefits, integration or closing of any of the recently proposed acquisitions; 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 a 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; see Risk Factors in this prospectus supplement and the documents incorporated herein by reference. The forward-looking statements made in this prospectus 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.

S-v

#### SUMMARY

This summary highlights material information regarding the offering contained elsewhere or incorporated by reference in this prospectus supplement, but may not contain all of the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the matters discussed under the caption Risk Factors in this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2011 and the detailed information and financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Nexstar Broadcasting Group, Inc. and its consolidated subsidiaries; Nexstar Broadcasting refers to Nexstar Broadcasting, Inc., our indirect subsidiary; Mission refers to Mission Broadcasting, Inc.; all references to we, our, ours, and us refer to Nexstar Broadcasting Group, Inc., and its consolidated subsidiaries; newstar and their respective consolidated subsidiaries.

#### **Our Company**

We are a television broadcasting and digital media company focused exclusively on the acquisition, development and operation of television stations and interactive community websites in small to medium-sized markets in the United States, primarily markets that rank from 35 to 150 out of the 210 generally recognized television markets, as reported by A.C. Nielsen Company. As of September 30, 2012, we owned, operated, programmed or provided sales and other services to 55 television stations and 11 digital multicast channels, including those owned by Mission, in 32 markets in the states of Illinois, Indiana, Maryland, Missouri, Montana, Texas, Pennsylvania, Louisiana, Arkansas, Alabama, New York, Florida, Wisconsin and Michigan. In 20 of the 32 markets that we serve, we own, operate, program or provide sales and other services to more than one station. We refer to these markets as duopoly markets. The stations we own or provide services to are affiliates of NBC (12 stations), CBS (11 stations), ABC (11 stations), FOX (11 stations), MyNetworkTV (5 stations and one digital multicast channel), The CW (2 stations) and Bounce TV (10 digital multicast channels) and three of our stations are independent.

On July 18, 2012, Nexstar Broadcasting and Mission each entered into an asset purchase agreement with Newport Television LLC and Newport Television LLC (collectively, Newport) to acquire twelve television stations and associated digital sub-channels in eight markets and Newport s Inergize Digital Media operations (collectively, the Newport Assets) for total consideration of \$285.5 million in cash, subject to adjustment for working capital acquired (the Newport Acquisition). Nexstar Broadcasting will acquire ten stations in Salt Lake City, Utah, Memphis, Tennessee, Syracuse, New York, Binghamton, New York, Elmira, New York, Watertown, New York and Jackson, Tennessee, as well as Newport s Inergize Digital Media operations and Mission will acquire two stations in Little Rock, Arkansas. The acquisition of the assets being acquired by Nexstar Broadcasting as part of the Newport Acquisition is expected to close in December 2012. The acquisition of the assets being acquired by Mission as part of the Newport Acquisition is expected to close shortly after Mission receives FCC approval. There can be no assurance that the Newport Acquisition, excluding any potential synergies, for the year ended December 31, 2011 and the nine months ended September 30, 2012, we would have generated net revenue of \$403.4 million and \$338.4 million, respectively. See Unaudited Pro Forma Combined Financial Data.

We believe that small to medium-sized markets offer significant advantages over large-sized markets, most of which result from a lower level of competition. First, because there are fewer well-capitalized acquirers with a medium-market focus, we have been successful in purchasing stations on more favorable terms than acquirers of large market stations. Second, in the majority of our markets only five or fewer local commercial television stations exist. As a result, we achieve lower programming costs than stations in larger markets because the supply of quality programming exceeds the demand.

We seek to grow our revenue and broadcast cash flow by increasing the audience and revenue shares of the stations we own, operate, program or provide sales and other services to, as well as through our growing portfolio of Internet-based products and services. We strive to increase the audience share of the stations by creating a strong local broadcasting presence based on highly rated local news, local sports coverage and active community sponsorship. We seek to improve revenue share by employing and supporting a high-quality local sales force that leverages the stations strong local brand and community presence with local advertisers. We further improve broadcast cash flow by maintaining strict control over operating and programming costs. The benefits achieved through these initiatives are magnified in our duopoly markets by broadcasting the programming of multiple networks, capitalizing on multiple sales forces and achieving an increased level of operational efficiency. As a result of our operational enhancements, we expect revenue from the stations we acquired or began providing services to in the last four years to grow faster than that of our more mature stations.

### **Operating Strategy**

We seek to generate revenue and broadcast cash flow growth through the following strategies:

*Develop Leading Local Franchises.* Each of the stations that we own, operate, program or provide sales and other services to creates a highly recognizable local brand, primarily through the quality of local news programming and community presence. Based on internally-generated analysis, we believe that in over 70% of our markets in which we produce local newscasts, we rank among the top two stations in local news viewership. Strong local news typically generates higher ratings among attractive demographic profiles and enhances audience loyalty, which may result in higher ratings for programs both preceding and following the news. High ratings and strong community identity make the stations that we own, operate, program or provide with sales and other services more attractive to local advertisers. For the year ended December 31, 2011, we earned approximately 30% of our advertising revenue from spots aired during local news programming. Currently, most of our stations and the stations we provide services to provide between 15 to 25 hours per week of local news programming. Extensive local sports coverage and active sponsorship of community events further differentiate us from our competitors and strengthen our community relationships and our local advertising appeal.

*Emphasize Local Sales.* We employ a high-quality local sales force in each of our markets to increase revenue from local advertisers by capitalizing on our investment in local programming. We believe that local advertising is attractive because our sales force is more effective with local advertisers, giving us a greater ability to influence this revenue source. Additionally, local advertising has historically been a more stable source of revenue than national advertising for television broadcasters. For the year ended December 31, 2011, revenue generated from local advertising represented 73.4% of our consolidated spot revenue (total of local and national advertising revenue, excluding political advertising revenue). In most of our markets, we have increased the size and quality of our local sales force. We also invest in our sales efforts by implementing comprehensive training programs and employing a sophisticated inventory tracking system to help maximize advertising rates and the amount of inventory sold in each time period.

*Invest in eMedia.* We are focused on new technologies and growing our portfolio of Internet products and services. Our websites provide access to our local news and information, as well as community-centric businesses and services. We delivered a record audience across all of our web sites in 2011, with 35 million unique visitors, who utilized over 231 million page views. Also in 2011, usage of our mobile platform grew exponentially, accounting for over 40% of our page views by year end, and we launched redesigned websites, ready for the emerging touch oriented platforms. We are committed to serving our local markets by providing local content to both online and mobile users wherever and whenever they want.

*Operate Duopoly Markets.* Owning or providing services to more than one station in a given market enables us to broaden our audience share, enhance our revenue share and achieve significant operating efficiencies. Duopoly markets broaden audience share by providing programming from multiple networks with different

targeted demographics. These markets increase revenue share by capitalizing on multiple sales forces. Additionally, we achieve significant operating efficiencies by consolidating physical facilities, eliminating redundant management and leveraging capital expenditures between stations. We derived approximately 75% of our net broadcast revenue for the year ended December 31, 2011 from our duopoly markets.

*Maintain Strict Cost Controls.* We emphasize strict controls on operating and programming costs in order to increase broadcast cash flow. We continually seek to identify and implement cost savings at each of our stations and the stations we provide services to, and our overall size benefits each station with respect to negotiating favorable terms with programming suppliers and other vendors. By leveraging our size and corporate management expertise, we are able to achieve economies of scale by providing programming, financial, sales and marketing support to our stations and the stations we provide services to. Our and Mission s cash broadcast payments were 3.7%, 3.5% and 4.0% of net broadcast revenue for the years ended December 31, 2011, 2010 and 2009, respectively.

*Capitalize on Diverse Network Affiliations.* We currently own, operate, program or provide sales and other services to a balanced portfolio of television stations with diverse network affiliations, including NBC, CBS, FOX and ABC affiliated stations which represented approximately 29.8%, 29.3%, 18.9% and 12.9%, respectively, of our 2011 net broadcast revenue. The networks provide these stations with quality programming and numerous sporting events such as NBA basketball, Major League baseball, NFL football, NCAA sports, PGA golf and the Olympic Games. Because network programming and ratings change frequently, the diversity of our station portfolio s network affiliations reduces our reliance on the quality of programming from a single network.

Attract and Retain High Quality Management. We seek to attract and retain station general managers with proven track records in larger television markets by providing equity incentives not typically offered by other station operators in our markets. Most of our station general managers have been granted stock options and have an average of over 20 years of experience in the television broadcasting industry.

### Acquisition Strategy

We selectively pursue acquisitions of television stations primarily in markets ranking from 35 to 150 out of the 210 generally recognized television markets where we believe we can improve revenue and cash flow through active management. On a pro forma basis for the Newport Acquisition, but excluding the acquisition of three additional stations from Newport and two stations from Smith Media, LLC (Smith), in the nine months ended September 30, 2012, approximately 60% of our broadcast cash flow was derived from stations located in the top 100 DMAs (ranked by TV homes). When considering an acquisition, we evaluate the target audience share, revenue share, overall cost structure and proximity to our regional clusters. Additionally, we seek to acquire or enter into local service agreements with stations to create duopoly markets.

#### **Our Relationship With Mission**

Through various local service agreements with Mission, we currently provide sales, programming and other services to 17 television stations that are owned and operated by Mission. Mission is 100% owned by independent third parties. We do not own Mission or any of its television stations. In compliance with FCC regulations for both us and Mission, Mission maintains complete responsibility for and control over the programming, finances, personnel and operations of its stations. However, we are deemed under GAAP to have a controlling financial interest in Mission because of (i) the local service agreements Nexstar has with the Mission stations, (ii) Nexstar s guarantee of the obligations incurred under Mission s senior secured credit facility, (iii) Nexstar having power over significant activities affecting Mission s economic performance, including budgeting for advertising revenue, advertising and hiring and firing of sales force personnel, (iv) purchase

options granted by Mission that permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent and (v) an option granted by Mission s shareholders that permits Nexstar to purchase any or all of Mission s stock, subject to FCC consent. Therefore, Mission is consolidated into our financial statements. We expect our option agreements with Mission to be renewed upon expiration.

### **Newport Acquisition**

On July 18, 2012, Nexstar Broadcasting and Mission each entered into an asset purchase agreement with Newport to acquire the Newport Assets for total consideration of \$285.5 million in cash, subject to adjustments for working capital acquired. Nexstar Broadcasting will acquire ten stations in Salt Lake City, Utah, Memphis, Tennessee, Syracuse, New York, Binghamton, New York, Elmira, New York, Watertown, New York and Jackson, Tennessee, as well as Newport s Inergize Digital Media operations and Mission will acquire two stations in Little Rock, Arkansas. For the twelve months ended September 30, 2012, the Newport Assets generated revenue of \$101.1 million. The completion of the Newport Acquisition is subject to Federal Communications Commission (FCC) approval and other customary legal closing conditions. The FCC has approved the acquisition of the assets being acquired by Nexstar Broadcasting but not Mission. The acquisition of the assets being acquired by Mission as part of the Newport Acquisition is expected to close in December 2012. The acquisition of the assets being acquired by Mission as part of the Newport Acquisition is expected to close shortly after Mission receives FCC approval. There can be no assurance that the Newport Acquisition will be consummated in accordance with anticipated timing, on anticipated terms, or at all.

The Newport Assets that Nexstar Broadcasting and Mission are acquiring include the following television stations:

Market Nexstar Broadcasting:	Market Rank	Station	Affiliation
Salt Lake City, UT	33	KTVX	ABC
		KUCW	CW
Memphis, TN	49	WPTY	ABC
		WLMT	CW
Syracuse, NY	84	WSYR	ABC
Binghamton, NY	157	WBGH	NBC
		WIVT	ABC
Elmira, NY	174	WETM	NBC
Jackson, TN	176	WJKT	FOX
Watertown, NY	177	WWTI	ABC
Mission:			
Little Rock, AR	56	KLRT	FOX
		KASN	CW

In connection with the Newport Acquisition, Nexstar Broadcasting and Mission intend to enter into new senior secured credit facilities (the Senior Secured Credit Facilities ), which are expected to consist of (i) a \$350 million term loan facility with a seven-year maturity (the New Term Loan Facility ) and (ii) a \$100 million revolving credit facility with a five-year maturity (the New Revolving Credit Facilities will be used to finance the Newport Acquisition, refinance the balance of our and Mission s existing senior secured credit facilities (the Existing Credit Facilities ) and for general corporate purposes.

### **Recent Developments**

### Notes Offering and Related Transactions

On October 24, 2012, Nexstar Broadcasting commenced a cash tender offer and related consent solicitation for any and all of its outstanding 7% Senior Subordinated Notes due 2014 (the 2014 Notes ) and 7% Senior Subordinated PIK Notes due 2014 (the 2014 PIK Notes ). The consummation of the tender offer and related consent solicitation were contingent upon, among other things, Nexstar Broadcasting obtaining the proceeds from a proposed senior notes offering on terms satisfactory to Nexstar Broadcasting.

On November 9, 2012, Nexstar Broadcasting issued \$250 million in aggregate principal amount of 6.875% Senior Notes due 2020 (the 2020 Notes ). The proceeds from this offering were used by Nexstar Broadcasting to repurchase substantially all of its outstanding 2014 Notes and 2014 PIK Notes in accordance with the terms of the tender offer and related consent solicitation noted above, refinance a portion of its borrowings outstanding under its existing senior secured credit facilities and pay related fees and expenses. The tender offer and related consent solicitation expired pursuant to their terms on November 21, 2012.

### **Recent Acquisitions**

On November 5, 2012, Nexstar Broadcasting entered into an asset purchase agreement for the purchase of three additional stations consisting of the assets of KGPE-TV, the CBS affiliate serving the Fresno, California market and KGET and KKEY-LP, the NBC/CW affiliate and low powered Telemundo affiliated stations serving the Bakersfield, California market from entities controlled by Newport. In addition, Nexstar Broadcasting and Mission entered into an asset purchase agreement with Smith to acquire two stations consisting of the assets of WFFF-TV, the FOX affiliate, and WVNY, the ABC affiliate, serving the Burlington, Vermont market. Nexstar Broadcasting and Mission intend to enter into a local services agreement to provide sales and other services to WVNY upon consummation of the transaction. Nexstar Broadcasting and Mission intend to finance these two proposed transactions through borrowings under the Senior Secured Credit Facilities.

Each of these transactions is subject to FCC approval and other customary legal and regulatory conditions. These two proposed transactions are expected to close in the first quarter of 2013. There can be no assurance that these transactions will be consummated in accordance with anticipated timing, on anticipated terms, or at all. Assuming completion of these two proposed transactions, we will own, operate, program or provide sales and other services to 71 television stations and related digital multicast signals reaching 41 markets or approximately 12.3% of all U.S. television households.

These two proposed transactions are expected to be accretive to our operating results immediately upon closing and will result in us operating one station and providing sales and other services to another in 25 of the 41 markets where we operate, which assumes the completion of the Newport Acquisition described above as well. In addition, it will expand to 71 the number of stations and related digital signals that we either own or provide sales and other services to.

### The Offering

Common stock offered by the selling stockholders	8,000,000 shares of Class A common stock (or 9,200,000 shares if the underwriters option to purchase additional shares from the selling stockholders is exercised in full).
Common stock to be owned by the selling stockholders after the offering	8,515,384 shares of Class B common stock (or 7,315,384 shares if the underwriters option to purchase additional shares from the selling stockholders is exercised in full).
Selling stockholders	ABRY Broadcast Partners II, L.P. and ABRY Broadcast Partners III, L.P.
Common stock to be outstanding after this offering(1)	) 20,177,248 shares of Class A common stock.
Use of proceeds	The selling stockholders will receive all of the proceeds from this offering, and we will not receive any proceeds from the sale of shares in this offering. See Selling Stockholders.
Option to purchase additional shares	The selling stockholders have granted the underwriters an option to purchase up to an additional 1,200,000 shares from them at the public offering price less the underwriting discounts and commissions, which option may be exercised at any time in whole, or from time to time in part, on or before the 30th day following the date of this prospectus supplement.
Dividends	On November 26, 2012, we announced a new dividend policy pursuant to which our board of directors has authorized us to declare a total annual cash dividend with respect to its shares of Class A common stock and Class B common stock of \$0.48 per share in equal quarterly installments of \$0.12 per share, concurrent with the closing of the acquisition of the assets being acquired by Nexstar Broadcasting as part of the Newport Acquisition and entry into the Senior Secured Credit Facilities. Future cash dividends, if any, will be at the discretion of our board of directors and can be changed or discontinued at any time. Dividend determinations (including the amount of the cash dividend, the record date and date of payment) will depend upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors as the board of directors may deem relevant. In addition, the Existing Credit Facilities, the Senior Secured Credit Facilities and the indentures governing the 2017 Notes and the 2020 Notes (as defined herein) limit our ability to pay dividends. The first quarterly cash dividend is expected to be paid, subject to declaration by the board of directors, in the first quarter of 2013.

### Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

Table of Contents

Voting rights	Each holder of our Class A common stock is entitled to one vote per share on all matters to be voted on by stockholders. Each holder of our Class B common stock is entitled to ten votes per share on all matters to be voted on by stockholders.
Risk Factors	See Risk Factors beginning on page S-11 for a discussion of some of the factors you should carefully consider before deciding to invest in shares of our Class A common stock.
NASDAQ Global Market symbol	NXST.

(1) The number of shares of Class A common stock that will be outstanding after this offering is based on the number of shares outstanding at November 20, 2012. Unless we specifically state otherwise, the information in this prospectus supplement:

assumes the selling stockholders sell all 3,490,883 shares of Class A common stock currently held by the selling stockholders;

assumes the conversion by the selling stockholders of an aggregate of 4,509,117 shares of Class B common stock for 4,509,117 shares of Class A common stock that are being offered hereby, immediately prior to the closing of this offering; and

does not take into account the sale of up to 1,200,000 shares of Class A common stock that the underwriter has the option to purchase from the selling stockholders or the corresponding conversion of shares of Class B common stock by the selling stockholders.

### SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth certain summary historical financial and other data of the Company for the periods and at the dates indicated. We have derived the summary historical consolidated statement of operations and other financial data for the three years in the period ended December 31, 2011 and the balance sheet data as of December 31, 2010 and 2011 from the audited consolidated financial statements of Nexstar incorporated by reference into this prospectus supplement. The balance sheet data as of December 31, 2009 have been derived from Nexstar s audited consolidated financial statements and notes thereto. We have derived the summary historical consolidated financial data as of September 30, 2012 and for the nine month periods ended September 30, 2011 and 2012 from the unaudited consolidated financial statements and the related notes of Nexstar incorporated by reference in this prospectus supplement, which have been prepared on a basis consistent with Nexstar s audited financial statements. In the opinion of management, the unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of financial position and operating results as of and for the applicable periods. Our historical operating results are not necessarily indicative of future operating results. The summary historical consolidated financial statement s elected Historical Financial Data, and Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related notes of Nexstar incorporated by reference herein.

				Nine Months Ended	
(		Ended Decembe	/	September 30,	
(in thousands)	2009	2010	2011	2011	2012
Statement of Operations Data:	¢ 051 070	¢ 212 250	¢ 206 401	¢ 220 280	¢ 262 459
Net revenues	\$ 251,979	\$ 313,350	\$ 306,491	\$ 220,289	\$ 262,458
Operating expenses (income):					
Direct operating expenses (excluding depreciation and					< <b>7</b> 0.90
amortization)	77,233	78,322	81,657	59,634	65,930
Selling, general and administrative expenses (excluding					
depreciation and amortization)	89,525	100,891	105,167	76,313	81,771
Restructure charge	670				
Non-cash contract termination fees	191				
Impairment of goodwill(1)	7,360				
Impairment of other intangible assets(1)	8,804				
Amortization of broadcast rights	25,263	21,481	23,389	17,499	16,303
Amortization of intangible assets	23,705	23,732	25,979	20,411	16,595
Depreciation	21,680	21,112	21,845	16,053	17,359
Gain on asset exchange	(8,093)	(30)	,	,	,
(Gain) loss on asset disposal, net	(2,560)	294	461	20	(25)
Income from operations	8,201	67,548	47,993	30,359	64,525
Interest expense, net	(39,182)	(54,266)	(53,004)	(40,082)	(37,921)
Gain (loss) on extinguishment of debt	18,567	(8,356)	(1,155)	(1,155)	(497)
(Loss) income before income taxes	(12,414)	4,926	(6,166)	(10,878)	26,107
Income tax expense	(200)	(6,741)	(5,725)	(4,277)	(4,712)
-					
Net (loss) income	\$ (12,614)	\$ (1,815)	\$ (11,891)	\$ (15,155)	\$ 21,395

	А	As of September 30,			
(in thousands)	2009	2010	2011	2012	
Balance Sheet Data:					
Cash and cash equivalents	\$ 12,752	\$ 23,658	\$ 7,456	\$ 12,236	
Working capital	36,875	53,622	39,619	35,105	
Net intangible assets and goodwill	362,762	339,040	335,602	319,007	
Total assets	619,826	602,536	595,034	611,359	
Total debt	670,374	643,100	640,361	615,248	
Total stockholders deficit	\$ (176,263)	\$ (175,165)	\$ (183,404)	\$ (160,277)	

		Nine Months			
				Enc	led
	Year	Ended Decembe	r 31,	Septem	ber 30,
(in thousands)	2009	2010	2011	2011	2012
Other Financial Data:					
Net cash provided by (used in):					
Operating activities	\$ 22,993	\$ 59,268	\$ 40,340	\$ 34,966	\$ 68,729
Investing activities	(35,590)	(13,340)	(54,579)	(31,812)	(39,539)
Financing activities	9,515	(35,022)	(1,873)	(18,998)	(24,500)
Broadcast cash flow(2)(4)	81,782	132,203	115,856	80,925	114,686
Adjusted EBITDA(3)	63,221	112,313	96,076	66,497	98,262

(1) We recognized impairment charges on goodwill and FCC licenses during the year ended December 31, 2009.

(2) Broadcast cash flow is calculated as income from operations, plus corporate expenses, depreciation, amortization of intangible assets and broadcast rights (excluding barter), non-cash contract termination fees, non-cash impairment charges, loss (gain) on asset exchange and loss (gain) on asset disposal, net, minus broadcast rights payments.

(3) Adjusted EBITDA is calculated as broadcast cash flow less corporate expenses.

(4) Broadcast cash flow and Adjusted EBITDA are non-GAAP financial measures. We believe the presentation of these non-GAAP measures is useful to investors because they are used by lenders to measure our ability to service debt; by industry analysts to determine the market value of stations and their operating performance; by management to identify the cash available to service debt, make strategic acquisitions and investments, maintain capital assets and fund ongoing operations and working capital needs; and, because they reflect the most up-to-date operating results of the stations inclusive of pending acquisitions, TBAs or local marketing agreements. Our management believes they also provide an additional basis from which investors can establish forecasts and valuations for our business.

The following is a reconciliation of broadcast cash flow and Adjusted EBITDA to income from operations:

				Nine Months		
				Er	ided	
	Year	Ended Decemb	er 31,	September 30,		
(in thousands)	2009	2010	2011	2011	2012	
Income from operations	\$ 8,201	\$ 67,548	\$ 47,993	\$ 30,359	\$ 64,525	
Add:						
Depreciation	21,680	21,112	21,845	16,053	17,359	
Amortization of intangible assets	23,705	23,732	25,979	20,411	16,595	
Amortization of broadcast rights, excluding barter	13,248	9,527	9,947	7,662	6,489	
Impairment of goodwill and intangible assets	16,164					
Gain on asset exchange	(8,093)	(30)				
(Gain) loss on asset disposal, net	(2,560)	294	461	20	(25)	
Corporate expenses	18,561	19,890	19,780	14,428	16,424	
Non-cash contract termination fees	191					
Less:						
Payments for broadcast rights	9,315	9,870	10,149	8,008	6,681	
Broadcast cash flow	81,782	132,203	115,856	80,925	114,686	
Less:						
Corporate expenses	18,561	19,890	19,780	14,428	16,424	
Adjusted EBITDA	\$ 63,221	\$ 112,313	\$ 96,076	\$ 66,497	\$ 98,262	

### **RISK FACTORS**

Our business is subject to significant risks. You should carefully consider the risks and uncertainties described in this prospectus supplement and the risks and uncertainties discussed under the caption Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference in this prospectus supplement, and which may be amended, supplemented or superseded from time to time by other documents we file with the Securities and Exchange Commission in the future. See Incorporation of Certain Information by Reference. The risks and uncertainties described in this prospectus supplement and the documents incorporated by reference in this prospectus supplement are not the only ones facing us. Additional risks and uncertainties that we do not presently know about or that we currently believe are not material may also adversely affect our business. If any of the risks and uncertainties described in this prospectus supplement or the documents incorporated by reference in this prospectus supplement actually occur, our business, financial condition and results of operations could be adversely affected in a material way. This could cause the trading price of our Class A common stock to decline, perhaps significantly, and you may lose part or all of your investment.

### **Risks Related to Our Operations**

# General trends in the television industry could adversely affect demand for television advertising as consumers flock to alternative media, including the Internet, for entertainment.

Television viewing among consumers has been negatively impacted by the increasing availability of alternative media, including the Internet. As a result, in recent years demand for television advertising has been declining and demand for advertising in alternative media has been increasing, and we expect this trend to continue.

In recent years, the networks have streamed their programming on the Internet and other distribution platforms in close proximity to network programming broadcast on local television stations, including those we own. These and other practices by the networks dilute the exclusivity and value of network programming originally broadcast by the local stations and could adversely affect the business, financial condition and results of operations of our stations.

#### We and Mission have a history of net losses.

We and Mission had aggregate net losses of \$11.9 million, \$1.8 million and \$12.6 million for the years ended December 31, 2011, 2010 and 2009, respectively. We and Mission may not be able to achieve or maintain profitability.

#### Our substantial debt could limit our ability to grow and compete.

As of September 30, 2012, we and Mission had \$615.2 million of debt, which represented 135.2% of our and Mission s total combined capitalization. In addition, in connection with the Transactions (as defined herein), we will incur a substantial amount of new indebtedness. The companies high level of debt could have important consequences to our business. For example, it could:

limit our and Mission s ability to borrow additional funds or obtain additional financing in the future;

limit our and Mission s ability to pursue acquisition opportunities;

expose us and Mission to greater interest rate risk since the interest rate on borrowings under the Senior Secured Credit Facilities will be variable;

limit our and Mission s flexibility to plan for and react to changes in our business and our industry; and

### Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

impair our and Mission s ability to withstand a general downturn in our business and place us at a disadvantage compared to our competitors that are less leveraged.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and incorporated by reference in this prospectus supplement, for disclosure of the approximate aggregate amount of principal indebtedness scheduled to mature.

We and Mission could also incur additional debt in the future. The terms of the Existing Credit Facilities, the Senior Secured Credit Facilities and the indenture governing the 2020 Notes and the indenture governing the 8.875% Senior Secured Second Lien Notes due 2017 co-issued by Nexstar Broadcasting and Mission (the 2017 Notes) limit, but do not prohibit, us or Mission from incurring substantial amounts of additional debt. To the extent we or Mission incur additional debt, we and Mission would become even more susceptible to the leverage-related risks described above.

# The agreements governing the Company s debt contain various covenants that limit management s discretion in the operation of our business.

The Senior Secured Credit Facilities will contain, and the indenture governing the 2020 Notes and the indenture governing the 2017 Notes contain, various covenants that restrict our ability to, among other things:

incur additional debt and issue preferred stock;

pay dividends and make other distributions;

make investments and other restricted payments;

make acquisitions;

merge, consolidate or transfer all or substantially all of our assets;

enter into sale and leaseback transactions;

create liens;

sell assets or stock of our subsidiaries; and

enter into transactions with affiliates.

In addition, the Senior Secured Credit Facilities will require us to maintain or meet certain financial ratios, including consolidated leverage ratios and fixed charge coverage ratios. Future financing agreements may contain similar, or even more restrictive, provisions and covenants. As a result of these restrictions and covenants, management s ability to operate our business at its discretion is limited, and we may be unable to compete effectively, pursue acquisitions or take advantage of new business opportunities, any of which could harm our business.

If we fail to comply with the restrictions in present or future financing agreements, a default may occur. A default could allow creditors to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies. A default could also allow creditors to foreclose on any collateral securing such debt.

### Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

The credit agreement governing Nexstar Broadcasting s obligations under the Senior Secured Credit Facilities will contain covenants that require us to comply with certain financial ratios, including maximum total and first-lien ratios and a minimum fixed charge coverage ratio. The covenants, which are calculated on a quarterly basis, include the combined results of Nexstar Broadcasting and Mission. The credit agreement governing Mission s obligations under the Senior Secured Credit Facilities will not contain financial covenant ratio requirements; however, it will include an event of default if Nexstar Broadcasting does not comply with all covenants contained in the credit agreement governing the Senior Secured Credit Facilities. The indentures governing the 2020 Notes and the 2017 Notes contain restrictive covenants customary for debt of their respective types.

# Mission may make decisions regarding the operation of its stations that could reduce the amount of cash we receive under our local service agreements.

Mission is 100% owned by independent third parties. Mission owns and operates 17 television stations as of September 30, 2012. We have entered into local service agreements with Mission, pursuant to which we provide services to Mission s stations. In return for the services we provide, we receive substantially all of Mission s available cash, after satisfaction of operating costs and debt obligations.

In April 2005, Mission entered into a first-lien third amended and restated credit agreement among it, as the borrower thereunder, and a syndicate of lenders led by Bank of America, N.A., as Administrative Agent and as L/C Issuer, Banc of America Securities LLC, as joint lead arranger and joint book manager, UBS Securities LLC, as co-syndication agent and joint lead arranger and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as co-syndication agent and joint bank manager, which provides for a first-lien credit facility (the Mission Facilities ). The Mission Facilities consist of a Term Loan B and a \$10.0 million revolving credit facility. As of September 30, 2012, Mission had \$38.1 million outstanding under its Term Loan B and \$10.0 million outstanding under its revolving credit facility. Nexstar and Nexstar Broadcasting also guarantee all of the obligations incurred under the Mission Facilities, which were incurred primarily in connection with Mission s acquisition of its stations. Mission has granted to us purchase options to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent, for consideration equal to the greater of (i) seven times the station s cash flow, as defined in the option agreement or (ii) the amount of its indebtedness. Additionally, Mission s shareholders have granted Nexstar an option to purchase any or all of Mission s stock, subject to FCC consent, for a price equal to the pro rata portion of the greater of (i) five times the stations cash flow, as defined in the option agreement, or (ii) \$100,000.

We do not own Mission or its television stations. However, we are deemed under GAAP to have a controlling financial interest in Mission because of (i) the local service agreements Nexstar has with the Mission stations, (ii) Nexstar s guarantee of the obligations incurred under the Mission Facilities, (iii) Nexstar having power over significant activities affecting Mission s economic performance, including budgeting for advertising revenue, advertising and hiring and firing of sales force personnel and (iv) purchase options granted by Mission that permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent. In compliance with FCC regulations for both us and Mission, Mission maintains complete responsibility for and control over programming, finances and personnel for its stations. As a result, Mission s board of directors and officers can make decisions with which we may disagree and which could reduce the cash flow generated by these stations and, as a consequence, the amounts we receive under our local service agreements with Mission. For example, we may disagree with Mission s programming decisions; this programming may prove unpopular and/or may generate less advertising revenue. In addition, subject to Mission s agreement with its lenders, Mission s board of directors, comprised solely of its shareholders, could choose to pay themselves a dividend.

# The revenue generated by stations we operate or provide services to could decline substantially if they fail to maintain or renew their network affiliation agreements on favorable terms, or at all.

Due to the quality of the programming provided by the networks, stations that are affiliated with a network generally have higher ratings than unaffiliated independent stations in the same market. As a result, it is important for stations to maintain their network affiliations. Most of the stations that we operate or provide services to have network affiliation agreements 12 stations have primary affiliation agreements with NBC, 11 with CBS, 11 with ABC, 11 with FOX, 5 stations and one digital multicast channel with MyNetworkTV, and 2 with The CW. Additionally, ten of the stations have secondary affiliation agreements with Bounce TV. Each of NBC, CBS and ABC generally provides affiliated stations with up to 22 hours of prime time programming per week, while each of FOX, MyNetworkTV and The CW provides affiliated stations with up to 15 hours of prime time programming per week. In return, affiliated stations broadcast the respective network s commercials during the network programming.

All of the network affiliation agreements of the stations that we own, operate, program or provide sales and other services to are scheduled to expire at various times through December 2018. In order to renew certain of our affiliation agreements, we may be required to make cash payments to the network and to accept other material modifications of existing affiliation agreements. If any of our stations cease to maintain affiliation agreements with networks for any reason, we would need to find alternative sources of programming, which may be less attractive and more expensive. Further, some of our network affiliation agreements are subject to earlier termination by the networks under specified circumstances.

# The loss of or material reduction in retransmission consent revenues could have an adverse effect on our business, financial condition and results of operations.

The Company s retransmission consent agreements with cable operators, direct broadcast satellite operators and others permit the operators to carry our stations signals in exchange for the payment of compensation to us from the system operators as consideration. The television networks have recently asserted to their local television station affiliates the networks position that they, as the owners or licensees of programming we broadcast and provide for retransmission, are entitled to a portion of the compensation under the retransmission consent agreements and are including these provisions in their network affiliation agreements. In addition, our affiliation agreements with some broadcast networks include certain terms that may affect our ability to allow multichannel video programming distributors (MVPDs) to retransmit network programming, and in some cases, we may lose the right to grant retransmission consent to such providers. Inclusion of these or similar provisions in our network affiliation agreements could materially reduce this revenue source to the Company and could have an adverse effect on our business, financial condition and results of operations.

In addition, system operators are actively seeking to change the regulations under which retransmission consent is negotiated before both the U.S. Congress and the FCC in order to increase their bargaining leverage with television stations. On March 3, 2011, the FCC initiated a Notice of Proposed Rulemaking to reexamine its rules (i) governing the requirements for good-faith negotiations between MVPDs and broadcasters, including implementing a prohibition on one station negotiating retransmission consent terms for another station under a local service agreement, (ii) for providing advance notice to consumers in the event of dispute and (iii) to extend certain cable-only obligations to all MVPDs. The FCC has also asked for comment on eliminating the network non-duplication and syndicated exclusivity protection rules, which may permit MVPDs to import out-of-market television stations during a retransmission consent dispute. If the FCC prohibits joint negotiations or modifies the network non-duplication and syndicated exclusivity protection rules, such changes could materially reduce this revenue source and could have an adverse effect on our business, financial condition and results of operations.

# The FCC could decide not to grant renewal of the FCC license of any of the stations we operate or provide services to which would require that station to cease operations.

Television broadcast licenses are granted for a maximum term of eight years and are subject to renewal upon application to the FCC. The FCC is required to grant an application for license renewal if, during the preceding term, the station served the public interest, the licensee did not commit any serious violations of the Communications Act of 1934, as amended (the Communications Act ), or the FCC s rules, and the licensee committed no other violations of the Communications Act or the FCC s rules which, taken together, would constitute a pattern of abuse. A majority of renewal applications are routinely granted under this standard. If a licensee fails to meet this standard, the FCC may still grant renewal on terms and conditions that it deems appropriate, including a monetary forfeiture or renewal for a term less than the normal eight-year period.

On October 26, 2005, the Director of the Central Illinois Chapter of the Parents Television Council (PTC) submitted an informal objection to the application for renewal of license for Nexstar's station WCIA in Champaign, Illinois, requesting the FCC withhold action on WCIA's license renewal application until the FCC acts on the PTC's complaint regarding an allegedly indecent broadcast on WCIA.

On January 3, 2006, Cable America Corporation submitted a petition to deny the applications for renewal of license for Nexstar s station KOZL and Mission s station KOLR, both licensed to Springfield, Missouri. Cable America alleged that Nexstar s local service agreements with Mission give Nexstar improper control over Mission s operations. Nexstar and Mission submitted a joint opposition to this petition to deny, and Cable America submitted a reply. Cable America subsequently requested that the FCC dismiss its petition. However, the petition remains pending with the FCC.

Nexstar and Mission filed renewal of license applications for their stations between June 2004 and April 2007. The majority of these applications, including the WCIA, KOZL and KOLR applications discussed above, remain pending with the FCC. Once a renewal application is timely filed, a station may continue to operate under its license even if its expiration date has passed. We and Mission expect the FCC to renew the licenses for our stations in due course but cannot provide any assurances that the FCC will do so.

On June 1, 2012, the FCC s renewal cycle for television stations reinitiated. Nexstar Broadcasting and Mission are required to submit new renewal of license applications for the stations between June 1, 2012 and April 1, 2015. Third parties are permitted to submit objections to these applications.

# The loss of the services of our chief executive officer could disrupt management of our business and impair the execution of our business strategies.

We believe that our success depends upon our ability to retain the services of Perry A. Sook, our founder, President and Chief Executive Officer. Mr. Sook has been instrumental in determining our strategic direction and focus. The loss of Mr. Sook s services could adversely affect our ability to effectively manage our overall operations and successfully execute current or future business strategies.

### Our growth may be limited if we are unable to implement our acquisition strategy.

We intend to continue our growth by selectively pursuing acquisitions of television stations. The television broadcast industry is undergoing consolidation, which may reduce the number of acquisition targets and increase the purchase price of future acquisitions. Some of our competitors may have greater financial or management resources with which to pursue acquisition targets. Therefore, even if we are successful in identifying attractive acquisition targets, we may face considerable competition and our acquisition strategy may not be successful.

FCC rules and policies may also make it more difficult for us to acquire additional television stations. Television station acquisitions are subject to the approval of the FCC and, potentially, other regulatory authorities. FCC rules limit the number of television stations a company may own and define the types of local service agreements that count as ownership by the party providing the services. Those rules are subject to change. The need for FCC and other regulatory approvals could restrict our ability to consummate future transactions if, for example, the FCC or other government agencies believe that a proposed transaction would result in excessive concentration in a market, even if the proposed combinations may otherwise comply with FCC ownership limitations.

# Growing our business through acquisitions involves risks and if we are unable to manage effectively our growth, our operating results will suffer.

Since January 1, 2003, we have more than doubled the number of stations that we own, operate, program or provide sales and other services to, having acquired 22 stations and contracted to provide service to 13 additional stations. We will continue to actively pursue additional acquisition opportunities, such as the proposed acquisition of the Newport Assets. To manage our growth effectively and address the increased reporting requirements and administrative demands that will result from future acquisitions, we will need, among other things, to continue to develop our financial and management controls and management information systems. We will also need to continue to identify, attract and retain highly skilled finance and management personnel. Failure to do any of these tasks in an efficient and timely manner could seriously harm our business.

There are other risks associated with growing our business through acquisitions. For example, with any past or future acquisition, there is the possibility that:

we may not be able to successfully reduce costs, increase advertising revenue or audience share or realize anticipated synergies and economies of scale with respect to any acquired station;

an acquisition may increase our leverage and debt service requirements or may result in our assuming unexpected liabilities;

our management may be reassigned from overseeing existing operations by the need to integrate the acquired business;

we may experience difficulties integrating operations and systems, as well as company policies and cultures;

we may fail to retain and assimilate employees of the acquired business; and

problems may arise in entering new markets in which we have little or no experience. The occurrence of any of these events could have a material adverse effect on our operating results, particularly during the period immediately following any acquisition.

# FCC actions may restrict our ability to create duopolies under local service agreements and may require the termination of certain of our local service agreements, which would harm our existing operations and impair our acquisition strategy.

In some of our markets, we have created duopolies by entering into what we refer to as local service agreements. While these agreements take varying forms, a typical local service agreement is an agreement between two separately owned television stations serving the same market, whereby the owner of one station provides operational assistance to the other station, subject to ultimate editorial and other controls being exercised by the latter station s owner. By operating or entering into local service agreements with more than one station in a market, we (and the other station) achieve significant operational efficiencies. We also broaden our audience reach and enhance our ability to capture more advertising spending in a given market.

While all of our existing local service agreements comply with FCC rules and policies, the FCC may not continue to permit local service agreements as a means of creating duopoly-type opportunities.

On August 2, 2004, the FCC initiated a rule-making proceeding to determine whether to make TV joint sales agreements (JSAs) attributable under its ownership rules. Comments and reply comments were filed in this proceeding in the fourth quarter of 2004. The FCC has not yet issued a decision in this proceeding.

The FCC is required to review its media ownership rules every four years and eliminate those rules it finds no longer serve the public interest, convenience and necessity. During 2009, the FCC held a series of hearings designed to evaluate possible changes to its rules. In May 2010, the FCC formally initiated its 2010 review of its media ownership rules with the issuance of a Notice of Inquiry ( NOI ). In December 2011, the FCC issued a Notice of Proposed Rulemaking ( NPRM ) to seek comment on specific proposed changes to its ownership rules. Among the specific changes proposed in the NPRM are (1) elimination of the contour overlap provision of the local television ownership rule (making the rule entirely DMA-based), (2) elimination of the radio/television cross-ownership rule and (3) modest relaxation of the newspaper/broadcast cross-ownership rule that the court vacated. The NPRM also sought comment on shared services agreements ( SSAs ) and other joint operating arrangements between television stations, and whether such agreements should be considered attributable. Initial comments on the NPRM were filed on March 5, 2012, and reply comments were filed in April 2012. We cannot predict what rules the FCC will adopt or when they will be adopted. However, the FCC might act on these proceedings as early as December 2012 and may deem TV JSAs to be attributable ownership interests and require the termination of existing JSAs within a specified period of time if the newly attributable JSAs do not comply with the local television ownership limits. If the FCC adopts a JSA attribution rule, or any other new or modified rule affecting the ownership of or local

### Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

service agreements between television stations, we will be required to comply with such rules.

### The FCC may decide to terminate grandfathered time brokerage agreements.

The FCC attributes time brokerage agreements and local marketing agreements (TBAs) to the programmer under its ownership limits if the programmer provides 15% or more of a station s weekly broadcast programming. However, TBAs entered into prior to November 5, 1996 are exempt attributable interests for now.

The FCC will review these grandfathered TBAs in the future. During this review, the FCC may determine to terminate the grandfathered period and make all TBAs fully attributable to the programmer. If the FCC does so, we and Mission will be required to terminate the TBAs for stations WFXP (Erie, PA) and KHMT (Billings, MT) unless the FCC simultaneously changes its duopoly rules to allow ownership of two stations in the applicable markets.

# The level of foreign investments held by our principal stockholder, ABRY Partners, LLC and its affiliated funds ( ABRY ), may limit additional foreign investments made in us.

The Communications Act limits the extent of non-U.S. ownership of companies that own U.S. broadcast stations. Under this restriction, a U.S. broadcast company, such as ours, may have no more than 20% (in the case of a license entity) or 25% (in the case of a parent company) non-U.S. ownership (by vote and by equity). Because our majority shareholder, ABRY, has a substantial level of foreign investment, the amount of additional foreign investment that may be made in us is limited to approximately 12% of our total outstanding equity.

# The interest of our principal stockholder, ABRY, in other media may limit our ability to acquire television stations in particular markets, restricting our ability to execute our acquisition strategy.

The number of television stations we may acquire in any market is limited by FCC rules and may vary depending upon whether the interests in other television stations or other media properties of persons affiliated with us are attributable under FCC rules. The broadcast or other media interests of our officers, directors and stockholders with 5% or greater voting power are generally attributable under the FCC s rules, which may limit us from acquiring or owning television stations in particular markets while those officers, directors or stockholders are associated with us. In addition, the holder of otherwise non-attributable equity and/or debt in a licensee in excess of 33% of the total debt and equity of the licensee will be attributable where the holder is either a major program supplier to that licensee or the holder has an attributable interest in another broadcast station or daily newspaper in the same market.

ABRY, our principal stockholder, is one of the largest private firms specializing in media and broadcasting investments. As a result of ABRY s interest in us, we could be prevented from acquiring broadcast companies in markets where ABRY has an attributable interest in television stations or other media, which could impair our ability to execute our acquisition strategy. Our certificate of incorporation allows ABRY and its affiliates to identify, pursue and consummate additional acquisitions of television stations or other broadcast-related businesses that may be complementary to our business and therefore such acquisition opportunities may not be available to us.

### We are controlled by one principal stockholder, ABRY, and its interests may differ from your interests.

As a result of ABRY s controlling interest in us, ABRY is able to exercise a controlling influence over our business and affairs. ABRY is able to unilaterally determine the outcome of any matter submitted to a vote of our stockholders, including the election and removal of directors and the approval of any merger, consolidation or sale of all or substantially all of our assets. In addition, five of our directors are or were affiliated with ABRY. ABRY s interests may differ from the interests of other security holders and ABRY could take actions or make decisions that are not in the best interests of our security holders. Furthermore, this concentration of ownership by ABRY may have the effect of impeding a merger, consolidation, takeover or other business combination involving us or discouraging a potential acquirer from making a tender offer for our shares.

# We and Mission have a material amount of goodwill and intangible assets, and therefore we and Mission could suffer losses due to future asset impairment charges.

As of December 31, 2011 and September 30, 2012, \$335.6 million, or 56.4%, and \$319.0 million, or 52.2%, respectively, of our and Mission s combined total assets consisted of goodwill and intangible assets, including FCC licenses and network affiliation agreements. We recorded an impairment charge of \$16.2 million during the year ended December 31, 2009 that included an impairment to the carrying values of FCC licenses of \$8.8 million, related to 19 of our stations and an impairment to the carrying values of goodwill of \$7.4 million, related to four reporting units consisting of five of our stations. We and Mission test goodwill and FCC licenses annually, and on an interim date if factors or indicators become apparent that would require an interim test of these assets, in accordance with accounting and disclosure requirements for goodwill and other intangible assets. We and Mission test network affiliation agreements whenever circumstances or indicators become apparent the asset may not be recoverable through expected future cash flows. The methods used to evaluate the impairment of Nexstar s and Mission s goodwill and intangible assets would be affected by a significant reduction in operating results or cash flows at one or more of Nexstar s and Mission s television stations, or a forecast of such reductions, a significant adverse change in the advertising marketplaces in which Nexstar s and Mission s television stations operate, the loss of network affiliations, or by adverse changes to FCC ownership rules, among others, which may be beyond our or Mission s control. If the carrying amount of goodwill and intangible assets is revised downward due to impairment, such non-cash charge could materially affect Nexstar s and Mission s financial position and results of operations.

### **Risks Related to Our Industry**

### Our operating results are dependent on advertising revenue and as a result, we may be more vulnerable to economic downturns and other factors beyond our control than businesses not dependent on advertising.

We derive revenue primarily from the sale of advertising time. Our ability to sell advertising time depends on numerous factors that may be beyond our control, including:

the health of the economy in the local markets where our stations are located and in the nation as a whole;

the popularity of our programming;

fluctuations in pricing for local and national advertising;

the activities of our competitors, including increased competition from other forms of advertising-based media, particularly newspapers, cable television, Internet and radio;

the decreased demand for political advertising in non-election years; and

changes in the makeup of the population in the areas where our stations are located.

Because businesses generally reduce their advertising budgets during economic recessions or downturns, the reliance upon advertising revenue makes our operating results particularly susceptible to prevailing economic conditions. Our programming may not attract sufficient targeted viewership, and we may not achieve favorable ratings. Our ratings depend partly upon unpredictable and volatile factors beyond our control, such as viewer preferences, competing programming and the availability of other entertainment activities. A shift in viewer preferences could cause our programming not to gain popularity or to decline in popularity, which could cause our advertising revenue to decline. In addition, we and the programming providers upon which we rely may not be able to anticipate, and effectively react to, shifts in viewer tastes and interests in our markets.

Because a high percentage of our operating expenses are fixed, a relatively small decrease in advertising revenue could have a significant negative impact on our financial results.

### Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

Our business is characterized generally by high fixed costs, primarily for debt service, broadcast rights and personnel. Other than commissions paid to our sales staff and outside sales agencies, our expenses do not vary significantly with the increase or decrease in advertising revenue. As a result, a relatively small change in

advertising prices could have a disproportionate effect on our financial results. Accordingly, a minor shortfall in expected revenue could have a significant negative impact on our financial results.

### Preemption of regularly scheduled programming by network news coverage may affect our revenue and results of operations.

Nexstar may experience a loss of advertising revenue and incur additional broadcasting expenses due to preemption of the Company s regularly scheduled programming by network coverage of a major global news event such as a war or terrorist attack. As a result, advertising may not be aired and the revenue for such advertising may be lost unless the station is able to run the advertising at agreed-upon times in the future. Advertisers may not agree to run such advertising in future time periods, and space may not be available for such advertising. The duration of such preemption of local programming cannot be predicted if it occurs. In addition, our stations and the stations we provide services to may incur additional expenses as a result of expanded news coverage of a war or terrorist attack. The loss of revenue and increased expenses could negatively affect our results of operations.

### If we are unable to respond to changes in technology and evolving industry trends, our television businesses may not be able to compete effectively.

New technologies could also adversely affect our television stations. Information delivery and programming alternatives such as cable, direct satellite-to-home services, pay-per-view, the Internet, telephone company services, mobile devices, digital video recorders and home video and entertainment systems have fractionalized television viewing audiences and expanded the numbers and types of distribution channels for advertisers to access. Over the past decade, cable television programming services, other emerging video distribution platforms and the Internet have captured an increasing market share, while the aggregate viewership of the major television networks has declined. In addition, the expansion of cable and satellite television, the Internet and other technological changes have increased, and may continue to increase, the competitive demand for programming. Such increased demand, together with rising production costs, may increase our programming costs or impair our ability to acquire or develop desired programming.

In addition, video compression techniques, now in use with direct broadcast satellites, cable and wireless cable are expected to permit greater numbers of channels to be carried within existing bandwidth. These compression techniques as well as other technological developments are applicable to all video delivery systems, including over-the-air broadcasting, and have the potential to provide vastly expanded programming to targeted audiences. Reduction in the cost of creating additional channel capacity could lower entry barriers for new channels and encourage the development of increasingly specialized niche programming, resulting in more audience fractionalization. This ability to reach very narrowly defined audiences may alter the competitive dynamics for advertising expenditures. We are unable to predict the effect that these and other technological changes will have on the television industry or our results of operations.

#### The FCC can sanction us for programming broadcast on our stations which it finds to be indecent.

In 2004, the FCC began to impose substantial fines on television broadcasters for the broadcast of indecent material in violation of the Communications Act and its rules. The FCC also revised its indecency review analysis to more strictly prohibit the use of certain language on broadcast television. In one of several judicial appeals of FCC enforcement actions, a Federal court in July 2010 held the FCC s indecency standards to be unconstitutionally vague under the First Amendment. The U.S. Supreme Court agreed to review that decision and in June 2012, issued a narrow decision setting aside FCC orders citing FOX and ABC for indecency violations, finding that the FCC failed to provide adequate prior notice that the sanctioned materials could be found actionably indecent. The U.S. Supreme Court did not otherwise address whether the FCC s current indecency policy is consistent with the First Amendment. Because our and Mission s stations programming is in large part comprised of programming provided by the networks with which the stations are affiliated, we and Mission do

not have full control over what is broadcast on our stations, and we and Mission may be subject to the imposition of fines if the FCC finds such programming to be indecent. Fines may be imposed on a television broadcaster for an indecency violation to a maximum of \$325,000 per violation.

### Intense competition in the television industry could limit our growth and impair our ability to become profitable.

As a television broadcasting company, we face a significant level of competition, both directly and indirectly. Generally we compete for our audience against all the other leisure activities in which one could choose to engage rather than watch television. Specifically, stations we own or provide services to compete for audience share, programming and advertising revenue with other television stations in their respective markets and with other advertising media, including newspapers, radio stations, cable television, DBS systems and the Internet.

The entertainment and television industries are highly competitive and are undergoing a period of consolidation. Many of our current and potential competitors have greater financial, marketing, programming and broadcasting resources than we do. The markets in which we operate are also in a constant state of change arising from, among other things, technological improvements and economic and regulatory developments. Technological innovation and the resulting proliferation of television entertainment, such as cable television, wireless cable, satellite-to-home distribution services, pay-per-view, home video and entertainment systems and Internet and mobile distribution of video programming have fractionalized television viewing audiences and have subjected free over-the-air television broadcast stations to increased competition. We may not be able to compete effectively or adjust our business plans to meet changing market conditions. We are unable to predict what form of competition will develop in the future, the extent of the competition or its possible effects on our business.

# The FCC could implement regulations or the U.S. Congress could adopt legislation that might have a significant impact on the operations of the stations we own and the stations we provide services to or the television broadcasting industry as a whole.

The FCC has initiated proceedings to determine whether to make TV joint sales agreements and shared services agreements attributable interests under its ownership rules; to determine whether it should establish more detailed criteria and additional recordkeeping and reporting obligations with respect to broadcasters requirements to serve the local public interest; and to determine whether to modify or eliminate certain of its broadcast ownership rules, including the radio-television cross-ownership rule and the newspaper-television cross-ownership rule. Changes to any of these rules may have significant impact on us and the stations to which we provide services.

In addition, the FCC has sought comment on whether there are alternatives to the use of DMAs to define local markets such that certain viewers whose current DMAs straddle multiple states would be provided with more in-state broadcast programming. If the FCC determines to modify the use of existing DMAs to determine a station s local market, such change might materially alter current station operations and could have an adverse effect on our business, financial condition and results of operations.

The FCC also may decide to initiate other new rule making proceedings on its own or in response to requests from outside parties, any of which might have such an impact. The U.S. Congress also may act to amend the Communications Act in a manner that could impact our stations and the stations we provide services to or the television broadcast industry in general.

# The FCC may reallocate some portion of the spectrum available for use by television broadcasters to wireless broadband use which alteration could substantially impact our future operations and may reduce viewer access to our programming.

The FCC has initiated various proceedings to assess the availability of spectrum to meet future wireless broadband needs. The FCC s March 2010 National Broadband Plan recommends the reallocation of 120 megahertz of the spectrum currently used for broadcast television for wireless broadband use. The FCC has so far adopted rules permitting television stations to share a single 6 megahertz channel and requested comment on proposals that include, among other things, whether to add new frequency allocations in the television bands for licensed fixed and mobile wireless uses and whether to implement technical rule modifications to improve the viability of certain channels that are underutilized by digital television stations. In February 2012, the U.S. Congress adopted legislation authorizing the FCC to conduct an incentive auction whereby spectrum holders, including television broadcasters, could voluntarily relinquish all or part of their spectrum in exchange for consideration. On September 28, 2012, the FCC adopted a Notice of Proposed Rule Making seeking public comment on the design of the incentive auction and various technical issues related to the reallocation of television spectrum for mobile broadband use. A reallocation of television stations to change channel or otherwise modify their technical facilities. Future steps to reallocate television spectrum to broadband use may be to the detriment of our investment in digital facilities, could require substantial additional investment to continue our current operations, and may require viewers to invest in additional equipment or subscription services to continue receiving broadcast television signals. We cannot predict the timing or results of television spectrum reallocation efforts or their impact to our business.

### **Risks Relating to Our Class A Common Stock**

### Concentration of ownership by our principal stockholder may prevent new investors from influencing significant corporate decisions.

Prior to this proposed offering, as of November 20, 2012, ABRY, our largest stockholder, holds approximately 22.3% of our outstanding Class A common stock and 97.1% of our outstanding Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except voting and conversion rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to ten votes and is convertible at any time, subject to certain conditions, into one share of Class A common stock. As a result, ABRY holds approximately 89.3% of the voting power of our outstanding capital stock prior to this proposed offering, and is expected to hold or have the ability to control approximately 78.0% of the voting power of our outstanding capital stock following this offering or 75.2% of the voting price. These amounts assume that only the minimum number of shares of Class B common stock are converted by ABRY into shares of Class A common stock in order to permit the sale of shares of Class A common stock contemplated herein. As a result of their ownership positions, our principal stockholder is able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions and have significant influence over our management and policies. Five of the ten members of our board of directors are principals of ABRY. ABRY can take actions that have the effect of delaying a change in control of us or discouraging others from making tender offers for our shares, which could prevent stockholders from receiving a premium for their shares. These actions may be taken even if other stockholders oppose them. The concentration of voting power by ABRY may have an adverse effect on the price of our Class A common stock. The interests of ABRY may not be consistent with your interests as a stockholder.

Our amended and restated certificate of incorporation provides that the provisions of Section 203 of the Delaware General Corporation Law (the DGCL) that relate to business combinations with interested stockholders will apply to us. Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a business combination transaction with an interested stockholder for a period of three years after the

interested stockholder became such unless the transaction fits within an applicable exemption, such as board approval of the business combination or the transaction which resulted in such stockholder becoming an interested stockholder. The provisions of Section 203 of the DGCL may delay, prevent or deter a merger, acquisition, tender offer or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their Class A common stock.

Our amended and restated certificate of incorporation provides that the doctrine of corporate opportunity does not apply to ABRY, or any of our directors who are employees of or affiliated with ABRY, in a manner that would prohibit them from investing or participating in competing businesses. To the extent they invest in such other businesses, ABRY may have differing interests than our other stockholders. The provisions of our amended and restated certificate of incorporation relating to corporate opportunity terminate, subject to limited exceptions, at such time as ABRY and any company controlling, controlled by or under common control with ABRY shall first cease to be the owner, in the aggregate, of Class A common stock representing five percent (5%) or more of the votes entitled to be cast by the holders of all the then-outstanding shares of our Class A common stock.

# Future sales of our Class A common stock, or the possibility or perception in the public markets that these sales may occur, could depress our stock price.

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that these sales could occur, could substantially decrease the market price of our Class A common stock. Substantially all of the shares of our Class A common stock are available for resale in the public market, other than shares held by our affiliates which are subject to certain restrictions and limitations set forth in Rule 144 of the Securities Act. Registration of the sale of these shares of our Class A common stock would permit their sale into the market immediately. Upon registration of any of these shares for resale, the market price of our Class A common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them.

In addition, we have registered the offer and sale of all shares of our Class A common stock held by ABRY. In connection with the proposed offering, ABRY may sell a large number of shares, which could cause the prevailing market price of our Class A common stock to decline.

#### The market price of our Class A common stock may be volatile, which could cause the value of our Class A common stock to decline.

The market price of our Class A common stock may be volatile due to a number of factors such as those listed under the caption Risks Related to Our Operations above and the following, some of which are beyond our control:

quarterly variations in our results of operations;

results of operations that vary from the expectations of securities analysts and investors;

changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;

announcements by third parties of significant claims or proceedings against us;

future sales of our Class A common stock;

general U.S. and global economic conditions;

strategic actions by us or our competitors;

### Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

announcements by us or our competitors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;

risks related to our business and our industry, including those discussed above; and

investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives. Furthermore, the stock market can experience extreme volatility that in some cases has been unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our Class A common stock, regardless of our actual operating performance.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of our senior management team from our business regardless of the outcome of such litigation.

We, the selling stockholders and certain of our executive officers and directors have agreed, subject to certain exceptions, not to dispose of or hedge any of the shares of Class A common stock or securities convertible into or exchangeable for shares of Class A common stock during the period from the date of this prospectus supplement continuing through the date 90 days after the date of this prospectus supplement, except, among other things, in our case, for the issuance of Class A common stock upon the exercise of options under existing option plans and except, in the case of the selling stockholders, among other things, for the shares being offered hereby. Credit Suisse Securities (USA) LLC and Wells Fargo Securities, LLC may, in their sole discretion, release any of these shares from these restrictions at any time without notice. See Underwriting.

After the expiration of the lock-up period, these shares may be sold in the public market, subject to prior registration or qualification for an exemption from registration, including, in the case of shares held by affiliates, compliance with the volume restrictions and other securities laws. To the extent that any of these stockholders sell, or indicate an intent to sell, substantial amounts of our Class A common stock in the public market after the contractual lock-ups and other legal restrictions on resale discussed in this prospectus supplement lapse, the trading price of our Class A common stock could decline significantly.

#### Our actual operating results may differ significantly from our guidance.

From time to time, we release guidance regarding our future performance that represents our management s estimates as of the date of release. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the release. Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines the guidance and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that we release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results

will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is forecast. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this prospectus could result in the actual operating results being different than the guidance, and such differences may be adverse and material.

# If securities analysts do not continue to publish research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.

We expect that the trading price for our Class A common stock may be affected by research or reports that industry or financial analysts publish about us or our business. If one or more of the analysts who cover us downgrade their evaluations of our Class A common stock, the price of our stock could decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

### Our certificate of incorporation, bylaws, debt instruments and Delaware law contain anti-takeover protections that may discourage or prevent a takeover of us, even if an acquisition would be beneficial to our stockholders.

Provisions of our certificate of incorporation and bylaws, as well as provisions of the Delaware General Corporation Law, could delay or make it more difficult to remove incumbent directors or for a third party to acquire us, even if a takeover would benefit our stockholders. The provisions in our certificate of incorporation and bylaws:

authorize the issuance of blank check preferred stock by our board of directors without a stockholder vote;

do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates; and

#### set forth specific advance notice procedures for matters to be raised at stockholder meetings.

The Delaware General Corporation Law prohibits us from engaging in business combinations with interested shareholders (with some exceptions) unless such transaction is approved in a prescribed manner. The existence of this provision could have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for our Class A common stock.

In addition, under the terms of the Existing Credit Facilities and the Senior Secured Credit Facilities, a change in control would be an event of default under the Existing Credit Facilities and the Senior Secured Credit Facilities and trigger the rights of holders of the 2017 Notes to cause the Company to repurchase such notes. These events would add to the cost of an acquisition, which could deter a third party from acquiring us.

#### Additional issuances of equity securities would dilute the ownership of our existing stockholders and could reduce our earnings per share.

We may issue equity securities in the future in connection with capital raisings, acquisitions, strategic transactions or for other purposes. To the extent we issue substantial additional equity securities, the ownership of our existing stockholders would be diluted and our earnings per share could be reduced.

#### **USE OF PROCEEDS**

All of the shares of Class A common stock offered by the selling stockholders pursuant to this prospectus supplement will be sold by the selling stockholders for their own account. We will not receive any of the proceeds from these sales. We will bear a portion of the expenses of the offering of Class A common stock, except that the selling stockholders will pay any applicable underwriting fees, discounts or commissions and certain transfer taxes. See Selling Stockholders.

#### **DIVIDEND POLICY**

On November 26, 2012, we announced a new dividend policy pursuant to which our board of directors has authorized us to declare a total annual cash dividend with respect to its shares of Class A common stock and Class B common stock of \$0.48 per share in equal quarterly installments of \$0.12 per share, concurrent with the closing of the acquisition of the assets being acquired by Nexstar Broadcasting as part of the Newport Acquisition and entry into the Senior Secured Credit Facilities. Future cash dividends, if any, will be at the discretion of our board of directors and can be changed or discontinued at any time. Dividend determinations (including the amount of the cash dividend, the record date and date of payment) will depend upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors as the board of directors may deem relevant. In addition, the Existing Credit Facilities, the Senior Secured Credit Facilities and the indentures governing the 2017 Notes and the 2020 Notes limit our ability to pay dividends. The first quarterly cash dividend is expected to be paid, subject to declaration by the board of directors, in the first quarter of 2013.

#### UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

On July 18, 2012, Nexstar Broadcasting and Mission entered into asset purchase agreements with Newport to acquire the Newport Assets for total consideration of \$285.5 million in cash. Nexstar Broadcasting will acquire ten stations in Salt Lake City, Utah, Memphis, Tennessee, Syracuse, New York, Binghamton, New York, Elmira, New York, Watertown, New York and Jackson, Tennessee as well as Newport s Inergize Digital Media operations and Mission will acquire two stations in Little Rock, Arkansas.

In connection with the Newport Acquisition, Nexstar Broadcasting and Mission have received commitments to enter into the Senior Secured Credit Facilities, which is expected to consist of a \$350.0 million term loan facility with a seven-year maturity and a \$100.0 million revolving credit facility with a five-year maturity. Nexstar Broadcasting and Mission intend to use the proceeds from the Senior Secured Credit Facilities to finance the Newport Acquisition, refinance the balance outstanding under the Existing Credit Facilities and for general corporate purposes.

On October 24, 2012, Nexstar Broadcasting commenced a cash tender offer and related consent solicitation for any and all of its outstanding 2014 Notes and 2014 PIK Notes. The consummation of the tender offer and related consent solicitation were contingent upon, among other things, Nexstar Broadcasting obtaining the proceeds from a proposed senior notes offering on terms satisfactory to Nexstar Broadcasting. On November 9, 2012, Nexstar Broadcasting issued \$250 million in aggregate principal amount of 2020 Notes. The 2020 Notes are senior unsecured obligations of Nexstar Broadcasting and are guaranteed by Nexstar Broadcasting Group and Mission. The proceeds from this offering were used by Nexstar Broadcasting to repurchase substantially all of its outstanding 2014 Notes and 2014 PIK Notes in accordance with the terms of the tender offer and related consent solicitation noted above, refinance a portion of its borrowings outstanding under its existing senior secured credit facilities and pay related fees and expenses. The tender offer and related consent solicitation expired pursuant to their terms on November 21, 2012.

The Newport Acquisition, entry into the Senior Secured Credit Facilities, issuance of the 2020 Notes, repurchase of substantially all of the 2014 Notes and 2014 PIK Notes and refinancing of the Existing Credit Facilities are collectively referred to as the Transactions.

The unaudited pro forma combined statements of operations and other financial data give effect to the Transactions as if they had occurred on January 1, 2011. The unaudited pro forma combined balance sheet data gives effect to the Transactions as if they had occurred on September 30, 2012. The unaudited pro forma combined financial data should be read in conjunction with the audited financial statements filed in the Annual Report on Form 10-K on March 15, 2012 and the unaudited financial statements filed in the Quarterly Report on Form 10-Q on November 8, 2012 by the Company and the audited and unaudited financial statements of the Newport Assets filed with the SEC. The unaudited pro forma combined financial data do not purport to represent what our results of operations, balance sheet data or financial information would have been if the Transactions had occurred as of the dates indicated, or what such results will be for any future periods. The unaudited pro forma combined financial data are based on certain assumptions, which are described in the accompanying notes and which management believes are reasonable.

## NEXSTAR BROADCASTING GROUP, INC.

## UNAUDITED PRO FORMA COMBINED BALANCE SHEET

## AS OF SEPTEMBER 30, 2012

## (in thousands)

	Histor	F					
	Nexstar	Newport Assets	Financing Arrangements		Acquisition of Newport Assets		Pro Forma Combined
Assets			-				
Current assets:							
Cash and cash equivalents	\$ 12,236		289,042	(i)(j)(l)	(258,589)	(a)(h)	42,689
Accounts receivable, net	67,446	15,002			(15,002)	(b)	67,446
Current portion of broadcast rights	19,169	4,776					23,945
Prepaid expenses and other current assets	2,412	524					2,936
Total current assets	101,263	20,302	289,042		(273,591)		137,016
Property and equipment, net	139,742	43,628			8,931	(c)	192,301
Broadcast rights	16,381	1,628					18,009
Goodwill	112,575	18,421			104,835	(d)	235,831
FCC licenses	119,569	73,966			(328)	(e)(f)	193,207
FCC licenses of Mission	21,939				12,446	(f)	34,385
Other intangible assets, net	64,924	2,210			22,779	(g)	89,913
Other noncurrent assets, net	34,966	1,197	10,082	(j)	(28,554)	(a)	17,691
Total assets	\$ 611,359	161,352	299,124		(153,482)		918,353
Liabilities and Stockholders							
Equity (Deficit)							
Current liabilities:							
Current portion of debt	\$ 1,500		1,125	(k)			2,625
Current portion of broadcast rights payable	16,338	6,981					23,319
Accounts payable	8,948	1,256			(1,256)	(b)	8,948
Accrued expenses	13,512	2,263			(2,263)	(b)	13,512
Taxes payable	295						295
Interest payable	14,982		(1,763)	(1)			13,219
Deferred revenue	3,539						3,539
Other liabilities of Mission	5,914						5,914
Other liabilities	1,130	13					1,143
Total current liabilities	66,158	10,513	(638)		(3,519)		72,514
Debt	613,748		302,743	(i)			916,491
Broadcast rights payable	12,984	2,476					15,460
Deferred tax liabilities	43,666						43,666
Deferred revenue	136						136
Deferred gain on sale of assets	1,821						1,821
Deferred representation fee incentive	3,781						3,781
Other liabilities of Mission	21,410						21,410
Other liabilities	7,932	7					7,939

# Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

Total liabilities	771,636	12,996	302,105		(3,519)		1,083,218
Commitments and contingencies Stockholders deficit: Preferred stock							
Common stock	290						290
Owners equity		148,356			(148,356)	(b)	
Additional paid-in capital	408,384						408,384
Accumulated deficit	(568,951)		(2,981)	(m)	(1,607)	(h)	(573,539)
Total stockholders deficit	(160,277)	148,356	(2,981)		(149,963)		(164,865)
Total liabilities and stockholders equity (deficit)	\$ 611,359	161,352	299,124		(153,482)		918,353

See the accompanying notes to the unaudited pro forma combined financial data.

## NEXSTAR BROADCASTING GROUP, INC.

## UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

## (in thousands, except per share amounts)

		Histo	rical Newport		Pro Forma			Dr	o Forma
	1	Nexstar	Assets	Reclassifications		Adjustments			ombined
Net revenue		262,458	\$ 75,929	\$		\$		-	338,387
Operating expenses (income):	+	,	+ . • ,	Ŧ		Ŧ		Ŧ	,
Direct operating expenses, excluding depreciation and									
amortization		65,930	23,979	(5,385)	(s)				84,524
Selling, general, and administrative expenses, excluding		<i>,</i>	,						<i>,</i>
depreciation and amortization		81,771	27,863			(943)	(n)		108,691
Amortization of broadcast rights		16,303	,	5,385	(s)				21,688
Depreciation and amortization		33,954	5,576	,		1,271	(0)		40,801
(Gain) loss on asset disposal, net		(25)	529						504
Total operating expenses		197,933	57,947			328			256,208
Income from operations		64,525	17,982			(328)			82,179
Interest expense, net		(37,921)				(11,891)	(p)		(49,812)
Loss on extinguishment of debt		(497)				497	(q)		
Equity in losses of nonconsolidated affiliates			(304)				-		(304)
Income before income taxes		26,107	17,678			(11,722)			32,063
Income tax expense		(4,712)	(222)			(3,880)	(r)		(8,814)
L L							( )		
Net income	\$	21,395	\$ 17,456	\$		\$ (15,602)		\$	23,249
Net income per common share:									
Basic	\$	0.74						\$	0.80
Diluted	\$	0.70						\$	0.76
Weighted average number of common shares outstanding:									
Basic		28,881							28,881
Diluted		30,561							30,561
See the accompanying not	tes to	the unaud	lited pro form	na combined finan	cial da	ata.			

See the accompanying notes to the unaudited pro forma combined financial data.

## NEXSTAR BROADCASTING GROUP, INC.

## UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

## FOR THE YEAR ENDED DECEMBER 31, 2011

## (in thousands, except per share amounts)

	Histor	rical Newport			Pro Forma	Pro Forma	
	Nexstar	Assets	Reclassifications		Adjustments		Combined
Net revenue	\$ 306,491	\$ 96,915	\$		\$		\$ 403,406
Operating expenses:							
Direct operating expenses, excluding depreciation and							
amortization	81,657	33,149	(9,129)	(s)			105,677
Selling, general, and administrative expenses,							
excluding depreciation and amortization	105,167	35,324					140,491
Amortization of broadcast rights	23,389		9,129	(s)			32,518
Depreciation and amortization	47,824	7,261			1,971	(o)	57,056
Loss on asset disposal, net	461	893					1,354
Total operating expenses	258,498	76,627			1,971		337,096
Income from operations	47,993	20,288			(1,971)		66,310
Interest expense, net	(53,004)	,			(15,187)	(p)	(68,191)
Loss on extinguishment of debt	(1,155)				458	(q)	(697)
Equity in losses of nonconsolidated affiliates		(410)					(410)
(Loss) income before income taxes	(6,166)	19,878			(16,700)		(2,988)
Income tax expense	(5,725)	(295)			(5,174)	(r)	(11,194)
Net (loss) income	\$ (11,891)	\$ 19,583	\$		\$ (21,874)		\$ (14,182)
Net loss per common share:							
Basic and diluted	\$ (0.42)						\$ (0.50)
Weighted average number of common shares outstanding:							
Basic and diluted	28,626						28,626
See the accompanying	- )	audited pro	forma combined fi	nancial	data.		20,020
		FIG.					

#### Notes to Unaudited Pro Forma Combined Financial Data

#### Note 1 Basis of Pro Forma Presentation

The unaudited pro forma combined financial statements and explanatory notes give effect to the retirement of the 2014 Notes and the 2014 PIK Notes, the refinance of Nexstar Broadcasting s and Mission s Existing Credit Facilities, the acquisition of the Newport Assets by Nexstar Broadcasting and Mission, for which Nexstar Broadcasting will provide certain services under local service agreements with Mission, and the issuance of the 2020 Notes. As discussed in the Company s consolidated financial statements contained in previously filed Forms 10-Q and 10-K, Mission is included in such financial statements because Nexstar is deemed under GAAP to have a controlling financial interest in Mission as a variable interest entity for financial reporting purposes. The unaudited pro forma combined balance sheet is presented as if the Transactions had occurred as of September 30, 2012. The unaudited pro forma combined statements of operations are presented as if the Transactions had occurred on January 1, 2011.

The Newport Acquisition will be accounted for as a business combination. Accordingly, the total purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price over the amounts assigned to tangible and intangible assets acquired and liabilities assumed is recognized as goodwill. The preparation of unaudited pro forma combined financial statements requires management to make estimates and assumptions that affect the amounts reported in such financial statements and the notes thereto. Estimates were applied herein to determine the applicable interest rate on the term loans under our senior secured credit facility, the valuation of goodwill, intangible assets and property, plant, and equipment, amortization of intangible assets, depreciation of tangible fixed assets, costs to be incurred related to the Transactions and the income tax effects of the pro forma adjustments. The purchase price allocation as of the ultimate acquisition date and the resulting effect on income from operations will differ from the amounts included herein.

The unaudited pro forma combined financial statements are based on the historical financial statements of the Company and the Newport Assets after giving effect to the Transactions, as well as the assumptions and adjustments described in the accompanying notes. The unaudited pro forma combined financial statements are presented for illustrative purposes only and are not indicative of either future results of operations or results that might have been achieved if the Newport Acquisition was consummated as of January 1, 2011. This information should be read in conjunction with the accompanying notes to the unaudited pro forma combined financial statements and the historical consolidated financial statements and accompanying notes of the Company and the Newport Assets.

#### Note 2 Purchase Price Allocation

The following table summarizes, as of September 30, 2012, the provisional allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed in the acquisitions, after giving effect to the Transactions (in thousands):

Broadcast rights	\$ 6,404
Property and equipment	52,559
FCC licenses	86,084
Other intangible assets	24,989
Other assets	1,721
Goodwill	123,256
Broadcast rights payable	(9,457)
Broadcast rights payable	(9,457)
Other liabilities	(20)
Net assets acquired	\$ 285,536

The amount allocated to definite-lived intangible assets primarily represents the estimated fair values of network affiliation agreements, which will be amortized over 15 years.

The provisional purchase price allocation presented above is based upon all information available to us at the present time, and is based upon management s preliminary estimates of the fair values using valuation techniques including income, cost and market approaches. The purchase price allocation is provisional pending our final determination of the fair values of the assets and liabilities, which we expect will occur within twelve months following the Acquisition. Upon the completion of the final purchase price allocation, any reallocation of fair values to the assets acquired and liabilities assumed in the Newport Acquisition could have a material impact on the Company s depreciation and amortization expenses and future results of operations. A change in the recognized fair value of definite-lived intangible assets of \$1.0 million would result in an approximate change in annual amortization expense of \$0.1 million.

Goodwill of \$123.3 million is attributable to future expense reductions utilizing management s leverage in programming and other station operating costs. The Company anticipates that the goodwill and FCC licenses will be deductible for tax purposes.

#### Note 3 Pro Forma Adjustments

The unaudited pro forma combined financial statements reflecting the Transactions include adjustments attributed to the repayment of the 2014 Notes of \$3.9 million and the 2014 PIK Notes of \$112.6 million, the refinancing of the Existing Credit Facilities, the Newport Acquisition, the issuance of the 2020 Notes, the entry into the new Senior Secured Credit Facilities and related fees and expenses. The expected borrowings to finance the acquisitions and repayment of existing loans include the net proceeds of the 2020 Notes and \$350.0 million of term loans under the new Senior Secured Credit Facilities. The unaudited pro forma combined financial statements reflect the purchase of certain assets and the assumption of certain liabilities of the Newport Assets. The Newport Acquisition includes programming assets and obligations, FCC broadcast licenses, and property, plant, and equipment. The Newport Acquisition excludes cash and cash equivalents, working capital items such as accounts receivable, accounts payable and accrued liabilities, assets and obligations related to the Newport Assets corporate operations and overhead, and obligations under the Newport Assets outstanding debt. Accordingly, the unaudited pro forma combined financial statements include adjustments to reverse the assets and liabilities of the Newport Assets that are not being acquired by Nexstar Broadcasting or Mission pursuant to the asset purchase agreements.

The unaudited pro forma combined statements of operations do not include any costs that may result from acquisition and integration activities. The unaudited pro forma combined statements of operations do not include any adjustments to eliminate operating expenses associated with the Newport Assets corporate offices and related overhead, nor do they adjust for expected future incremental operating income as a result of synergies the Company expects to realize.

#### Adjustments to Unaudited Pro Forma Combined Balance Sheet

The pro forma adjustments in the unaudited pro forma combined balance sheet related to the Transactions as of September 30, 2012 are as follows:

- (a) Represents the purchase price of \$285.5 million, less escrow deposit payments of \$28.6 million per the Asset Purchase Agreements, and an approximation of the acquisition related costs of \$1.6 million.
- (b) Certain assets and liabilities of the Newport Assets were not acquired or assumed in the asset purchase agreements in connection with the Newport Acquisition.
- (c) Represents the estimated fair values of the acquired property and equipment, less the values previously recorded in the historical financial statements of the Newport Assets.

- (d) Represents the difference between the purchase price and the fair value of the acquired net assets, less the goodwill previously recorded in the historical financial statements of the Newport Assets.
- (e) Represents the estimated fair values of the acquired FCC licenses by Nexstar Broadcasting, less the values previously recorded in the historical financial statements of the Newport Assets.
- (f) Represents the estimated fair values of the FCC licenses acquired by Mission, less the values previously recorded in the historical financial statements of the Newport Assets. The historical values of the Newport Assets were all recorded in the line discussed in note (e) above.
- (g) Represents the estimated fair values primarily of the network affiliation agreements of the acquired stations, less the values previously recorded in the historical financial statements of the Newport Assets.
- (h) Represents the estimated acquisition costs that have not yet been paid, primarily relating to legal and other professional fees.
- (i) Represents the proceeds of 2020 Notes and \$350 million term loans, less the repayment of the principal outstanding under the 2014 Notes, the 2014 PIK Notes and the Existing Credit Facilities.
- (j) Represents the deferral of the costs incurred related to the financing of \$12.3 million, primarily for lender fees and legal and professional fees, less the write-off of the balance of the deferred costs related to the Existing Credit Facilities, the 2014 Notes and the 2014 PIK Notes.
- (k) Represents the incremental current liability related to the Term Loans.
- (1) Represents the payment of outstanding interest due on the Existing Credit Facilities, the 2014 Notes and the 2014 PIK Notes.
- (m) Represents the write-off of the deferred financing costs and remaining discounts related to the Existing Credit Facilities, the 2014 Notes and the 2014 PIK Notes.

#### Adjustments to Unaudited Pro Forma Combined Statement of Operations

The pro forma adjustments in the unaudited pro forma combined statement of operations related to the Transactions, including the related acquisition financing as of January 1, 2011 are as follows:

- (n) Represents acquisition related costs attributable to the Transactions recognized by Nexstar in the nine months ended September 30, 2012.
- (o) Represents the amortization for the nine months ended September 30, 2012 and the year ended December 31, 2011 of acquired intangible assets of \$1.3 million and \$1.8 million, respectively, and depreciation of property and equipment acquired of \$0.3 million and \$0.4 million, respectively, less the depreciation and amortization previously recognized in the historical financial statements of the Newport Assets.

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

- (p) Represents the additional interest expense from the new financing agreements and amortization of new deferred financing costs and discounts less interest, deferred financing costs and discounts on the 2014 Notes, 2014 PIK Notes and the Existing Credit Facilities. The impact of a 1/8% increase or decrease in LIBOR would not result in any change in the annual interest expense presented.
- (q) Represents loss on extinguishment recognized by Nexstar Broadcasting related to the 2014 Notes and 2014 PIK Notes due to various redemptions and repurchases during the periods presented.
- (r) Represents the tax impact of the taxable amortization of goodwill and FCC licenses, less the income taxes recognized in the historical financial statements of the Newport Assets. The Company s provision for income taxes is primarily comprised of deferred income taxes resulting from the amortization of goodwill and FCC licenses for income tax purposes which are not amortized for financial reporting

purposes. No benefit has been recognized for taxable losses as the utilization of such losses is not more likely than not to be realized in the foreseeable future.

(s) The historical financial statements of the Newport Assets included the amortization of cash and barter broadcast rights in direct operating expense. These amounts were reclassified to conform to the presentation of the Company s financial statements.

#### SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our selected historical financial data for the periods and at the dates indicated. We have derived the selected historical financial data as of December 31, 2010 and 2011 and for the three years in the period ended December 31, 2011 from our audited consolidated financial statements incorporated by reference in this prospectus supplement. The selected historical financial data as of December 31, 2009 and for the years ended December 31, 2007 and 2008 have been derived from our audited consolidated financial statements. The balance sheet data as of September 30, 2011 have been derived from our unaudited consolidated financial statements. We have derived the selected historical financial data as of September 30, 2012 and for the nine month periods ended September 30, 2011 and September 30, 2012 from our unaudited consolidated financial statements.

The selected historical financial data included below and elsewhere in this prospectus supplement are not necessarily indicative of future results. The Transactions will affect comparability between periods. The information presented below should be read with the information included under the headings Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the related notes incorporated by reference in this prospectus supplement.

(in thousands)	2007	Year 1 2008	2011	Nine Months Ended September 30, 2011 2012			
Statements of Operations Data:							
Net revenue	\$ 266,801	\$ 284,919	\$ 251,979	\$ 313,350	\$ 306,491	\$ 220,289	\$ 262,458
Operating expenses (income):							
Direct operating expenses, excluding							
depreciation and amortization	74,128	78,287	77,233	78,322	81,657	59,634	65,930
Selling, general and administrative expenses,							
excluding depreciation and amortization	86,773	90,468	89,525	100,891	105,167	76,313	81,771
Restructure charge			670				
Non-cash contract termination fees		7,167	191				
Impairment of goodwill(1)		38,856	7,360				
Impairment of other intangible							
assets(1)		43,539	8,804				
Amortization of broadcast rights	21,457	20,423	25,263	21,481	23,389	17,499	16,303
Amortization of intangible assets	25,671	28,129	23,705	23,732	25,979	20,411	16,595
Depreciation	20,209	21,024	21,680	21,112	21,845	16,053	17,359
Gain on asset exchange	(1,962)	(4,776)	(8,093)	(30)			
(Gain) loss on asset disposal, net	(17)	(43)	(2,560)	294	461	20	(25)
Income (loss) from operations	40,542	(38,155)	8,201	67,548	47,993	30,359	64,525
Interest expense, net	(54,508)	(48,117)	(39,182)	(54,266)	(53,004)	(40,082)	(37,921)
Gain (loss) on extinguishment of debt	(34,500)	2,897	18,567	(8,356)	(1,155)	(1,155)	(497)
Gain (1055) on extinguisiment of deot		2,077	10,507	(0,550)	(1,155)	(1,155)	(1)
(Loss) income before income taxes	(13,966)	(83,375)	(12,414)	4,926	(6,166)	(10,878)	26,107
Income tax (expense) benefit	(5,807)	5,316	(200)	(6,741)	(5,725)	(4,277)	(4,712)
Net (loss) income	\$ (19,773)	\$ (78,059)	\$ (12,614)	\$ (1,815)	\$ (11,891)	\$ (15,155)	\$ 21,395

		As of Sept	tember 30,				
(in thousands)	2007	2008	2009	2010	2011	2011	2012
Balance Sheet Data:							
Cash and cash equivalents	\$ 16,226	\$ 15,834	\$ 12,752	\$ 23,658	\$ 7,456	\$ 7,814	\$ 12,236
Working capital (deficit)	(11,472)	27,391	36,875	53,622	39,619	26,204	35,105
Net intangible assets and goodwill	494,092	390,540	362,762	339,040	335,602	330,624	319,007
Total assets	708,702	626,587	619,826	602,536	595,034	582,673	611,359

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

Total debt	681,176	662,117	670,374	643,100	640,361	622,892	615,248
Total stockholders deficit	(89,390)	(165,156)	(176,263)	(175,165)	(183,404)	\$ (186,967)	\$ (160,277)

(1) The Company recognized impairment charges on goodwill and FCC licenses during the years ended December 31, 2009 and 2008 and on network affiliation agreements for the year ended December 31, 2008.

#### MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations covers periods prior to the consummation of the Transactions. Accordingly, the discussion and analysis of historical periods does not reflect the significant impact that the Transactions will have on us, including, without limitation, increased leverage, the impact of acquisition accounting and debt service requirements. You should read the following discussion and analysis in conjunction with our combined financial statements and related notes incorporated by reference into this prospectus supplement.

As a result of Nexstar s deemed controlling financial interest in Mission, in accordance with GAAP, Nexstar consolidates 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 Nexstar s financial performance. Refer to Note 2 to the consolidated financial statements incorporated by reference into this prospectus supplement for a discussion of the determination that Nexstar is required to consolidate Mission s financial position, results of operations and cash flows under the authoritative guidance for variable interest entities. Therefore, the following discussion of Nexstar s financial position and results of operations includes Mission s financial position and results of operations.

This discussion and analysis contains forward-looking statements that are based on management s current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of various factors, including the factors we describe under Disclosure Regarding Forward-Looking Statements, Risk Factors and elsewhere in this prospectus supplement and the accompanying prospectus.

#### **Executive Summary**

Highlights

Net revenue during the third quarter of 2012 increased by \$15.1 million, or 20.2%, as compared to the same period in 2011. The increase in net revenue was primarily due to the December 2011 acquisition of WEHT along with increases in retransmission compensation and political advertising, which were partially offset by the discontinuance of management fee revenue from our terminated management services agreement with Four Points. The newly acquired station contributed approximately \$2.3 million to the consolidated net revenue for the third quarter of 2012.

On July 18, 2012, Nexstar Broadcasting and Mission each entered into an asset purchase agreement with Newport to acquire to acquire twelve television stations and associated digital sub-channels in eight markets and Newport s Inergize Digital Media operations for total consideration of \$285.5 million in cash, subject to adjustments for working capital acquired. In connection with the Newport Acquisition, Nexstar Broadcasting and Mission have received commitments to enter into the Senior Secured Credit Facilities, which is expected to consist of a \$350.0 million term loan facility with a seven-year maturity and a \$100.0 million revolving credit facility with a five-year maturity. Nexstar Broadcasting and Mission intend to use the proceeds from the Senior Secured Credit Facilities to finance the Newport Acquisition, refinance the balance outstanding under the Existing Credit Facilities and for general corporate purposes. The acquisition of the assets being acquired by Nexstar Broadcasting as part of the Newport Acquisition is expected to close in December 2012. The acquisition of the assets being acquired by Mission as part of the Newport Acquisition is expected to close shortly after Mission receives FCC approval. There can be no assurance that the Newport Acquisition will be consummated in accordance with anticipated timing, on anticipated terms, or at all.

On October 24, 2012, Nexstar Broadcasting commenced a cash tender offer and related consent solicitation for any and all of its outstanding 2014 Notes and 2014 PIK Notes. The consummation of the tender offer and related consent solicitation were contingent upon, among other things, Nexstar Broadcasting obtaining the proceeds from a proposed senior notes offering on terms satisfactory to

Nexstar Broadcasting. On November 9, 2012, Nexstar Broadcasting issued \$250 million in aggregate principal amount of 2020 Notes. The 2020 Notes are senior unsecured obligations of Nexstar Broadcasting and are guaranteed by Nexstar Broadcasting Group and Mission. The proceeds from this offering were used by Nexstar Broadcasting to repurchase substantially all of its outstanding 2014 Notes and 2014 PIK Notes in accordance with the terms of the tender offer and related consent solicitation noted above, refinance a portion of its borrowings outstanding under its existing senior secured credit facilities and pay related fees and expenses. The tender offer and related consent solicitation expired pursuant to their terms on November 21, 2012.

During the quarter, the Company borrowed \$6.0 million, net, from its revolving loans under the Existing Credit Facilities.

Net revenue decreased 2.2% during 2011 compared to 2010. Political advertising decreased by \$33.0 million, which was partially offset by the acquisitions of WFRV, WJMN and WEHT along with increases in eMedia advertising revenue and retransmission compensation.

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

On December 1, 2011, we acquired the assets of WEHT, the ABC affiliate serving the Evansville, Indiana market, from Gilmore Broadcasting Corporation for \$20.3 million in cash, funded with cash on hand and borrowings from our senior secured credit agreement. In addition, on December 1, 2011, Nexstar sold the FCC licenses, broadcast rights and related liabilities and certain equipment of WTVW to Mission for \$6.7 million in cash and entered into local service agreements with Mission for WTVW, similar to Nexstar s existing local service arrangements with Mission.

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

On July 1, 2011, WTVW, the Evansville, Indiana station, launched LOCAL 7, an independent station. WTVW s FOX affiliation agreement terminated on June 30, 2011. On August 1, 2011, WFFT, our Ft. Wayne, Indiana owned and operated station, launched WFFT LOCAL, an independent station. WFFT s FOX affiliation agreement terminated on July 31, 2011. On September 1, 2011, KSFX, our Springfield, Missouri owned and operated station, launched OZARKS LOCAL, an independent station, with the call letters KOZL. KSFX s FOX affiliation agreement terminated on August 31, 2011. We and Mission renewed our affiliation agreements with FOX through December 2013 for all nine of the Company s remaining FOX affiliate stations.

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

On January 3, 2012, Four Points Media Group LLC sold their stations to Sinclair Broadcast Group. We served Four Points seven stations in four markets through a management services agreement, which comprised our management fee revenue. The management services agreement terminated upon the closing of the sale. On January 3, 2012, we received a payment of \$6.7 million which included our management incentive fee earned for the year ended December 31, 2011 and a contract termination fee of \$1.9 million, which was recognized in the first quarter of 2012.

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

In April 2011, we amended our senior secured credit facility, adding \$50 million to our term loan, which was used to repurchase various outstanding notes, as discussed below.

During 2011, the Company made various borrowings of our revolving loans in the Existing Credit Facilities, primarily related to acquisitions. During 2011, we also made payments on such revolving loans, funded through operating cash flow. The Company s net borrowing of revolving loans for the year was \$24.3 million.

During 2011, we redeemed and repurchased the \$45.9 million remaining balance of our 11.375% senior discount notes due 2013 (11.375% Notes) at prices from 100% to 102%, resulting in a loss on extinguishment of debt of \$0.7 million.

During 2011, we repurchased \$24.2 million of our outstanding 2014 PIK Notes at prices from 97.75% to 100.5%, resulting in a loss on extinguishment of debt of \$0.3 million.

During 2011, we repurchased \$7.5 million of our outstanding 2014 Notes at prices from 98.25% to 100.5%, resulting in a loss on extinguishment of debt of \$0.2 million.

## Acquisition of the Newport Assets

On July 18, 2012, Nexstar Broadcasting and Mission each entered into an asset purchase agreement with Newport to acquire the Newport Assets for total consideration of \$285.5 million in cash, subject to adjustments for working capital acquired. Nexstar Broadcasting and Mission paid a total deposit of \$28.6 million upon signing of the asset purchase agreements. The Newport Acquisition is subject to customary closing legal and regulatory conditions, including approval by the FCC and expiration or termination of any waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act ) or other applicable anti-trust laws. The waiting period under the HSR Act was terminated on August 10, 2012. The FCC has approved the acquisition of the assets being acquired by Nexstar Broadcasting but not Mission. Each asset purchase agreement includes other customary provisions, including representations and warranties, covenants and indemnification provisions. The acquisition of the assets being acquired by Nexstar Broadcasting as part of the Newport Acquisition is expected to close in December 2012. The acquisition of the assets being acquired by Mission as part of the Newport Acquisition is expected to close shortly after Mission receives FCC approval. There can be no assurance that the Newport Acquisition will be consummated in accordance with anticipated timing, on anticipated terms, or at all.

#### Effect of the Transactions

In connection with the Newport Acquisition, we will be incurring significant debt, including approximately \$250 million aggregate principal amount of the 2020 Notes. Therefore, we expect that our interest expense will be significantly higher following the Transactions than we have experienced in prior periods.

The Newport Acquisition will be accounted for as a purchase in accordance with the Business Combinations Topic of the GAAP Accounting Standards Codification (ASC). As a result, certain of our assets and liabilities will be assigned new values, which will be on a fair value basis.

The following discussion and analysis of our historical financial condition and results of operations covers periods prior to the consummation of the Transactions. Accordingly, the discussion and analysis of such periods does not reflect the significant impact the Transactions will have on us. After the Transactions, we will be highly leveraged. Significant additional liquidity requirements, resulting primarily from increased interest expense, and other factors related to the Transactions, such as increased depreciation and amortization as a result of the application of the Business Combinations Topic of the ASC, will significantly affect our financial condition, results of operations and liquidity going forward.

## **Overview** of Operations

We owned and operated 36 television stations and seven digital multicast channels as of September 30, 2012. Additionally, as of September 30, 2012, we programmed or provided sales and other services to 19 additional television stations and four digital multicast channels through various local service agreements with

their owners, including 17 television stations and four digital multicast channels owned and operated by Mission. All of the stations to which we provide programming, sales or other services, including Mission, are wholly owned by independent third parties.

The following table summarizes the various local service agreements we had in effect as of September 30, 2012 with Mission:

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

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

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

We also guarantee all obligations incurred under Mission s senior secured credit facility. Similarly, Mission is a guarantor of our senior secured credit facility and senior subordinated notes. In consideration of our guarantee of Mission s senior secured credit facility, Mission has granted us a purchase option to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent, for an amount equal to the greater of (1) seven times the station s cash flow, as defined in the option agreement, less the amount of its indebtedness, as defined in the option agreement, or (2) the amount of its indebtedness. Additionally, on November 29, 2011, Mission s shareholders granted us an option to purchase any or all of Mission s stock, subject to FCC consent, for a price equal to the pro rata portion of the greater of (1) five times the stations cash flow, as defined in the agreement, reduced by the amount of indebtedness, as defined in the agreement, or (2) \$100,000. These option agreements (which expire on various dates between 2012 and 2022) are freely exercisable or assignable by us without consent or approval by Mission or its shareholders. We expect these option agreements to be renewed upon expiration.

We do not own Mission or its television stations. However, we are deemed under GAAP to have a controlling financial interest in Mission because of (1) the local service agreements Nexstar has with the Mission stations, (2) Nexstar s guarantee of the obligations incurred under Mission s senior secured credit facility, (3) Nexstar having power over significant activities affecting Mission s economic performance, including budgeting for advertising revenue, advertising and hiring and firing of sales force personnel and (4) purchase options granted by Mission that permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent. In compliance with FCC regulations for both us and Mission, Mission maintains complete responsibility for and control over programming, finances and personnel for its stations.

The operating revenue of our stations is derived primarily from broadcast and website advertising revenue, which is affected by a number of factors, including the economic conditions of the markets in which we operate, the demographic makeup of those markets and the marketing strategy we employ in each market. Most advertising contracts are short-term and generally run for a few weeks. For the years ended December 31, 2011 and 2010, revenue generated from local broadcast advertising represented 73.4% and 73.7%, respectively, of our consolidated spot revenue (total of local and national broadcast advertising revenue, excluding political advertising revenue). The remaining broadcast advertising revenue, excluding number of advertising revenue is derived from advertisements placed through advertising

agencies. The agencies receive a commission rate of 15.0% of the gross amount of advertising schedules placed by them. While the majority of local spot revenue is placed by local agencies, some advertisers place their schedules directly with the stations local sales staff, thereby eliminating the agency commission. Each station also has an agreement with a national representative firm that provides for sales representation outside the particular station s market. Advertising schedules received through the national representative firm are for national or large regional accounts that advertise in several markets simultaneously. National commission rates vary within the industry and are governed by each station s agreement.

Most of our stations have a network affiliation agreement pursuant to which the network provides programming to the stations during specified time periods, including prime time. NBC and CBS compensate some of the stations for distributing the network s programming over the air and for allowing the network to keep a portion of advertising inventory during those time periods. The affiliation agreements with ABC, FOX, MyNetworkTV, The CW and Bounce TV do not provide for compensation. In recent years, in conjunction with the renewal of affiliation agreements with NBC, CBS, ABC and FOX, network compensation is being eliminated and many of the networks are now seeking cash payments from their affiliates.

Each station acquires licenses to broadcast programming in non-news and non-network time periods. The licenses are either purchased from a program distributor for cash and/or the program distributor is allowed to sell some of the advertising inventory as compensation to eliminate or reduce the cash cost for the license. The latter practice is referred to as barter broadcast rights. The station records the estimated fair market value of the licenses, including any advertising inventory given to the program distributor, as a broadcast right asset and liability. Barter broadcast rights are recorded at management s estimate of the value of the advertising time exchanged using historical advertising rates, which approximates the fair value of the program material received. The assets are amortized using the straight-line method over the license period or period of usage, whichever ends earlier. The cash broadcast rights liabilities are reduced by monthly payments while the barter liability is amortized over the same amortization period as the asset as barter revenue.

Our primary operating expenses consist of commissions on advertising revenue, employee compensation and benefits, newsgathering and programming costs. A large percentage of the costs involved in the operation of our stations and the stations we provide services to remains relatively fixed.

#### Seasonality

Advertising revenue is positively affected by national and regional political election campaigns and certain events such as the Olympic Games or the Super Bowl. The Company s stations advertising revenue is generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to, and including, the holiday season. In addition, advertising aired during the Olympic Games. As 2012 is an election year, we expect an increase in political advertising revenue in 2012 compared to 2011 and, as 2011 was not an election year, we reported significantly less political advertising revenue in 2011 compared to 2010.

#### **Debt Transactions**

On April 15, 2011, Nexstar Broadcasting entered into the Fourth Amendment to its Fourth Amended and Restated Credit Agreement. The amendment expanded its Term Loan B by \$50.0 million to \$149.5 million, allowed the proceeds of the credit facility to be used to refinance our existing notes and retained our incremental term loan capacity of \$100.0 million. The net proceeds of the additional Term Loan B funding were used to redeem the remaining balance of the 11.375% Notes, for additional repurchases of outstanding notes and for general corporate purposes. The additional \$50.0 million Term Loan B was funded on May 15, 2011.

On July 29, 2011, Nexstar Broadcasting entered into the Fifth Amendment to its Fourth Amended and Restated Credit Agreement and Mission entered into the Third Amendment to its Third Amended and Restated Credit Agreement. The amendments, among other things, removed as an event of default the termination of more

than three stations network affiliation agreements with major networks and lowered the maximum consolidated Nexstar Broadcasting and Mission total leverage ratio to 7.50 to 1.00 through December 30, 2012 and 6.50 to 1.00 thereafter.

On July 1, 2011, Nexstar Broadcasting borrowed \$19.3 million of its revolving loan in our Existing Credit Facilities in connection with the acquisition of the assets of WFRV and WJMN. On December 1, 2011, we borrowed \$13.3 million of our revolving loan in our Existing Credit Facilities in connection with the acquisition of the assets of WEHT and Mission borrowed \$6.7 million of its revolving loan in its senior secured credit facility in connection with the acquisition of the FCC license, broadcast rights and related liabilities, and certain equipment of WTVW from Nexstar. Throughout 2011, Nexstar Broadcasting made various net repayments on its revolving loans, resulting in a consolidated revolving loan balance of \$24.3 million as of December 31, 2011.

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

In the year ended December 31, 2011, Nexstar Broadcasting repurchased an aggregate of \$24.2 million of its outstanding 2014 PIK Notes at prices from 97.75% to 100.5%. These repurchases resulted in a loss on extinguishment of debt of \$0.3 million.

In the year ended December 31, 2011, Nexstar Broadcasting repurchased an aggregate of \$7.5 million of its outstanding 2014 Notes at prices from 98.25% to 100.5%. These repurchases resulted in a loss on extinguishment of debt of \$0.2 million.

Throughout 2011, we and Mission each paid the contractual maturities under the Existing Credit Facilities, for a total payment of \$1.4 million.

#### **Historical Performance**

#### Revenue

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

		Y	ear Ended De	cember 31	l <b>,</b>	Nine Months Ended September 30,					
	2009		2010	2010		2011		2011			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Local	\$ 157,429	60.6	\$ 173,901	52.9	\$ 181,569	57.3	\$ 132,266	58.0	\$ 137,535	50.2	
National	55,052	21.2	61,995	18.8	65,728	20.8	47,719	20.9	55,543	20.3	
Political	5,949	2.3	39,318	12.0	6,326	2.0	4,319	1.9	18,929	6.9	
Retransmission											
compensation(1)	24,252	9.3	29,911	9.1	37,393	11.8	27,099	11.9	44,881	16.3	
eMedia revenue	11,687	4.5	13,821	4.2	16,224	5.1	11,963	5.3	13,041	4.8	
Network compensation	2,136	0.8	2,050	0.6	987	0.3	776	0.3	585	0.2	
Management fee	1,758	0.7	5,674	1.7	6,189	2.0	1,968	0.9	1,961	0.7	
Other	1,644	0.6	2,270	0.7	2,307	0.7	1,746	0.8	1,760	0.6	
Total gross revenue	259,907	100.0	328,940	100.0	316,723	100.0	227,856	100.0	274,235	100.0	
Less: Agency commissions	(27,328)	(10.5)	(35,317)	(10.7)	(31,689)	(10.0)	(22,967)	(10.1)	(27,344)	(10.0)	
Net broadcast revenue	232,579	89.5	293,623	89.3	285,034	90.0	204,889	89.8	246,891	90.0	
Trade and barter revenue	19,400		19,727		21,457		15,400		15,567		
Net revenue	\$ 251,979		\$ 313,350		\$ 306,491		\$ 220,289		\$ 262,458		

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

(1) Retransmission compensation consists of a per subscriber-based compensatory fee and excludes advertising revenue generated from retransmission consent agreements, which is included in gross local advertising revenue.

#### **Results of Operations**

The following table sets forth a summary of the Company s operations for the periods shown and the components as a percentage of net revenue (dollars in thousands):

	2009	Year Ended December 31, 2009 2010 2011					Nine Mo 2011	led September 2012	· ·	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net revenue	\$ 251,979	100.0	\$ 313,350	100.0	\$ 306,491	100.0	\$ 220,289	100.0	\$ 262,458	100.0
Operating expenses (income):										
Corporate expenses	18,561	7.4	19,890	6.3	19,780	6.4	14,428	6.5	16,424	6.2
Station direct operating										
expenses, net of trade	70,549	28.0	70,674	22.6	73,829	24.1	54,274	24.6	61,047	23.3
Selling, general and										
administrative expenses	70,964	28.2	81,001	25.8	85,387	27.9	61,885	28.1	65,347	24.9
Impairment of goodwill	7,360	2.9								
Impairment of other intangible										
assets	8,804	3.5								
Restructure charge	670	0.3								
Non-cash contract termination										
fees	191	0.1								
Gain on asset exchange	(8,093)	(3.2)	(30)							
Loss (gain) on asset disposal, net	(2,560)	(1.0)	294	0.1	461	0.2	20		(25)	
Trade and barter expense	18,699	7.4	19,602	6.3	21,270	6.9	15,197	6.9	14,697	5.6
Depreciation and amortization	45,385	18.0	44,844	14.3	47,824	15.6	36,464	16.6	33,954	12.9
Amortization of broadcast rights,										
excluding barter	13,248	5.3	9,527	3.0	9,947	3.2	7,662	3.5	6,489	2.5
Income from operations	\$ 8,201		\$ 67,548		\$ 47,993		\$ 30,359		\$ 64,525	

Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

#### Revenue

Gross local advertising revenue was \$137.5 million for the nine months ended September 30, 2012, compared to \$132.3 million for the same period in 2011, an increase of \$5.3 million, or 4.0%. The increase was primarily related to incremental advertising from our automotive customers and revenue from our acquired stations which more than offset a decrease associated with the termination of certain station affiliation agreements. Gross national advertising revenue was \$55.5 million for the nine months ended September 30, 2012, compared to \$47.7 million for the same period in 2011, an increase of \$7.8 million, or 16.4%, primarily attributable to the acquired stations and changes in mix between our local and national advertising revenues. Our largest advertiser category, automotive, represented 23.8% and 20.4% of local and national advertising revenue for the nine months ended September 30, 2012, compared by 25.7%, of which 8.5% was attributable to our acquired stations. The other categories representing our top five were fast food/restaurants, which decreased 7.8%, paid programming, which increased 4.2%, furniture, which increased 6.2% and medical/healthcare, which increased 13.1%.

Gross political advertising revenue was \$18.9 million for the nine months ended September 30, 2012, compared to \$4.3 million for the same period in 2011, an increase of \$14.6 million, or 338.3%, as expected, due to 2012 being an election year.

Retransmission compensation was \$44.9 million for the nine months ended September 30, 2012, compared to \$27.1 million for the same period in 2011, an increase of \$17.8 million, or 65.6%. The increase in retransmission compensation was primarily the result of our acquired stations and contracts providing for higher rates per subscriber in the current year.

eMedia revenue, representing web-based advertising revenue generated at the Company s stations, was \$13.0 million for the nine months ended September 30, 2012, compared to \$12.0 million for the same period in 2011, an increase of \$1.1 million or 9.0%. The increase in eMedia revenue is attributable to our eMedia sales efforts and incremental revenue from acquired stations.

Management fee revenue was \$2.0 million for the nine months ended September 30, 2012. The 2012 revenue primarily represents a contract termination fee received upon closing of the sale of Four Points stations to Sinclair Broadcast Group. Management fee revenue was \$2.0 million for the nine months ended September 30, 2011.

#### **Operating Expenses**

Corporate expenses, related to costs associated with the centralized operation of Nexstar s and Mission s stations, were \$16.4 million for the nine months ended September 30, 2012, compared to \$14.4 million for the same period in 2011, an increase of \$2.0 million, or 13.8%. This was due to an increase in legal and professional fees associated with our acquisitions, debt transactions and the culmination of our strategic alternative process of \$0.2 million, increase in payroll and payroll-related costs due to increased headcount related to acquisitions and operational initiatives of \$0.7 million and increased bonus expense related to higher revenues in this political year of \$0.6 million.

Station direct operating expenses, consisting primarily of news, engineering and programming, and selling, general and administrative expenses (net of trade expense) were \$126.4 million for the nine months ended September 30, 2012, compared to \$116.2 million for the same period in 2011, an increase of \$10.2 million, or 8.8%. The increase was primarily due to expenses of the newly acquired stations, as well as an increase of \$2.5 million in programming costs primarily due to the renewed network agreements entered into in 2011. These increases were partially offset by a decrease in employee health claims of \$0.4 million.

Amortization of broadcast rights, excluding barter was \$6.5 million for the nine months ended September 30, 2012, compared to \$7.7 million for the same period in 2011, a decrease of \$1.2 million, or 15.3%. The decrease was primarily due to the changes in programming mix, which was partially offset by the incremental amortization of broadcast rights of newly acquired stations.

Amortization of intangible assets was \$16.6 million for the nine months ended September 30, 2012, compared to \$20.4 million for the same period in 2011, a decrease of \$3.8 million, or 18.7%. The decrease was primarily due to the termination of certain FOX affiliation contracts which were fully amortized in 2011, and partially offset by incremental amortization from acquired stations.

Depreciation of property and equipment was \$17.4 million for the nine months ended September 30, 2012, compared to \$16.1 million for the same period in 2011, an increase of \$1.3 million, or 8.1%, primarily due to the incremental depreciation of fixed assets at our newly acquired stations.

#### Interest Expense

Interest expense, net was \$37.9 million for the nine months ended September 30, 2012, compared to \$40.1 million for the same period in 2011, a decrease of \$2.2 million, or 5.4%. The decrease in interest expense was primarily attributed to the buyback and redemption of notes with higher interest rates, financed with our senior secured credit facility, as well as an overall reduction in debt.

#### Income Taxes

Income tax expense was \$4.7 million for the nine months ended September 30, 2012, compared to \$4.3 million for the same period in 2011, an increase of \$0.4 million, or 10.2%. The increase was due to the incremental goodwill and FCC licenses from our 2011 acquisitions. Our provision for income taxes is primarily

created by an increase in the deferred tax liability position arising from the amortization of goodwill and other indefinite-lived assets for income tax purposes, which are not amortized for financial reporting purposes. No tax expense or benefit was recorded with respect to the net income (loss) in 2012 and 2011 as the utilization of net operating losses is not more likely than not to be realized in the foreseeable future.

#### Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

#### Revenue

Gross local advertising revenue was \$181.6 million for the year ended December 31, 2011, compared to \$173.9 million for the same period in 2010, an increase of \$7.7 million, or 4.4%, of which \$5.1 million related to acquired stations. Gross national advertising revenue was \$65.7 million for the year ended December 31, 2011, compared to \$62.0 million for the same period in 2010, an increase of \$3.7 million, or 6.0%, of which \$2.2 million related to acquired stations. Excluding acquisitions, gross local and national advertising revenue increased by \$4.1 million. The increase primarily related to increases in advertising from automotive of \$3.3 million, department and retail stores of \$1.6 million, school and instruction of \$0.9 million and insurance of \$0.8 million for the year, which was offset by a decrease in advertising from media (radio, television, cable and newspapers) of \$0.8 million, telecom of \$0.8 million and grocery stores of \$0.8 million for the year. The increase in automotive was primarily driven by increases in domestic manufacturers and dealers, particularly Ford and GM, and was partially offset by decreases in foreign manufacturers, most notably Toyota. The increase in department and retail stores was primarily driven by increases in local retailers as well as BonTon, Walmart and Shoe Carnival. The increase in school and instruction advertising was primarily driven by increases in vocational schools, both from existing and new customers.

Gross political advertising revenue was \$6.3 million for the year ended December 31, 2011, compared to \$39.3 million for the same period in 2010, a decrease of \$33.0 million, or 83.9%, due to 2011 not being an election year. The current year political revenue primarily related to a special congressional election in Rochester, New York, Wisconsin gubernatorial and state senate recalls and issue and political action spending.

Retransmission compensation was \$37.4 million for the year ended December 31, 2011, compared to \$29.9 million for the same period in 2010, an increase of \$7.5 million, or 25.0%. The increase in retransmission compensation was primarily the result of renegotiated contracts providing for higher rates per subscriber during the year, which is consistent with industry-wide trends, and additional revenue from WFRV, WJMN and WEHT of \$1.0 million.

eMedia revenue, representing web-based advertising revenue generated at our stations, was \$16.2 million for the year ended December 31, 2011, compared to \$13.8 million for the same period in 2010, an increase of \$2.4 million or 17.4%. The increase in eMedia revenue is attributable to the introduction of new service offerings and increased penetration of our customer base through eMedia sales efforts.

#### **Operating Expenses**

Corporate expenses, related to costs associated with the centralized management of Nexstar s and Mission s stations, remained consistent at \$19.8 million for the year ended December 31, 2011, compared to \$19.9 million for the year ended December 31, 2010. Corporate expenses decreased due to the 2010 recognition of \$1.6 million of non-cash incremental stock-based compensation expense resulting from the stock option repricing in May 2010 (see Note 12 to the consolidated financial statements incorporated by reference into this prospectus supplement), which was offset by an increase of \$1.4 million in legal and professional fees associated primarily with our acquisitions, strategic alternatives and our antitrust lawsuit.

Station direct operating expenses, consisting primarily of news, engineering and programming, and selling, general and administrative expenses, were \$159.2 million for the year ended December 31, 2011, compared to \$151.7 million for the same period in 2010, an increase of \$7.5 million, or 5.0%. The increase in station expenses

was primarily attributed to \$5.3 million in station expenses for newly acquired WFRV, WJMN and WEHT and an increase of \$1.7 million in employee health care costs, principally due to some large claims during the year.

Amortization of broadcast rights, excluding barter, was \$9.9 million for the year ended December 31, 2011, compared to \$9.5 million for the same period in 2010, an increase of \$0.4 million, or 4.4%. The increase was primarily due to the station acquisitions of \$1.3 million, which was partially offset by a decrease due to the termination of syndication of The Oprah Winfrey Show.

Amortization of intangible assets was \$26.0 million for the year ended December 31, 2011, compared to \$23.7 million for the same period in 2010, an increase of \$2.2 million or 9.5%. The increase was due to incremental amortization on our FOX affiliate stations with agreements terminating in 2011, as well as the amortization of newly acquired intangibles.

Depreciation of property and equipment was \$21.8 million for the year ended December 31, 2011, compared to \$21.1 million for the same period in 2010, an increase of \$0.7 million, or 3.5%.

#### Interest Expense, net

Interest expense, net, was \$53.0 million for the year ended December 31, 2011, compared to \$54.3 million for the same period in 2010, a decrease of \$1.3 million, or 2.3%. The decrease in interest expense was primarily attributed to the buyback of notes with higher interest rates, financed with our Existing Credit Facilities, as well as an overall reduction in debt.

#### Loss on Extinguishment of Debt

In 2011, the Company recognized \$1.2 million of loss on extinguishment of debt, including \$0.7 million related to the repurchases of the 11.375% Notes, \$0.2 million related to the repurchases of the 2014 Notes and \$0.3 million related to the repurchases of the 2014 PIK Notes.

#### Income Taxes

Income tax expense was \$5.7 million for the year ended December 31, 2011, compared to \$6.7 million for the same period in 2010, a decrease of \$1.0 million. Our provision for income taxes is primarily created by an increase in the deferred tax liability 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.

#### Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

#### Revenue

Gross local advertising revenue was \$173.9 million for the year ended December 31, 2010, compared to \$157.4 million for the same period in 2009, an increase of \$16.5 million, or 10.5%. Gross national advertising revenue was \$62.0 million for the year ended December 31, 2010, compared to \$55.1 million for the same period in 2009, an increase of \$6.9 million, or 12.6%. The combined increase in gross local and national advertising revenue of \$23.4 million was largely the result of an \$11.3 million increase in automotive related advertising, our largest advertising category. Also contributing to the overall increase in local and national advertising were increases in the following advertising categories: \$5.6 million in services, \$3.3 million in department stores and retail, \$1.3 million in education, \$1.3 million in telecom and \$1.2 million in entertainment. These increases were partially offset by a decrease in the paid programming category of \$1.7 million.

Gross political advertising revenue was \$39.3 million for the year ended December 31, 2010, compared to \$5.9 million for the same period in 2009, an increase of \$33.4 million, or more than five times. The increase in

gross political revenue was attributed to state and local races (primarily in Pennsylvania, New York, Illinois, Maryland, Missouri, Texas and Arkansas) that occurred during the year ended December 31, 2010 as compared to nominal political advertising during the year ended December 31, 2009.

Retransmission compensation was \$29.9 million for the year ended December 31, 2010, compared to \$24.3 million for the same period in 2009, an increase of \$5.7 million, or 23.3%. The increase in retransmission compensation was primarily the result of renegotiated contracts providing for higher rates per subscriber during the year and the addition of WCWJ in May 2009.

eMedia revenue, representing web-based advertising revenue generated at our stations, was \$13.8 million for the year ended December 31, 2010, compared to \$11.7 million for the same period in 2009, an increase of \$2.1 million or 18.3%. The increase in eMedia revenue was a result of an overall upswing in the economy and enhanced sales efforts for the eMedia product.

#### **Operating Expenses**

Corporate expenses, related to costs associated with the centralized management of Nexstar s and Mission s stations, were \$19.9 million for the year ended December 31, 2010, compared to \$18.6 million for the year ended December 31, 2009, an increase of \$1.3 million, or 7.2%. The increase was primarily attributed to the recognition of \$1.6 million of non-cash incremental stock-based compensation expense resulting from the stock option repricing in May 2010 (see Note 12 to the consolidated financial statements incorporated by reference into this prospectus supplement for more details related to the stock option repricing), \$4.3 million in bonus payments and \$0.4 million for the reinstatement of our 401(k) match, partially offset by the elimination of 2009 costs of \$2.9 million in professional fees associated with the 2014 PIK Notes exchange offer in March 2009.

Station direct operating expenses, consisting primarily of news, engineering and programming, and selling, general and administrative expenses, were \$151.7 million for the year ended December 31, 2010, compared to \$141.5 million for the same period in 2009, an increase of \$10.2 million, or 7.2%. The increase in station expenses was primarily attributed to an increase of \$3.3 million in national and local sales commissions related to increased revenues, as well as increases of \$3.1 million in amounts paid under station outsourcing agreements, \$1.6 million in bad debt expense, \$0.7 million in programming costs, \$0.4 million in property taxes and \$0.3 million in lease buyouts.

Amortization of broadcast rights, excluding barter, was \$9.5 million for the year ended December 31, 2010, compared to \$13.2 million for the same period in 2009, a decrease of \$3.7 million, or 28.1%. The decrease was primarily due to the impact of \$2.4 million of 2009 write-downs.

Amortization of intangible assets remained consistent at \$23.7 million for each of the years ended December 31, 2010 and 2009, due to the consistent balance of amortizable intangible assets during 2010 and 2009.

Depreciation of property and equipment was \$21.1 million for the year ended December 31, 2010, compared to \$21.7 million for the same period in 2009, a decrease of \$0.6 million, or 2.6%.

For the year ended December 31, 2009, we recognized a non-cash gain of \$8.1 million from the exchange of equipment for the digital conversion under an arrangement with Sprint Nextel Corporation. This program concluded in early 2010, resulting in an insignificant gain in 2010.

#### Interest Expense, net

Interest expense, net was \$54.3 million for the year ended December 31, 2010, compared to \$39.2 million for the same period in 2009, an increase of \$15.0 million, or 38.3%. The increase in interest expense was primarily attributed to the higher interest rate of the \$325.0 million 2017 Notes compared to the Existing Credit Facilities.

#### Loss on Extinguishment of Debt

In 2010, the Company recognized \$8.4 million of loss on extinguishment of debt, including \$6.0 million related to the amendments of the Existing Credit Facilities, \$2.6 million related to the repurchases and complete retirement of the senior subordinated PIK notes due 2014 and \$0.2 million related to the repurchases of the 11.375% Notes, offset by gains of \$0.4 million related to the repurchases of the 2014 Notes and 2014 PIK Notes.

#### Income Taxes

Income tax expense was \$6.7 million for the year ended December 31, 2010, compared to \$0.2 million for the same period in 2009, an increase of \$6.5 million. Our provision for income taxes is primarily created by an increase in the deferred tax liability 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. In 2009, an impairment charge of \$16.2 million on indefinite-lived intangible assets reduced the book value and therefore decreased the deferred tax liability position. No tax benefit was recorded with respect to the taxable losses for 2010 and 2009, as the utilization of such losses is not more likely than not to be realized in the foreseeable future.

#### Liquidity and Capital Resources

We and Mission are highly leveraged, which makes the Company vulnerable to changes in general economic conditions. Our and Mission s ability to meet the future cash requirements described below depends on our and Mission s ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other conditions, many of which are beyond our and Mission s control. Based on current operations and anticipated future growth, we believe that our and Mission s available cash, anticipated cash flow from operations and available borrowings under the Nexstar and Mission senior 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 the Existing Credit Facilities or the new Senior Secured Credit Facilities, as applicable, or issue other long- or short-term debt or equity, if the market and the terms of our existing debt arrangements permit, and Mission may, from time to time, borrow under its existing senior secured credit facility. We will continue to evaluate the best use of Nexstar s operating cash flow among its capital expenditures, acquisitions and debt reduction.

#### Overview

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

	Veen	Ended Decembe		Nine Mon			
			,	September 30,			
	2009	2010	2011	2011	2012		
Net cash provided by operating activities	\$ 22,993	\$ 59,268	\$ 40,340	\$ 34,966	\$ 68,729		
Net cash used in investing activities	(35,590)	(13,340)	(54,579)	(31,812)	(39,539)		
Net cash provided by (used in) financing activities	9,515	(35,022)	(1,873)	(18,998)	(24,500)		
Net (decrease) increase in cash and cash equivalents	\$ (3,082)	\$ 10,906	\$ (16,112)	\$ (15,844)	\$ 4,690		
Cash paid for interest	\$ 29,215	\$ 46,928	\$ 51,088	\$ 34,208	\$ 32,693		
Cash paid for income taxes, net	\$ 523	\$ 397	\$ 474	\$ 499	\$ 522		

	As of Dec	As of September 30,		
	2010	2011	2011	2012
Cash and cash equivalents	\$ 23,658	\$ 7,546	\$ 7,814	\$ 12,236
Long-term debt including current portion	\$ 643,100	\$ 640,361	\$ 622,892	\$615,248
Unused commitments under senior secured credit facilities(1)	\$ 75,000	\$ 50,700	\$ 68,200	\$ 42,000

## Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

(1) Based on covenant calculations, as of September 30, 2012, all of the \$42 million of total unused revolving loan commitments under the Nexstar Broadcasting and Mission credit facilities were available for borrowing.

#### Cash Flows Operating Activities

Net cash provided by operating activities increased by \$33.8 million during the nine months ended September 30, 2012 compared to the same period in 2011. The increase was primarily due to an increase in net revenue of \$42.2 million and a decrease in cash paid for interest of \$1.5 million which was partially offset by incremental expenses of newly acquired businesses.

Cash paid for interest decreased by \$1.5 million during the nine months ended September 30, 2012 compared to the same period in 2011. The decrease was due to the \$2.8 million decrease in cash paid for interest of our 11.375% senior discount notes redeemed in 2011, which was partially offset by a \$1.0 million increase in cash interest paid on the senior secured credit facilities due to larger amounts outstanding under the Company s revolving credit facility and a \$0.5 million increase in cash interest paid on the 2014 PIK Notes, which converted to cash pay in July 2011.

Net cash provided by operating activities decreased by \$18.9 million during the year ended December 31, 2011 compared to the same period in 2010. The decrease was primarily due to our overall decrease in net broadcast revenue, excluding the impact of the decrease in deferred revenue, of \$5.2 million, a decrease of \$4.7 million resulting from the timing of collections of accounts receivable, an increase of \$4.2 million in cash paid for interest and an increase in station expenses of \$7.5 million, which was partially offset by the timing of payments to our vendors of \$2.0 million. The increase in cash paid for interest was primarily due to the conversion of the 2014 PIK Notes to cash interest payments during 2011, with a payment of \$3.9 million during the year.

Net cash provided by operating activities increased by \$36.3 million during the year ended December 31, 2010 compared to the same period in 2009. The increase was primarily due to our overall increase in net broadcast revenue, excluding the impact of the decrease in deferred revenue, of \$55.8 million, an increase of \$7.0 million resulting from the timing of collections of accounts receivable and an increase of \$2.1 million resulting from the timing of payments to vendors, partially offset by an increase in station selling, general and administrative expenses of \$10.0 million and an increase in cash paid for interest of \$17.7 million. The increase in cash paid for interest was due to \$11.7 million of accrued PIK interest, original issue discounts and call premiums on the debt repurchases during the year, as well as increased interest rates and a change in the timing of interest payments arising from the refinancing of debt with the 2017 Notes.

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

#### Cash Flows Investing Activities

Net cash used in investing activities increased by \$7.7 million during the nine months ended September 30, 2012 compared to the same period in 2011. In 2012, the Company made a \$28.6 million escrow payment for the acquisition of twelve television stations in eight markets and Inergize Digital Media operations from Newport. In 2011, we spent a total of \$21.1 million for the acquisition of WFRV, WJMN and GoLocal.Biz and escrow payment for the acquisition of WEHT.

Net cash used in investing activities increased by \$41.2 million during the year ended December 31, 2011 compared to the same period in 2010. Capital expenditures were fairly consistent at \$13.4 million for the year ended December 31, 2011, compared to \$13.8 million for the year ended December 31, 2010. Additionally, we paid an aggregate of \$41.4 million for the acquisitions of WFRV, WJMN, GoLocal.Biz and WEHT. There were no acquisitions in 2010.

Net cash used in investing activities decreased by \$22.3 million during the year ended December 31, 2010 compared to the same period in 2009. Capital expenditures were \$13.8 million for the year ended December 31, 2010, compared to \$19.0 million for the year ended December 31, 2009. The decrease was primarily attributable to the completion of the digital conversions in 2009 and early 2010.

#### Cash Flows Financing Activities

Net cash used in financing activities was \$24.5 million for the nine months ended September 30, 2012 compared to \$19.0 million for the same period in 2011. In 2012, we completed a partial redemption of \$34.0 million of our outstanding 2014 Notes, borrowed a net amount of \$8.7 million on our revolving loans and paid the contractual maturities under our senior secured credit facilities, for a total payment of \$1.1 million. These repayments were partially offset by \$1.0 million of proceeds from stock option exercises. In 2011, we completed the redemption of \$45.9 million of our outstanding 11.375% Notes, repurchased \$7.5 million of our outstanding 2014 Notes and \$24.2 million of our outstanding 2014 PIK Notes, as well as paid amounts due under the Company s senior secured credit facilities of \$1.0 million, borrowed an additional \$50 million of term loan with the amendment to our senior secured credit facility and borrowed a net \$6.8 million on our revolving loans.

Net cash used in financing activities decreased by \$33.1 million during the year ended December 31, 2011 compared to the same period in 2010, primarily due to a decrease in net debt payments during the year, due to our acquisition activity.

During 2011, Nexstar added \$50.0 million to its term loan, used to repurchase various outstanding notes, and borrowed \$40.4 million of revolving loans, primarily related to the acquisitions, both under the Nexstar senior secured credit agreement. Nexstar repaid \$22.8 million throughout the year of the revolving loans, using cash on hand. The outstanding balance of the 11.375% Notes of \$45.9 million, \$7.3 million of outstanding 2014 Notes and \$21.2 million of outstanding 2014 PIK Notes were repurchased during the year, from the proceeds of the term loan borrowing and cash on hand, all amounts net of amounts paid related to accrued PIK interest and original issue discount. Mission borrowed \$6.7 million of revolving loans under the Mission senior secured credit facility, related to the acquisition of WTVW.

Net cash from financing activities decreased by \$44.5 million during the year ended December 31, 2010 compared to the same period in 2009, primarily due to an increase in debt payments during the year, partially offset by the net proceeds of the issuance of the 2017 Notes.

During 2010, Nexstar Broadcasting and Mission paid a total of \$299.2 million on the Existing Credit Facilities. The outstanding balance of the 2014 PIK Notes due 2014 was repurchased in various transactions throughout the year for \$35.0 million, excluding amounts related to accrued PIK interest and original issue discount. Additionally, throughout 2010, Nexstar completed repurchases of \$5.9 million of the 2014 PIK Notes, \$2.4 million of the 2014 Notes and \$2.3 million of the 11.375% Notes, all net of amounts related to accrued PIK interest and original issue discount.

On November 26, 2012, we announced a new dividend policy pursuant to which our board of directors has authorized us to declare a total annual cash dividend with respect to its shares of Class A common stock and Class B common stock of \$0.48 per share in equal quarterly installments of \$0.12 per share, concurrent with the closing of the acquisition of the assets being acquired by Nexstar Broadcasting as part of the Newport Acquisition and entry into the Senior Secured Credit Facilities. Future cash dividends, if any, will be at the discretion of our board of directors and can be changed or discontinued at any time. Dividend determinations (including the amount of the cash dividend, the record date and date of payment) will depend upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors as the board of directors may deem relevant. In addition, the Existing Credit Facilities, the Senior Secured Credit Facilities and the indentures governing the 2017 Notes and the 2020 Notes limit our ability to pay dividends. The first quarterly cash dividend is expected to be paid, subject to declaration by the board of directors, in the first quarter of 2013.

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

As of September 30, 2012, Nexstar and Mission had total combined debt of \$615.2 million, which represented 135.2% 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.

Nexstar Broadcasting and Mission had \$42.0 million of total unused revolving loan commitments under the Existing Credit Facilities, all of which was available for borrowing, based on the covenant calculations as of September 30, 2012. The Company s ability to access funds under the Existing Credit Facilities depends, in part, on our compliance with certain financial covenants. Any additional drawings under the Existing Credit Facilities will reduce our future borrowing capacity and the amount of total unused revolving loan commitments.

On October 24, 2012, Nexstar Broadcasting commenced a cash tender offer and related consent solicitation for any and all of its outstanding 2014 Notes and 2014 PIK Notes. The consummation of the tender offer and related consent solicitation were contingent upon, among other things, Nexstar Broadcasting obtaining the proceeds from a proposed senior notes offering on terms satisfactory to Nexstar Broadcasting. On November 9, 2012, Nexstar Broadcasting issued \$250 million in aggregate principal amount of 2020 Notes. The 2020 Notes are senior unsecured obligations of Nexstar Broadcasting and are guaranteed by Nexstar Broadcasting Group and Mission. The proceeds from this offering were used by Nexstar Broadcasting to repurchase substantially all of its outstanding 2014 Notes and 2014 PIK Notes in accordance with the terms of the tender offer and related consent solicitation noted above, refinance a portion of its borrowings outstanding under its existing senior secured credit facilities and pay related fees and expenses. The tender offer and related consent solicitation expired pursuant to their terms on November 21, 2012.

In connection with the Newport Acquisition, Nexstar Broadcasting and Mission have received commitments to enter into the Senior Secured Credit Facilities, which is expected to consist of a \$350.0 million term loan facility with a seven-year maturity and a \$100.0 million revolving credit facility with a five-year maturity. Nexstar Broadcasting and Mission intend to use the proceeds from the Senior Secured Credit Facilities to finance the Newport Acquisition, refinance the balance outstanding under the Existing Credit Facilities and for general corporate purposes.

On May 11, 2012, Nexstar Broadcasting redeemed \$34.0 million of its 2014 Notes at 100.0%. The redemption was funded with cash on hand and borrowings under our revolving credit facility.

The following table summarizes the approximate aggregate amount of principal indebtedness scheduled to mature for the periods referenced as of September 30, 2012 (in thousands):

	Total	 nainder 2012	2013-2014	2015-2016	Thereafter
Nexstar senior secured credit facility	\$ 131,878	\$ 278	\$ 25,220	\$ 106,380	\$
Mission senior secured credit facility	48,122	97	10,780	37,245	
8.875% senior secured second lien notes due 2017	325,000				325,000
7% senior subordinated notes due 2014	3,912		3,912		
7% senior subordinated PIK notes due 2014.	112,593		112,593		
	\$ 621,505	\$ 375	\$ 152,505	\$ 143,625	\$ 325,000

The Company makes semiannual interest payments on the 2017 Notes on April 15 and October 15 of each year. We make semiannual interest payments on the 2014 Notes on January 15 and July 15 of each year. We began paying cash interest on the 2014 PIK Notes in July 2011. Interest payments on the Existing 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 Existing Credit Facilities, as well as the indentures governing our respective notes, limit, but do not prohibit us or Mission from incurring substantial amounts of additional debt in the future.

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

#### Debt Covenants

Our senior secured credit facility contains covenants that require us to comply with certain financial ratios, including: (a) a maximum consolidated first lien indebtedness ratio, and (c) a minimum consolidated fixed charge coverage ratio. The covenants, which are calculated on a quarterly basis, include the combined results of Nexstar Broadcasting and Mission. Mission s senior secured credit facility does not contain financial covenant ratio requirements; however, it does include an event of default if Nexstar does not comply with all covenants contained in its credit agreement. The 2014 Notes, 2014 PIK Notes and 2017 Notes contain restrictive covenants customary for borrowing arrangements of this type. We believe we and Mission will be able to maintain compliance with all covenants contained in the credit agreements governing our senior secured facilities and the indentures governing our respective notes for a period of at least the next twelve months from September 30, 2012.

#### **Off-Balance Sheet Arrangements**

As of September 30, 2012, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. All of our arrangements with Mission are on-balance sheet arrangements. Our variable interests in other entities are obtained through local service agreements, which have valid business purposes and transfer certain station activities from the station owners to us. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

#### Contractual Obligations

The following summarizes Nexstar s and Mission s contractual obligations as of December 31, 2011, and the effect such obligations are expected to have on the Company s liquidity and cash flow in future periods (in thousands):

	Total	2012	2013-2014	2015-2016	Thereafter
Nexstar senior secured credit facility	\$ 127,310	\$ 1,110	\$ 19,820	\$ 106,380	\$
Mission senior secured credit facility	45,115	390	7,480	37,245	
8.875% senior secured second lien notes due 2017	325,000				325,000
7% senior subordinated notes due 2014	37,912		37,912		
7% senior subordinated PIK notes due 2014	112,593		112,593		
Cash interest on debt	221,836	48,099	89,289	70,026	14,422
Broadcast rights current cash commitments(1)	10,754	6,284	4,216	254	
Broadcast rights future cash commitments	5,759	814	3,255	1,566	124
Executive employee contracts(2)	17,720	7,874	8,268	1,578	
Operating lease obligations	52,502	4,845	9,238	8,767	29,652
Total contractual cash obligations	\$ 956,501	\$ 69,416	\$ 292,071	\$ 225,816	\$ 369,198

(1) Excludes broadcast rights barter payable commitments recorded on the consolidated financial statements as of December 31, 2011 in the amount of \$17.1 million.

(2) Includes the employment contracts for all corporate executive employees and general managers of our stations.

As of December 31, 2011, we had \$3.7 million of unrecognized tax benefits. This liability represents an estimate of tax positions that the Company has taken in its tax returns which may ultimately not be sustained upon examination by the tax authorities. The resolution of these tax positions may not require cash settlement due to the existence of net operating loss carryforwards.

#### **Critical Accounting Policies and Estimates**

Our consolidated financial statements have been prepared in accordance with 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 as of the date of the 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, retransmission revenue, trade and barter and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

For an overview of our significant accounting policies, we refer you to Note 2 of our consolidated financial statements. We believe the following critical accounting policies are those that are the most important to the presentation of our consolidated financial statements, affect our more significant estimates and assumptions, and require the most subjective or complex judgments by management.

#### Consolidation of Mission and Variable Interest Entities

We regularly evaluate our contractual arrangements with our local service agreements and other arrangements where we may have variable interests to determine whether we are the primary beneficiary of a variable interest entity (VIE). Under GAAP, a company must consolidate an entity when it has a controlling financial interest resulting from ownership of a majority of the entity's voting rights. Accounting rules expand the definition of controlling financial interest to include factors other than equity ownership and voting rights.

In applying accounting and disclosure requirements, we must base our decision to consolidate an entity on quantitative and qualitative factors that indicate whether or not we are absorbing a majority of the entity s economic risks or receiving a majority of the entity s economic rewards. Our evaluation of the risks and rewards model must be an ongoing process and may alter as facts and circumstances change.

Mission is included in our consolidated financial statements because we are deemed to have a controlling financial interest in Mission as a VIE for financial reporting purposes as a result of (i) local service agreements we have with the Mission stations, (ii) our guarantee of the obligations incurred under Mission s senior secured credit facility, (iii) our power over significant activities affecting Mission s economic performance, including budgeting for Mission s advertising revenue, advertising and hiring and firing of sales force personnel and (iv) purchase options granted by Mission which will permit us to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent. These purchase options expire on various dates between 2012 and 2022 and we expect them to be renewed upon expiration.

#### Valuation of Goodwill and Intangible Assets

Intangible assets represented \$335.6 million, or 56.4%, of our total assets as of December 31, 2011. Intangible assets principally include FCC licenses, goodwill and network affiliation agreements. If the fair value of these assets is less than the carrying value, we may be required to record an impairment charge.

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

We test the impairment of our goodwill annually or whenever events or changes in circumstances indicate that goodwill might be impaired. The first step of the goodwill impairment test compares the fair value of the market (reporting unit) to its carrying amount, including goodwill. We aggregate our stations by market for purposes of our goodwill and license impairment testing and we believe that our markets are most representative of our broadcast reporting units because we view, manage and evaluate our stations on a market basis. The fair value of a reporting unit is determined through the use of a discounted cash flow analysis. The valuation assumptions used in the discounted cash flow model reflect historical performance of the reporting unit and the prevailing values in the markets for broadcasters. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by performing an assumed purchase price allocation, using the reporting unit s fair value (as determined in the first step described above) as the purchase price. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that exceeds but not more than the carrying value of goodwill.

We test network affiliation agreements whenever events or circumstances indicate that their carrying amount may not be recoverable, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. Impairment in the carrying amount of a network affiliation agreement is recognized when the expected future operating cash flow derived from the operations to which the asset relates is less than its carrying value.

We completed our annual test for impairment of goodwill and FCC licenses tested for impairment as of December 31, 2011 and 2010, resulting in no need for impairment charges. All of the fair values of our reporting units and FCC licenses tested for impairment exceeded their book values by a margin of at least 10%.

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

We utilized the following assumptions in our impairment testing for the years ended December 31:

	20	011	20	10
Market growth rates	0	5.9%	(0.2)	5.5%
Operating profit margins FCC licenses	11.5	33.7%	11.5	33.7%
Operating profit margins goodwill	20.0	38.7%	21.6	40.2%
Discount rate	10	.0%	10.	0%
Tax rate	34.0	40.6%	35.2	40.6%
Capitalization rate	7.3	9.0%	7.3	8.0%
Allowance for Doubtful Accounts				

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We evaluate the collectability of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer s inability to meet its financial obligations, we record a specific reserve to reduce the amounts recorded to what we believe will be collected. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, additional allowances may be required. The allowance for doubtful accounts was \$1.3 million and \$2.1 million as of December 31, 2011 and 2010, respectively.

#### Broadcast Rights Carrying Amount

Broadcast rights are stated at the lower of unamortized cost or net realizable value. Cash broadcast rights are initially recorded at the amount paid or payable to program distributors for the limited right to broadcast the distributors programming. Barter broadcast rights are recorded at our estimate of the fair value of the advertising time exchanged, which approximates the fair value of the programming received. The fair value of the advertising time exchanged is estimated by applying average historical rates for specific time periods. Amortization of broadcast rights is computed using the straight-line method based on the license period or programming usage, whichever period yields the shorter life. The current portion of broadcast rights represents those rights available for broadcast which will be amortized in the succeeding year. When projected future net revenue associated with a program is less than the current carrying amount of the program broadcast rights, for example, due to poor ratings, we write-down the unamortized cost of the broadcast rights to equal the amount of projected future net revenue. If the expected broadcast period was shortened or cancelled we would be required to write-off the remaining value of the related broadcast rights to operations on an accelerated basis or possibly immediately. As of December 31, 2011, the carrying amounts of our current broadcast rights were \$16.3 million and non-current broadcast rights were \$9.4 million.

#### **Retransmission Revenue**

We earn revenues from local cable providers, satellite services and MVPDs for the retransmission of our broadcasts. These revenues are generally earned based on a price per subscriber of the MVPD within the retransmission area. The MVPDs report their subscriber numbers to us periodically, generally upon payment of the fees due to us. Prior to receiving the MVPD reporting, we record revenue based on management s estimate of the number of subscribers, utilizing historical levels and trends of subscribers for each MVPD.

#### Trade and Barter Transactions

We trade certain advertising time for various goods and services. These transactions are recorded at the estimated fair value of the goods or services received. We barter advertising time for certain program material. These transactions, except those involving exchange of advertising time for network programming, are recorded at management s estimate of the fair value of the advertising time exchanged, which approximates the fair value of the program material received. The fair value of advertising time exchanged is estimated by applying average historical advertising rates for specific time periods. We recorded barter revenue of \$13.5 million, \$12.0 million and \$12.0 million for the years ended December 31, 2011, 2010 and 2009, respectively. Trade revenue of \$8.0 million, \$7.7 million and \$7.4 million was recorded for the years ended December 31, 2011, 2010 and 2009, respectively. We incurred trade and barter expense of \$21.3 million, \$19.6 million and \$18.7 million for the years ended December 31, 2011, 2010 and 2009, respectively.

#### Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. A valuation allowance is applied against net deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. While we have considered future taxable income and feasible tax planning strategies in assessing the need for a valuation allowance, in the event that we were to determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the valuation allowance would be charged to income in the period such a determination was made.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. We recognize interest and penalties relating to income taxes as components of income tax expense.

#### Stock Option Expense Recognition

We recognize the expense related to our stock options based on their grant date fair value over the period that the employee is required to provide services, to the extent the awards vest. We apply an estimated forfeiture rate assumption to adjust compensation cost for the effect of those employees that are not expected to complete the requisite service period and will forfeit unvested options. We base the forfeiture rate assumption on our historical experience of award forfeitures, adjusted for certain events that are not expected to recur during the vesting period of our outstanding options.

We determine the fair value of employee stock options at the date of grant using the Black-Scholes option pricing model. Our valuation of employee stock options relies on our estimates of our expected stock price volatility and the expected term of the option award. These assumptions are highly subjective and involve an estimate of future uncertain events. We utilize our historical stock price volatility to determine the expected volatility. We use our exercise and forfeiture history to determine the expected term.

#### **Recent Accounting Pronouncements**

Refer to Note 2 of our consolidated financial statements for a discussion of recently issued accounting pronouncements, including our expected date of adoption and effects on results of operations and financial position.

#### 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. Our term loan borrowings as of September 30, 2012 under our senior secured credit facility bear interest at a rate of 5%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. Our revolving loans bear interest at LIBOR plus the applicable margin, which totaled 4.4% at September 30, 2012. Interest is payable in accordance with the credit agreement.

If LIBOR were to increase by 100 basis points, or one percentage point, from its September 30, 2012 level, our annual interest expense would increase and cash flow from operations would decrease by approximately \$0.9 million, based on the outstanding balance of our credit facility as of September 30, 2012. Due to the LIBOR floor on our term loan, an increase of 50 basis points in LIBOR would have a \$0.2 million impact on our operations and cash flows and any decrease in LIBOR would have a \$0.1 million impact on our operations and cash flows.

The 2014 Notes, the 2017 Notes and the 2014 PIK Notes are fixed rate debt obligations and therefore are not exposed to market interest rate changes. As of December 31, 2011 and September 30, 2012, respectively, we did not have any financial instruments in place to hedge against changes in the benchmark interest rates on the Existing Credit Facilities.

#### Impact of Inflation

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

#### BUSINESS

#### Overview

We are a television broadcasting and digital media company focused exclusively on the acquisition, development and operation of television stations and interactive community websites in small to medium-sized markets in the United States, primarily markets that rank from 35 to 150 out of the 210 generally recognized television markets, as reported by A.C. Nielsen Company. As of September 30, 2012, we owned, operated, programmed or provided sales and other services to 55 television stations and 11 digital multicast channels, including those owned by Mission, in 32 markets in the states of Illinois, Indiana, Maryland, Missouri, Montana, Texas, Pennsylvania, Louisiana, Arkansas, Alabama, New York, Florida, Wisconsin and Michigan. In 20 of the 32 markets that we serve, we own, operate, program or provide sales and other services to more than one station. We refer to these markets as duopoly markets. The stations we own or provide services to are affiliates of NBC (12 stations), CBS (11 stations), ABC (11 stations), FOX (11 stations), MyNetworkTV (5 stations and one digital multicast channel), The CW (2 stations) and Bounce TV (10 digital multicast channels) and three of our stations are independent.

On July 18, 2012, Nexstar Broadcasting and Mission each entered into an asset purchase agreement with Newport to acquire twelve television stations and associated digital sub-channels in eight markets and Newport s Inergize Digital Media operations for total consideration of \$285.5 million in cash, subject to adjustments for working capital acquired. Nexstar Broadcasting will acquire ten stations in Salt Lake City, Utah, Memphis, Tennessee, Syracuse, New York, Binghamton, New York, Elmira, New York, Watertown, New York and Jackson, Tennessee, as well as Newport s Inergize Digital Media operations and Mission will acquire two stations in Little Rock, Arkansas. The acquisition of the assets being acquired by Nexstar Broadcasting as part of the Newport Acquisition is expected to close in December 2012. The acquisition of the assets being acquired by Mission as part of the Newport Acquisition is expected to close shortly after Mission receives FCC approval. There can be no assurance that the Newport Acquisition, excluding any potential synergies, for the year ended December 31, 2011 and the nine months ended September 30, 2012, we would have generated net revenue of \$403.4 million and \$338.4 million, respectively. See Unaudited Pro Forma Combined Financial Data.

On November 5, 2012, Nexstar Broadcasting entered into an asset purchase agreement for the purchase of three additional stations consisting of the assets of KGPE-TV, the CBS affiliate serving the Fresno, California market and KGET and KKEY-LP, the NBC/CW affiliate and low powered Telemundo affiliated stations serving the Bakersfield, California market from entities controlled by Newport. In addition, Nexstar Broadcasting and Mission entered into an asset purchase agreement with Smith to acquire two stations consisting of the assets of WFFF-TV, the FOX affiliate, and WVNY, the ABC affiliate, serving the Burlington, Vermont market. Nexstar Broadcasting and Mission will enter into a local services agreement to provide sales and other services to WVNY upon consummation of the transaction. Nexstar Broadcasting and Mission intend to finance these two proposed transactions through borrowings under the Senior Secured Credit Facilities.

Each of these transactions is subject to FCC approval and other customary legal and regulatory conditions. These two proposed transactions are expected to close in the first quarter of 2013. There can be no assurance that these transactions will be consummated in accordance with anticipated timing, on anticipated terms, or at all. Assuming completion of these two proposed transactions, we will own, operate, program or provide sales and other services to 71 television stations and related digital multicast signals reaching 41 markets or approximately 12.3% of all U.S. television households.

These two proposed transactions are expected to be accretive to our operating results immediately upon closing and will result in us operating one station and providing sales and other services to another in 25 of the 41 markets where we operate, which assumes the completion of the Newport Acquisition described above as

well. In addition, it will expand to 71 the number of stations and related digital signals that we either own or provide sales and other services to.

We believe that small to medium-sized markets offer significant advantages over large-sized markets, most of which result from a lower level of competition. First, because there are fewer well-capitalized acquirers with a medium-market focus, we have been successful in purchasing stations on more favorable terms than acquirers of large market stations. Second, in the majority of our markets only five or fewer local commercial television stations exist. As a result, we achieve lower programming costs than stations in larger markets because the supply of quality programming exceeds the demand.

We seek to grow our revenue and broadcast cash flow by increasing the audience and revenue shares of the stations we own, operate, program or provide sales and other services to, as well as through our growing portfolio of Internet-based products and services. We strive to increase the audience share of the stations by creating a strong local broadcasting presence based on highly rated local news, local sports coverage and active community sponsorship. We seek to improve revenue share by employing and supporting a high-quality local sales force that leverages the stations strong local brand and community presence with local advertisers. We further improve broadcast cash flow by maintaining strict control over operating and programming costs. The benefits achieved through these initiatives are magnified in our duopoly markets by broadcasting the programming of multiple networks, capitalizing on multiple sales forces and achieving an increased level of operational efficiency. As a result of our operational enhancements, we expect revenue from the stations we acquired or began providing services to in the last four years to grow faster than that of our more mature stations.

#### **Operating Strategy**

We seek to generate revenue and broadcast cash flow growth through the following strategies:

*Develop Leading Local Franchises.* Each of the stations that we own, operate, program or provide sales and other services to creates a highly recognizable local brand, primarily through the quality of local news programming and community presence. Based on internally-generated analysis, we believe that in over 70% of our markets in which we produce local newscasts, we rank among the top two stations in local news viewership. Strong local news typically generates higher ratings among attractive demographic profiles and enhances audience loyalty, which may result in higher ratings for programs both preceding and following the news. High ratings and strong community identity make the stations that we own, operate, program or provide with sales and other services more attractive to local advertisers. For the year ended December 31, 2011, we earned approximately 30% of our advertising revenue from spots aired during local news programming. Currently, most of our stations and the stations we provide services to provide between 15 to 25 hours per week of local news programming. Extensive local sports coverage and active sponsorship of community events further differentiate us from our competitors and strengthen our community relationships and our local advertising appeal.

*Emphasize Local Sales.* We employ a high-quality local sales force in each of our markets to increase revenue from local advertisers by capitalizing on our investment in local programming. We believe that local advertising is attractive because our sales force is more effective with local advertisers, giving us a greater ability to influence this revenue source. Additionally, local advertising has historically been a more stable source of revenue than national advertising for television broadcasters. For the year ended December 31, 2011, revenue generated from local advertising represented 73.4% of our consolidated spot revenue (total of local and national advertising revenue, excluding political advertising revenue). In most of our markets, we have increased the size and quality of our local sales force. We also invest in our sales efforts by implementing comprehensive training programs and employing a sophisticated inventory tracking system to help maximize advertising rates and the amount of inventory sold in each time period.

*Invest in eMedia.* We are focused on new technologies and growing our portfolio of Internet products and services. Our websites provide access to our local news and information, as well as community-centric

businesses and services. We delivered a record audience across all of our web sites in 2011, with 35 million unique visitors, who utilized over 231 million page views. Also in 2011, usage of our mobile platform grew exponentially, accounting for over 40% of our page views by year end, and we launched redesigned websites, ready for the emerging touch oriented platforms. We are committed to serving our local markets by providing local content to both online and mobile users wherever and whenever they want.

*Operate Duopoly Markets.* Owning or providing services to more than one station in a given market enables us to broaden our audience share, enhance our revenue share and achieve significant operating efficiencies. Duopoly markets broaden audience share by providing programming from multiple networks with different targeted demographics. These markets increase revenue share by capitalizing on multiple sales forces. Additionally, we achieve significant operating efficiencies by consolidating physical facilities, eliminating redundant management and leveraging capital expenditures between stations. We derived approximately 75% of our net broadcast revenue for the year ended December 31, 2011 from our duopoly markets.

*Maintain Strict Cost Controls*. We emphasize strict controls on operating and programming costs in order to increase broadcast cash flow. We continually seek to identify and implement cost savings at each of our stations and the stations we provide services to, and our overall size benefits each station with respect to negotiating favorable terms with programming suppliers and other vendors. By leveraging our size and corporate management expertise, we are able to achieve economies of scale by providing programming, financial, sales and marketing support to our stations and the stations we provide services to. Our and Mission s cash broadcast payments were 3.7%, 3.5% and 4.0% of net broadcast revenue for the years ended December 31, 2011, 2010 and 2009, respectively.

*Capitalize on Diverse Network Affiliations*. We currently own, operate, program or provide sales and other services to a balanced portfolio of television stations with diverse network affiliations, including NBC, CBS, FOX and ABC affiliated stations which represented approximately 29.8%, 29.3%, 18.9% and 12.9%, respectively, of our 2011 net broadcast revenue. The networks provide these stations with quality programming and numerous sporting events such as NBA basketball, Major League baseball, NFL football, NCAA sports, PGA golf and the Olympic Games. Because network programming and ratings change frequently, the diversity of our station portfolio s network affiliations reduces our reliance on the quality of programming from a single network.

Attract and Retain High Quality Management. We seek to attract and retain station general managers with proven track records in larger television markets by providing equity incentives not typically offered by other station operators in our markets. Most of our station general managers have been granted stock options and have an average of over 20 years of experience in the television broadcasting industry.

#### **Acquisition Strategy**

We selectively pursue acquisitions of television stations primarily in markets ranking from 35 to 150 out of the 210 generally recognized television markets where we believe we can improve revenue and cash flow through active management. On a pro forma basis for the Newport Acquisition, but excluding the acquisition of three additional stations from Newport and two stations from Smith, in the nine months ended September 30, 2012, approximately 60% of our broadcast cash flow was derived from stations located in the top 100 DMAs (ranked by TV homes). When considering an acquisition, we evaluate the target audience share, revenue share, overall cost structure and proximity to our regional clusters. Additionally, we seek to acquire or enter into local service agreements with stations to create duopoly markets.

#### **Relationship with Mission**

Through various local service agreements with Mission, we currently provide sales, programming and other services to 17 television stations that are owned and operated by Mission. Mission is 100% owned by

independent third parties. We do not own Mission or any of its television stations. In compliance with FCC regulations for both us and Mission, Mission maintains complete responsibility for and control over the programming, finances, personnel and operations of its stations. However, we are deemed under GAAP to have a controlling financial interest in Mission because of (i) the local service agreements Nexstar has with the Mission stations, (ii) Nexstar s guarantee of the obligations incurred under the Mission Facilities, (iii) Nexstar having power over significant activities affecting Mission s economic performance, including budgeting for advertising revenue, advertising and hiring and firing of sales force personnel, (iv) purchase options granted by Mission that permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent and (v) an option granted by Mission s shareholders that permits Nexstar to purchase any or all of Mission s stock, subject to FCC consent. Therefore, Mission is consolidated into our financial statements. We expect our option agreements with Mission to be renewed upon expiration.

#### The Stations

The following chart sets forth general information about the stations we owned, operated, programmed or provided sales and other services as of September 30, 2012:

						FCC
					Commercial Stations	License
Market					in	Expiration
Rank(1)	Market	Station	Affiliation	Status(2)	Market(3)	Date
8	Washington, DC/ Hagerstown, MD	WHAG	NBC	0&0	(4)	(5)
41	Harrisburg-Lancaster- Lebanon-York, PA	WLYH	The CW	0&0(6)	5	(5)
50	Jacksonville, FL	WCWJ/WCWJ-D-2	The CW/Bounce TV	0&0	6	2/1/13
54	Wilkes Barre-Scranton, PA	WBRE	NBC	0&0	7	(5)
		WYOU	CBS	LSA(7)		(5)
56	Little Rock-Pine Bluff, AR	KARK	NBC	0&0	7	(5)
		KARZ/KARZ-D-2	MyNetworkTV/ Bounce TV	0&0		6/1/13
69	Green Bay-Appleton, WI	WFRV	CBS	0&0	5	12/1/13
75	Springfield, MO	KOLR	CBS	LSA(7)	7	(5)
		KOZL	Independent	0&0		(5)
79	Rochester, NY	WROC/WROC-D-2	CBS/Bounce TV	0&0	4	(5)
		WUHF	FOX	LSA(8)		6/1/15
82	Champaign-Springfield-Decatur, IL	WCIA	CBS	0&0	6	(5)
		WCIX	MyNetworkTV	0&0		(5)
83	Shreveport, LA	KTAL	NBC	0&0	6	8/1/14
101		KFTA	FOX/NBC	0&0	6	6/1/13
	Ft. Smith-Fayetteville-Springdale-Rogers, AR	KNWA	NBC/FOX	0&0		(5)
102	Johnston-Altoona, PA	WTAJ	CBS	0&0	4	(5)
104	Evansville, IN	WEHT	ABC	0&0	5	8/1/13
100	5 W. N.	WTVW	Independent	LSA(7)		8/1/13
109	Ft. Wayne, IN	WFFT	Independent	0&0	4	(5)
116	Peoria-Bloomington, IL	WMBD/WMBD-D-2	CBS/Bounce TV	0&0	5	(5)
120		WYZZ	FOX	LSA(8)	-	12/1/13
130	Amarillo, TX	KAMR	NBC	0&0	5	(5)
		KCIT	FOX	LSA(7)		(5)
124	D 16 1 H	KCPN-LP	MyNetworkTV	LSA(7)		(5)
134	Rockford, IL	WQRF/WQRF-D-2	FOX/Bounce TV	0&0	4	(5)
127	Managa I.A. El Danada AD	WTVO/WTVO-D-2	ABC/MyNetworkTV	LSA(7)	(	(5)
137	Monroe, LA- El Dorado, AR	KARD/KARD-D-2	FOX/Bounce TV NBC	0&0	6	(5)
1.4.1	Description of Dest Arthur TV	KTVE		LSA(7)	4	6/1/13
141 142	Beaumont-Port Arthur, TX	KBTV/KBTV-D-2	FOX/Bounce TV NBC FOX/Bounce TV	0&0 0&0	4 5	(5) (5)
142	Wichita Falls, TX- Lawton, OK	KFDX KJTL/KJTL-	NBC FOA/Bounce I v	020	5	(3)
		D-2 KJBO-LP	MyNetworkTV	LSA(7)		(5)
			Myrtetworkr v	LSA(7)		(5)
143	Lubbock, TX	KLBK	CBS ABC/Bounce TV	0&0	5	(5)
110		KAMC/KAMC-D-2		LSA(7)	U	(5)
146	Erie, PA	WJET	ABC	0&0	4	(5)
		WFXP	FOX	LSA(7)		(5)
149	Joplin, MO-Pittsburg, KS	KSNF	NBC	0&0	4	(5)
,	·····	KODE	ABC	LSA(7)		(5)
151	Odessa-Midland, TX	KMID	ABC	0&0	5	(5)
154	Terre Haute, IN	WTWO	NBC	0&0	3	(5)
		WAWV	ABC	LSA(7)		(5)
164	Abilene-Sweetwater, TX	KTAB	CBS NBC/Bounce TV	0&0	4	(5)
	· · · · · · · · · · · · · · · · · · ·	KRBC/KRBC-D-2		LSA(7)		(5)
168	Billings, MT	KSVI	ABC	0&0	4	(5)
		KHMT	FOX	LSA(7)		(5)
169	Dothan, AL	WDHN	ABC	0&0	3	(5)

**Table of Contents** 

# Edgar Filing: NEXSTAR BROADCASTING GROUP INC - Form 424B2

172	Utica, NY	WFXV	FOX MyNetworkTV	0&0	4	(5)
		WPNY-LP	ABC	0&0		(5)
		WUTR		LSA(7)		(5)
180	Marquette, MI	WJMN	CBS	0&0	5	10/1/13
197	San Angelo, TX	KSAN KLST	NBC	LSA(7)	4	(5)
			CBS	0&0		(5)
200	St. Joseph, MO	KQTV	ABC	0&0	1	(5)

- (1) Market rank refers to ranking the size of the Designated Market Area ( DMA ) in which the station is located in relation to other DMAs. Source: *Investing in Television Market Report 2011 4th Edition*, as published by BIA Financial Network, Inc.
- (2) O&O refers to stations that we own and operate. LSA, or local service agreement, is the general term we use to refer to a contract under which we provide services utilizing our employees to a station owned and operated by independent third parties. Local service agreements include time brokerage agreements, shared services agreements, joint sales agreements and outsourcing agreements. For further information regarding the LSAs to which we are party, see Note 2 to our consolidated financial statements incorporated by reference into this prospectus supplement.
- (3) The term commercial station means a television broadcast station and excludes non-commercial stations, religious and Spanish-language stations, cable program services or networks. Source: *Investing in Television Market Report 2011 4th Edition*, as published by BIA Financial Network, Inc.
- (4) Although WHAG is located within the Washington, DC DMA, its signal does not reach the entire Washington, DC metropolitan area. WHAG serves the Hagerstown, MD sub-market within the DMA.
- (5) Application for renewal of license was submitted timely to the FCC. Under the FCC s rules, a license expiration date automatically is extended pending review of and action on the renewal application by the FCC.
- (6) Although Nexstar owns WLYH, this station is programmed by Newport Television pursuant to a time brokerage agreement.
- (7) These stations are owned by Mission.
- (8)