

NEXSTAR BROADCASTING GROUP INC

Form 10-K

March 31, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
for the fiscal year ended December 31, 2008

OR

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

Commission File Number: 000-50478

**NEXSTAR BROADCASTING GROUP, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State of Organization or Incorporation)

**5215 N. O Conner Blvd., Suite 1400**

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

**23-3083125**  
(IRS Employer Identification No.)

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

**Securities Registered Pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Class A Common Stock, \$0.01 par value per share	The Nasdaq Stock Market's National Market

**Securities Registered Pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of June 30, 2008, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was \$46,153,797.

As of January 31, 2009, the Registrant had outstanding:

15,013,839 shares of Class A Common Stock

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

**Documents Incorporated By Reference**

Portions of the Proxy Statement for the Registrant's 2009 Annual Meeting of Stockholders will be filed with the Commission within 120 days after the close of the Registrant's fiscal year and incorporated by reference in Part III.

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**General**

As used in this Annual Report on Form 10-K and unless the context indicates otherwise, Nexstar refers to Nexstar Broadcasting Group, Inc. and its consolidated subsidiaries; Nexstar Broadcasting refers to Nexstar Broadcasting, Inc., our indirect subsidiary; Nexstar Finance Holdings refers to Nexstar Finance Holdings, Inc., our wholly-owned subsidiary; Mission refers to Mission Broadcasting, Inc.; ABRY refers to Nexstar Broadcasting Group, Inc.'s principal stockholder, ABRY Partners, LLC and its affiliated funds; and all references to we, our, ours, and us refer to Nexstar.

Nexstar has time brokerage agreements, shared services agreements and joint sales agreements (which we generally refer to as local service agreements) relating to the television stations owned by Mission, but does not own any of the equity interests in Mission. For a description of the relationship between Nexstar and Mission, see Item 13. Certain Relationships and Related Transactions, and Director Independence.

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. For more information on how we derive economic benefit from a duopoly, see Item 1. Business and Item 13. Certain Relationships and Related Transactions, and Director Independence.

There are 210 generally recognized television markets, known as Designated Market Areas, or DMAs, in the United States. DMAs are ranked in size according to various factors based upon actual or potential audience. DMA rankings contained in this Annual Report on Form 10-K are from *Investing in Television Market Report 2008 4th Edition*, as published by BIA Financial Network, Inc.

Reference is made in this Annual Report on Form 10-K to the following trademarks/tradenames which are owned by the third parties referenced in parentheses: *Seinfeld* (Columbia Tristar Television Distribution, a unit of Sony Pictures) and *Entertainment Tonight* (Paramount Distribution, a division of Viacom Inc.).

**Cautionary Note Regarding Forward-Looking Statements**

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including: any projections or expectations of earnings, revenue, financial performance, liquidity and capital resources or other financial items; any assumptions or projections about the television broadcasting industry, any statements of our plans, strategies and objectives for our future operations, performance, liquidity and capital resources or other financial items; any statements concerning proposed new products, services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words may, will, should, could, would, predicts, potential, continue, expects, anticipates, future, believes, estimates and other similar 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 discussed under Item 1A. Risk Factors located elsewhere in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission (SEC). The forward-looking statements made in this Annual Report on Form 10-K 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.

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**Available Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements and other information filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549-0102. Please call (800) SEC-0330 for further information on the Public Reference Room. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC. The address for the SEC's website is <http://www.sec.gov>.

We make available, free of charge, through our investor relations website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of changes in beneficial ownership of securities, and amendments to those reports and statements as soon as reasonably practicable after they are filed with the SEC. The address for our website is <http://www.nexstar.tv>.

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**PART I**

**Item 1. Business  
Overview**

We are a television broadcasting company focused exclusively on the acquisition, development and operation of television stations in medium-sized markets in the United States, primarily markets that rank from 50 to 175 out of the 210 generally recognized television markets, as reported by A.C. Nielsen Company. As of December 31, 2008, we owned and operated 32 stations, and provided sales or other services to an additional 18 stations that are owned by Mission and other entities. In 18 of the 29 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. We have more than doubled the size of our portfolio since January 1, 2003, having acquired 19 stations and begun providing services to 11 additional stations. The stations that we own, operate, program or provide sales and other services to are in markets located in New York, Pennsylvania, Illinois, Indiana, Missouri, Texas, Louisiana, Arkansas, Alabama, Montana and Maryland. These stations are diverse in their network affiliations: 45 have primary affiliation agreements with one of the four major networks 14 with FOX, 13 with NBC, 9 with ABC and 9 with CBS. Four of the remaining five stations have agreements with MyNetworkTV and one station has an agreement with The CW.

On October 7, 2008, Nexstar Broadcasting Group, Inc. announced that it entered into a definitive agreement to acquire the assets of KWBF the MyNetworkTV affiliate serving the Little Rock, Arkansas market for \$4.0 million from Equity Broadcasting Corp. In February 2009 the station was re-launched under the call letters KARZ-TV. Closing of the acquisition occurred on March 12, 2009.

As of January 1, 2009, KBTW in Beaumont, Texas became a FOX affiliate. KBTW's NBC network affiliation expired on December 31, 2008.

On January 28, 2009, Nexstar entered into a definitive agreement to acquire the assets of WCWJ, a CW affiliate serving the Jacksonville, Florida market. This transaction has received FCC approval and is expected to close in the second quarter of 2009.

We believe that 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.

The stations we own and operate or provide services to provide free over-the-air programming to our markets' television viewing audiences. This programming includes (a) programs produced by networks with which the stations are affiliated; (b) programs that the stations produce; and (c) first-run and rerun syndicated programs that the stations acquire. Our primary source of revenue is the sale of commercial air time to local and national advertisers.

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. 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. Additionally, 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

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increased level of operational efficiency. As a result of our operational enhancements, we expect revenue from the stations we have acquired or begun providing services to in the last four years to grow faster than that of our more mature stations.

We completed our initial public offering on November 28, 2003. Concurrent with our offering, we completed a corporate reorganization whereby our predecessor, Nexstar Broadcasting Group, L.L.C., and certain direct and indirect subsidiaries of Nexstar Broadcasting Group, L.L.C. merged with and into us. Nexstar Broadcasting Group, L.L.C. was organized as a limited liability company on December 12, 1996 in the State of Delaware and commenced operations on April 15, 1997.

Our principal offices are at 5215 N. O Conner Blvd., Suite 1400, Irving, TX 75039. Our telephone number is (972) 373-8800 and our website is <http://www.nexstar.tv>.

**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 approximately two-thirds of our markets that feature local newscasts produced by Nexstar, 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 sales and other services to more attractive to local advertisers. For the year ended December 31, 2008 we earned approximately one-third of our advertising revenue from spots aired during local news programming. As of December 31, 2008, our stations and the stations we provide services to provided approximately 675 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, 2008, revenue generated from local advertising represented 72.2% 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.

*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 71.3% of our net broadcast revenue for the year ended December 31, 2008 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



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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. Due to the significant negotiating leverage afforded by limited competition in our markets, Nexstar and Mission on a combined basis reduced the cash broadcast payments as a percentage of net broadcast revenue for the years ended December 31, 2008 and 2007 as compared to the previous three years. Our and Mission's cash broadcast payments were 3.1%, 3.4%, 3.4%, 4.7% and 4.6% of net broadcast revenue for the years ended December 31, 2008, 2007, 2006, 2005 and 2004, 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, ABC, and Fox affiliated stations which represented approximately 33.0%, 28.1%, 14.7% and 23.7% respectively, of our 2008 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. 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 50 to 175 out of the 210 generally recognized television markets, where we believe we can improve revenue and cash flow through active management. Since January 1, 2003, we have more than doubled the number of stations that we own, operate and provide sales and other services to, having acquired 19 stations and contracted to provide services to 11 additional stations. 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 18 television stations that are owned and operated by Mission. Mission is 100% owned by an independent third party. We do not own Mission or any of its television stations. In order for both us and Mission to comply with Federal Communications Commission (FCC) regulations, Mission maintains complete responsibility for and control over programming, finances, personnel and operations of its stations. However, as a result of (a) local service agreements Nexstar has with the Mission stations, (b) Nexstar's guarantee of the obligations incurred under Mission's senior credit facility and (c) purchase options (which expire on various dates between 2011 and 2018) granted by Mission's sole shareholder which will permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent, we are deemed under accounting principles generally accepted in the United States of America (U.S. GAAP) to have a controlling financial interest in Mission. As a result of our controlling financial interest in Mission under U.S. GAAP and in order to present fairly our financial position, results of operations and cash flows, we consolidate the financial position, results of operations and cash flows of Mission with us as if Mission were a wholly-owned entity. We expect these option agreements to be renewed upon expiration.

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The following chart sets forth general information about the stations we owned, operated, programmed or provided sales and other services to as of December 31, 2008:

Market Rank <sup>(1)</sup>	Market	Station	Affiliation	Status	Commercial Stations in Market <sup>(3)</sup>	FCC License Expiration Date
9	Washington, DC/Hagerstown, MD <sup>(4)</sup>	WHAG	NBC	O&O		(5)
41	Harrisburg-Lancaster-Lebanon-York, PA	WLYH	The CW	O&O <sup>(6)</sup>	6	(5)
54	Wilkes Barre-Scranton, PA	WBRE	NBC	O&O	7	(5)
		WYOU	CBS	LSA		(5)
56	Little Rock-Pine Bluff, AR	KARK	NBC	O&O	7	(5)
74	Springfield, MO	KOLR	CBS	LSA	6	(5)
		KSFX	Fox	O&O		(5)
80	Rochester, NY	WROC	CBS	O&O	4	(5)
		WUHF	Fox	LSA		(5)
83	Champaign-Springfield-Decatur, IL	WCIA	CBS	O&O	6	(5)
		WCFN	MyNetworkTV	O&O		(5)
84	Shreveport, LA	KTAL	NBC	O&O	7	8/1/14
100	Ft. Smith-Fayetteville-		Fox/NBC	O&O		6/1/13
		KFTA				
	Springdale-Rogers, AR	KNWA	NBC	O&O	6	(5)
101	Johnstown-Altoona, PA	WTAJ	CBS	O&O	6	(5)
102	Evansville, IN	WTVW	Fox	O&O	6	(5)
107	Ft. Wayne, IN	WFFT	Fox	O&O	4	(5)
116	Peoria-Bloomington, IL	WMBD	CBS	O&O	5	(5)
		WYZZ	Fox	LSA		(5)
131	Amarillo, TX	KAMR	NBC	O&O	5	(5)
		KCIT	Fox	LSA		(5)
		KCPN-LP	MyNetworkTV	LSA		(5)
132	Rockford, IL	WQRF	Fox	O&O	4	(5)
		WTVO	ABC	LSA		(5)
136	Monroe, LA-El Dorado, AR	KARD	Fox	O&O	6	(5)
		KTVE	NBC	LSA		(5)
141				O&O		
	Beaumont-Port Arthur, TX	KBTV	NBC	<sup>(7)</sup>	4	(5)
143	Lubbock, TX	KLBK	CBS	O&O	5	(5)
		KAMC	ABC	LSA		(5)
145	Wichita Falls, TX-Lawton, OK	KFDX	NBC	O&O	5	(5)
		KJTL	Fox	LSA		(5)
		KJBO-LP	MyNetworkTV	LSA		(5)
146	Erie, PA	WJET	ABC	O&O	4	(5)
		WFXP	Fox	LSA		(5)
148	Joplin, MO-Pittsburg, KS	KSNF	NBC	O&O	4	(5)
		KODE	ABC	LSA		(5)
152	Terre Haute, IN	WTWO	NBC	O&O	3	(5)
		WFXW	Fox	LSA		(5)
156	Odessa-Midland, TX	KMID	ABC	O&O	5	(5)
165	Abilene-Sweetwater, TX	KTAB	CBS	O&O	4	(5)
		KRBC	NBC	LSA		(5)

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169	Utica, NY	WFXV	Fox	O&O	4	(5)
		WPNY-LP	MyNetworkTV	O&O		(5)
		WUTR	ABC	LSA		(5)
170	Billings, MT	KSVI	ABC	O&O	4	(5)
		KHMT	Fox	LSA		(5)
172	Dothan, AL	WDHN	ABC	O&O	3	(5)
196	San Angelo, TX	KSAN	NBC	LSA	4	(5)
		KLST	CBS	O&O		(5)
		KQTV	ABC	O&O		(5)
201	St. Joseph, MO				1	(5)

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- (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 2008 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 to a station owned and operated by an independent third party. 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 in Part IV, Item 15(a) of this Annual Report on Form 10-K.
- (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 2008 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 timely was submitted 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 Clear Channel Communications pursuant to a time brokerage agreement.
- (7) KBTW became a Fox affiliated station effective January 1, 2009.

**Industry Background**

Commercial television broadcasting began in the United States on a regular basis in the 1940s. Currently a limited number of channels are available for over-the-air broadcasting in any one geographic area and a license to operate a television station must be granted by the FCC. All television stations in the country are grouped by A.C. Nielsen Company, a national audience measuring service, into 210 generally recognized television markets, known as designated market areas ( DMAs ), that are ranked in size according to various metrics based upon actual or potential audience. Each DMA is an exclusive geographic area consisting of all counties in which the home-market commercial stations receive the greatest percentage of total viewing hours. A.C. Nielsen periodically publishes data on estimated audiences for the television stations in the DMA. The estimates are expressed in terms of a rating, which is a station's percentage of the total potential audience in the market, or a share, which is the station's percentage of the audience actually watching television. A station's rating in the market can be a factor in determining advertising rates.

Most television stations are affiliated with networks and receive a significant part of their programming, including prime-time hours, from networks. Whether or not a station is affiliated with one of the four major networks (NBC, ABC, CBS or Fox) has a significant impact on the composition of the station's revenue, expenses and operations. Network programming, along with cash payments for some NBC, ABC and CBS affiliates, is provided to the affiliate by the network in exchange for the network's retention of a substantial majority of the advertising time during network programs. The network then sells this advertising time and retains the revenue. The affiliate retains the revenue from the remaining advertising time it sells during network programs and from advertising time it sells during non-network programs.

Broadcast television stations compete for advertising revenue primarily with other commercial broadcast television stations and cable satellite television systems and, to a lesser extent, with newspapers, radio stations and internet advertising serving the same market. Non-commercial, religious and Spanish-language broadcasting stations in many markets also compete with commercial stations for viewers. In addition, the Internet and other leisure activities may draw viewers away from commercial television stations.

The television broadcast industry is in the midst of a transition to an advanced digital television ( DTV ) transmission system. DTV transmissions deliver improved video and audio signals including high definition television and have substantial multiplexing and data transmission capabilities. For each licensed television station, the FCC allocated a matching DTV channel for the transition period. By June 12, 2009, television broadcasters are required to cease analog broadcasting and return one of their channels to the FCC.

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#### **Advertising Sales**

##### *General*

Television station revenue is primarily derived from the sale of local and national advertising. All network-affiliated stations are required to carry advertising sold by their networks which reduces the amount of advertising time available for sale by stations. Our and Mission's stations sell the remaining advertising to be inserted in network programming and the advertising in non-network programming, retaining all of the revenue received from these sales. A national syndicated program distributor will often retain a portion of the available advertising time for programming it supplies in exchange for no fees or reduced fees charged to stations for such programming. These programming arrangements are referred to as barter programming.

Advertisers wishing to reach a national audience usually purchase time directly from the networks, or advertise nationwide on a case-by-case basis. National advertisers who wish to reach a particular region or local audience often buy advertising time directly from local stations through national advertising sales representative firms. Local businesses purchase advertising time directly from the stations' local sales staff.

Advertising rates are based upon a number of factors, including:

a program's popularity among the viewers that an advertiser wishes to target;

the number of advertisers competing for the available time;

the size and the demographic composition of the market served by the station;

the availability of alternative advertising media in the market area;

the effectiveness of the station's sales forces;

development of projects, features and programs that tie advertiser messages to programming; and

the level of spending commitment made by the advertiser.

Advertising rates are also determined by a station's overall ability to attract viewers in its market area, as well as the station's ability to attract viewers among particular demographic groups that an advertiser may be targeting. Advertising revenue is positively affected by strong local economies. Conversely, declines in advertising budgets of advertisers, particularly in recessionary periods, adversely affect the broadcast industry and as a result may contribute to a decrease in the revenue of broadcast television stations.

##### *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. Stations' advertising revenue is generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to, and including, the holiday season. In addition, advertising revenue is generally higher during even-numbered years due to advertising placed by candidates for political offices and advertising aired during the Olympic Games.

*Local Sales*

Local advertising time is sold by each station's local sales staff who call upon advertising agencies and local businesses, which typically include car dealerships, retail stores and restaurants. Compared to revenue from national advertising accounts, revenue from local advertising is generally more stable and more predictable. We seek to attract new advertisers to television and to increase the amount of advertising time sold to existing local advertisers by relying on experienced local sales forces with strong community ties, producing news and other programming with local advertising appeal and sponsoring or co-promoting local events and activities. We place a strong emphasis on the experience of our local sales staff and maintain an on-going training program for sales personnel.

*National Sales*

National advertising time is sold through national sales representative firms which call upon advertising agencies, whose clients typically include automobile manufacturers and dealer groups, telecommunications companies, fast food franchisers, and national retailers (some of which may advertise locally).

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Each station that we own and operate, program or provide sales and other services to as of December 31, 2008 is affiliated with a network pursuant to an affiliation agreement, as described below:

<b>Station</b>	<b>Market</b>	<b>Affiliation</b>	<b>Expiration</b>
KBTV <sup>(4)</sup>	Beaumont-Port Arthur, TX	NBC	December 2008
WTVW	Evansville, IN	Fox	June 2010
WQRF	Rockford, IL	Fox	June 2010
KARD	Monroe, LA-El Dorado, AR	Fox	June 2010
KSFY	Springfield, MO	Fox	June 2010
WFXV	Utica, NY	Fox	June 2010
WFFT	Ft. Wayne, IN	Fox	June 2010
WBRE	Wilkes Barre-Scranton, PA	NBC	December 2011
WTWO	Terre Haute, IN	NBC	December 2011
KFDX	Wichita Falls, TX-Lawton, OK	NBC	December 2011
KSNF	Joplin, MO-Pittsburg, KS	NBC	December 2011
WTAJ	Johnstown-Altoona, PA	CBS	May 2010
KCIT	Amarillo, TX	Fox	June 2010
WFXP	Erie, PA	Fox	June 2010
KJTL	Wichita Falls, TX-Lawton, OK	Fox	June 2010
WFXW	Terre Haute, IN	Fox	June 2010
KHMT	Billings, MT	Fox	June 2010
KFTA	Ft. Smith-Fayetteville-Springdale-Rogers, AR	Fox/NBC	June 2010
KSAN	San Angelo, TX	NBC	December 2010
KRBC	Abilene-Sweetwater, TX	NBC	December 2010
WUTR	Utica, NY	ABC	December 2010
WDHN	Dothan, AL	ABC	December 2010
WJET	Erie, PA	ABC	December 2010
KSVI	Billings, MT	ABC	December 2010
KMID	Odessa-Midland, TX	ABC	December 2010
WTVO	Rockford, IL	ABC	December 2010
KAMC	Lubbock, TX	ABC	December 2010
KQTV	St. Joseph, MO	ABC	December 2010
WPNY-LP	Utica, NY	MyNetworkTV	August 2011
WCFN	Champaign-Springfield-Decatur, IL	MyNetworkTV	August 2011
KCPN-LP	Amarillo, TX	MyNetworkTV	August 2011
KJBO-LP	Wichita Falls, TX-Lawton, OK	MyNetworkTV	August 2011
WUHF <sup>(1)</sup>	Rochester, NY	Fox	March 2012
WYZZ <sup>(1)</sup>	Peoria-Bloomington, IL	Fox	March 2012
KLST	San Angelo, TX	CBS	August 2012
KTAB	Abilene-Sweetwater, TX	CBS	December 2012
KODE	Joplin, MO-Pittsburg, KS	ABC	December 2012
KNWA	Ft. Smith-Fayetteville-Springdale-Rogers, AR	NBC	January 2013
WROC	Rochester, NY	CBS	January 2013
KOLR	Springfield, MO	CBS	June 2013
KLBK	Lubbock, TX	CBS	July 2013
WCIA	Champaign-Springfield-Decatur, IL	CBS	September 2013
WMBD	Peoria-Bloomington, IL	CBS	September 2013
KAMR	Amarillo, TX	NBC	December 2014
KTAL	Shreveport, LA	NBC	December 2014
KARK	Little Rock-Pine Bluff, AR	NBC	December 2014
WHAG	Washington, DC/Hagerstown, MD <sup>(2)</sup>	NBC	December 2014

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WYOU Wilkes Barre-Scranton, PA  
WLYH<sup>(3)</sup> Harrisburg-Lancaster-Lebanon-York, PA  
KTVE Monroe, LA El Dorado, AR

CBS  
The CW  
NBC

June 2015  
September 2016  
December 2011



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- (1) This station is owned by a subsidiary of Sinclair Broadcasting Group, Inc. which maintains the network affiliation agreement with the Fox network.
- (2) 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.
- (3) Under a time brokerage agreement, Nexstar allows Newport Television License, LLC, Inc. to program most of WLYH's broadcast time, sell its advertising time and retain the advertising revenue generated in exchange for monthly payments to Nexstar.
- (4) KBTW became a Fox affiliated station effective January 1, 2009. The Fox agreement expires in December 2013.

Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which it is affiliated. In exchange, the network has the right to sell a substantial majority of the advertising time during these broadcasts. In addition, some stations receive compensation from the network based on the hours of network programming they broadcast.

We expect all of the network affiliation agreements listed above to be renewed upon expiration.

**Competition**

Competition in the television industry takes place on several levels: competition for audience, competition for programming and competition for advertising.

*Audience.* We compete for audience share specifically on the basis of program popularity. The popularity of a station's programming has a direct effect on the advertising rates it can charge its advertisers. A portion of the daily programming on the stations that we own or provide services to is supplied by the network with which each station is affiliated. In those periods, the stations are dependent upon the performance of the network programs in attracting viewers. Stations program non-network time periods with a combination of self-produced news, public affairs and other entertainment programming, including movies and syndicated programs. The major television networks have also begun to sell their programming directly to the consumer via portal digital devices such as video iPods and cell phones which presents an additional source of competition for television broadcaster audience share. Other sources of competition for audience include home entertainment systems, such as VCRs, DVDs and DVRs; video-on-demand and pay-per-view; the Internet; and television game devices.

Although the commercial television broadcast industry historically has been dominated by the ABC, NBC, CBS and Fox television networks, other newer television networks and the growth in popularity of subscription systems, such as local cable and direct broadcast satellite (DBS) systems which air exclusive programming not otherwise available in a market, have become significant competitors for the over-the-air television audience.

*Programming.* Competition for programming involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Stations compete against in-market broadcast station operators for exclusive access to off-network reruns (such as *Seinfeld*) and first-run product (such as *Entertainment Tonight*) in their respective markets. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. Time Warner, Inc., General Electric Company, Viacom Inc., The News Corporation Limited and the Walt Disney Company each owns a television network and also owns or controls major production studios, which are the primary source of programming for the networks. It is uncertain whether in the future such programming, which is generally subject to short-term agreements between the studios and the networks, will be moved to the networks. Television broadcasters also compete for non-network programming unique to the markets they serve. As such, stations strive to provide exclusive news stories, unique features such as investigative reporting and coverage of community events and to secure broadcast rights for regional and local sporting events.

*Advertising.* Stations compete for advertising revenue with other television stations in their respective markets; and other advertising media such as newspapers, radio stations, magazines, outdoor advertising, transit

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advertising, yellow page directories, direct mail, local cable systems, DBS systems and the Internet. Competition for advertising dollars in the broadcasting industry occurs primarily within individual markets. Generally, a television broadcast station in a particular market does not compete with stations in other market areas.

*Additional Competitive Factors.* Additional factors that are material to a television station's competitive position include signal coverage and assigned channel. Television stations can be distinguished by the frequency on which they broadcast. Analog television stations that broadcast over the very high frequency or VHF band (channels 2-13) of the spectrum generally have some competitive advantage over analog television stations which broadcast over the ultra-high frequency or UHF band (channels above 13) of the spectrum because the former usually have better signal coverage and operate at lower transmission costs. However, the improvement of UHF transmitters and receivers, the complete elimination from the marketplace of VHF-only receivers and the expansion of cable television systems have reduced the VHF signal advantage. In addition, any disparity between VHF and UHF is likely to diminish even further in the coming era of digital television.

The broadcasting industry is continually faced with technological change and innovation which increase the popularity of competing entertainment and communications media. Further advances in technology may increase competition for household audiences and advertisers. The increased use of digital technology by cable systems and DBS, along with video compression techniques, will reduce the bandwidth required for television signal transmission. These technological developments are applicable to all video delivery systems, including over-the-air broadcasting, and have the potential to provide vastly expanded programming to highly targeted audiences. Reductions in the cost of creating additional channel capacity could lower entry barriers for new channels and encourage the development of increasingly specialized niche programming. This ability to reach very narrowly defined audiences is expected to alter the competitive dynamics for advertising expenditures. We are unable to predict the effect that these or other technological changes will have on the broadcast television industry or on the future results of our operations or the operations of the stations we provide services to.

**Federal Regulation**

Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the Communications Act). The following is a brief discussion of certain provisions of the Communications Act and the FCC's regulations and policies that affect the business operations of television broadcast stations. Over the years, Congress and the FCC have added, amended and deleted statutory and regulatory requirements to which station owners are subject. Some of these changes have a minimal business impact whereas others may significantly affect the business or operation of individual stations or the broadcast industry as a whole. The following discussion summarizes some of the statutory and regulatory rules and policies currently in effect. For more information about the nature and extent of FCC regulation of television broadcast stations you should refer to the Communications Act and the FCC's rules, public notices and policies.

*License Grant and Renewal.* The Communications Act prohibits the operation of broadcast stations except under licenses issued by the FCC. 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 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.

After a renewal application is filed, interested parties, including members of the public, may file petitions to deny a renewal application, to which the licensee/renewal applicant is entitled to respond. After reviewing the pleadings, if the FCC determines that there is a substantial and material question of fact whether grant of the renewal application would serve the public interest, the FCC is required to hold a trial-type hearing on the issues.

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presented. If, after the hearing, the FCC determines that the renewal applicant has met the renewal standard the FCC will grant the renewal application. If the licensee/renewal applicant fails to meet the renewal standard or show that there are mitigating factors entitling it to renewal subject to appropriate sanctions, the FCC can deny the renewal application. In the vast majority of cases where a petition to deny is filed against a renewal application, the FCC ultimately grants the renewal without a hearing. No competing application for authority to operate a station and replace the incumbent licensee may be filed against a renewal application.

In addition to considering rule violations in connection with a license renewal application, the FCC may sanction a station licensee for failing to observe FCC rules and policies during the license term, including the imposition of a monetary forfeiture.

The Communications Act prohibits the assignment or the transfer of control of a broadcast license without prior FCC approval.

*Ownership Restrictions.* 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 25% non-U.S. ownership (by vote and by equity).

The FCC also has rules which establish limits on the ownership of broadcast stations. These ownership limits apply to attributable interests in a station licensee held by an individual, corporation, partnership or other entity. In the case of corporations, officers, directors and voting stock interests of 5% or more (20% or more in the case of qualified investment companies, such as insurance companies and bank trust departments) are considered attributable interests. For partnerships, all general partners and non-insulated limited partners are attributable. Limited liability companies are treated the same as partnerships. The FCC also considers attributable the holder of more than 33% of a licensee's total assets (defined as total debt plus total equity), if that person or entity also provides over 15% of the station's total weekly broadcast programming or has an attributable interest in another media entity in the same market which is subject to the FCC's ownership rules, such as a radio or television station, cable television system or daily newspaper.

*Local Ownership (Duopoly Rule).* Under the current duopoly rule, a single entity is allowed to own or have attributable interests in two television stations in a market if (1) the two stations do not have overlapping service areas, or (2) after the combination there are at least eight independently owned and operating full-power television stations and one of the combining stations is not ranked among the top four stations in the DMA. The duopoly rule allows the FCC to consider waivers to permit the ownership of a second station only in cases where the second station has failed or is failing or unbuilt.

Under the duopoly rule, the FCC attributes toward the local television ownership limits another in-market station when one station owner programs a second in-market station pursuant to a time brokerage or local marketing agreement, if the programmer provides more than 15% of the second station's weekly broadcast programming. However, local marketing agreements entered into prior to November 5, 1996 are exempt attributable interests until the FCC determines otherwise. This grandfathered period, when reviewed by the FCC, is subject to possible extension or termination.

In 2006, the FCC initiated a rulemaking proceeding which provides for a comprehensive review of all of its media ownership rules, as required by the Communications Act. The Commission is considering rules relating to ownership of two or more TV stations in a market, ownership of local TV and radio stations by daily newspapers in the same market, cross-ownership of local TV and radio stations, and changes to how the national TV ownership limits are calculated. The proceeding, has included several public hearings that were held throughout the country in 2008. At this time, it is not possible to predict the outcome of any changes, if any, to the FCC's media ownership rules.

In certain markets, we and Mission own and operate both full-power and low-power television broadcast stations (in Utica, Nexstar owns and operates WFXV and WPNY-LP; in Wichita Falls, Mission owns and

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operates KJTL and KJBO-LP; and in Amarillo, Mission owns and operates KCIT and KCPN-LP). The FCC's duopoly rules and policies regarding ownership of television stations in the same market apply only to full-power television stations and not low-power television stations such as WPNY-LP, KJBO-LP and KCPN-LP.

The only market in which we currently are permitted to own two stations under the duopoly rule is the Champaign-Springfield-Decatur, Illinois market. However, we also are permitted to own two stations in the Fort Smith-Fayetteville-Springdale-Rogers market pursuant to a waiver under the FCC's rules permitting common ownership of a satellite television station in a market where a licensee also owns the primary station. In all of the markets where we have entered into local service agreements, except for two, we do not provide programming other than news (comprising less than 15% of the second station's programming) to the second station and, therefore, we are not attributed with ownership of the second station. In the two markets where we provide more programming to the second station—WFXP in Erie, Pennsylvania and KHMT in Billings, Montana—the local marketing agreements were entered into prior to November 5, 1996. Therefore, we may continue to program these stations under the terms of these agreements until the rule is changed.

*National Ownership.* There is no nationwide limit on the number of television stations which a party may own. However, the FCC's rules limit the percentage of U.S. television households which a party may reach through its attributable interests in television stations. This rule provides that when calculating a party's nationwide aggregate audience coverage, the ownership of a UHF station is counted as 50% of a market's percentage of total national audience. In 2004, Congress determined that one party may have an attributable interest in television stations which reach, in the aggregate, 39% of all U.S. television households; and the FCC thereafter modified its corresponding rule. The FCC currently is considering whether this act has any impact on the FCC's authority to examine and modify the UHF discount.

The stations that Nexstar owns have a combined national audience reach of 5.6% of television households with the UHF discount.

*Radio/Television Cross-Ownership Rule (One-to-a-Market Rule).* In markets with at least 20 independently owned media outlets, ownership of one television station and up to seven radio stations, or two television stations (if allowed under the television duopoly rule) and six radio stations is permitted. If the number of independently owned media outlets is fewer than 20 but greater than or equal to 10, ownership of one television station (or two if allowed) and four radio stations is permitted. In markets with fewer than 10 independent media voices, ownership of one television station (or two if allowed) and one radio station is permitted. In calculating the number of independent media voices in a market, the FCC includes all radio and television stations, independently owned cable systems (counted as one voice), and independently owned daily newspapers which have circulation that exceeds 5% of the households in the market.

*Local Television/Newspaper Cross-Ownership Rule.* Under this rule, a party is prohibited from having an attributable interest in a television station and a daily newspaper except in cases where the market at issue is one of the 20 largest DMAs, and subject to other criteria and limitations.

*Local Television/Cable Cross-Ownership.* There is no FCC rule prohibiting common ownership of a cable television system and a television broadcast station in the same area.

*Cable Must-Carry or Retransmission Consent Rights.* Every three years television broadcasters are required to make an election between must-carry or retransmission consent rights in connection with the carriage of their analog signal on cable television systems within their DMA. For a majority of our and Mission's stations the most recent election was made October 1, 2008, for the three-year period beginning January 1, 2009.

If a broadcaster chooses to exercise its must-carry rights, it may request cable system carriage on its over-the-air channel or another channel on which it was carried on the cable system as of a specified date. A cable system generally must carry the station's signal in compliance with the station's carriage request, and in a

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manner that makes the signal available to all cable subscribers. However, must-carry rights are not absolute, and whether a cable system is required to carry the station on its system, or in the specific manner requested, depends on variables such as the location, size and number of activated channels of the cable system and whether the station's programming duplicates, or substantially duplicates the programming of another station carried on the cable system. If certain conditions are met, a cable system may decline to carry a television station that has elected must-carry status, although it is unusual for all the required conditions to exist.

If a broadcaster chooses to exercise its retransmission consent rights, a cable television system which is subject to that election may not carry the station's signal without the station's consent. This generally requires the cable system and television station operator to negotiate the terms under which the broadcaster will consent to the cable system's carriage of its station's signal.

We and Mission have elected to exercise retransmission consent rights for all of our stations where we have a legal right to do so. We and Mission have negotiated retransmission consent agreements with substantially all of the cable systems which carry the stations' signals.

*Direct-to-Home Satellite Services and Carriage Rights.* Direct broadcast satellite (DBS) providers are permitted to carry local channels, including significantly viewed out-of-market stations when local service is provided. Under certain circumstances, DBS providers also are permitted to provide network service from a station outside a local market for subscribers in the market who are unserved by a local station affiliated with the same network. In addition, DBS subscribers who were not receiving a digital signal as of December 8, 2004 may receive distant signals for digital television programming from their DBS provider if they are receiving the local analog signal of a network affiliate and the subscriber cannot receive a local digital signal of that network-affiliated station over-the-air.

Satellite carriers that provide any local-into-local service in a market must carry, upon request, all stations in that market that have elected mandatory carriage, and DBS operators are now carrying other local stations in local-into-local markets, including some noncommercial, independent and foreign language stations. However, satellite carriers are not required to carry duplicative network signals from a local market unless the stations are licensed to different communities in different states. Satellite carriers are required to carry all local television stations in a contiguous manner on their channel line-up and may not discriminate in their carriage of stations.

Commercial television stations make elections between retransmission consent and must-carry status for satellite services on the same schedule as cable elections, with the most recent elections made by October 1, 2008 for the three year period that began on January 1, 2009. DirecTV currently provides satellite carriage of our and Mission's stations in the Champaign-Springfield-Decatur, Evansville, Ft. Smith-Fayetteville-Springdale-Rogers, Ft. Wayne, Johnstown-Altoona, Little Rock-Pine Bluff, Peoria-Bloomington, Rochester, Rockford, Shreveport, Springfield and Wilkes Barre-Scranton markets. EchoStar currently provides satellite carriage of our and Mission's stations in the Abilene-Sweetwater, Amarillo, Beaumont-Port Arthur, Billings, Champaign-Springfield-Decatur, Dothan, Erie, Evansville, Fort Wayne, Ft. Smith-Fayetteville-Springdale-Rogers, Hagerstown, Johnstown-Altoona, Joplin, MO-Pittsburg, KS, Little Rock-Pine Bluff, Lubbock, Monroe, LA-El Dorado, AR, Odessa-Midland, Peoria-Bloomington, Rochester, Rockford, San Angelo, Shreveport, Springfield, Terre Haute, Wichita Falls, TX-Lawton, OK and Wilkes Barre-Scranton markets. We and Mission have long-term carriage agreements with both DirecTV (expiring in 2011) and DISH Network (formerly EchoStar) (expiring in 2011) that provide for the carriage of the currently carried stations, as well as those subsequently added in new local-to-local markets, or those added by acquisition or other means.

*Digital Television (DTV).* In February 2009, President Obama signed into law legislation that established June 12, 2009 as the deadline for television broadcasters to complete their transition to DTV-only operations and return their analog spectrum to the FCC. The DTV transmission system delivers video and audio signals of higher quality (including high definition television) than the existing analog transmission system. DTV also has substantial capabilities for multiplexing (the broadcast of several channels of programs concurrently) and data

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transmission. The introduction of digital television requires consumers to purchase new television sets that are capable of receiving and displaying the DTV signals, or adapters to receive DTV signals and convert them to analog signals for display on their existing receivers.

For the transition period, the FCC allotted each licensed television station a second channel for broadcast of a DTV signal. Stations may broadcast with both analog and DTV signals until June 12, 2009; however all stations must be broadcasting in at least low power digital. Stations are required to simulcast 100% of their analog programming on their DTV channel during the transition period.

As of December 31, 2008, Mission's stations WFXP, WUTR, WTVO, WYOU, KCIT, KTVE, KAMC and KRBC and Nexstar's stations WBRE, WROC, KARK, KNWA, KFTA, WMBD, WTAJ, WLYH, KSFX, WQRF, KTAL, WCIA, WTVW, KARD, KAMR, KLBK and KTAB are broadcasting with full-power DTV signals. As of February 17, 2009, Mission's stations WYOU, KJTL, KSAN, KAMC and WTVO and Nexstar's stations KARK, KFDX, KFTA, KLBK, KLST, WBRE, WLYH, WMBD and WQRF have terminated analog operations and are broadcasting exclusively in DTV. On March 17, 2009, Nexstar informed the FCC that KTAB would be terminating analog operations and broadcasting exclusively in DTV as of May 12, 2009, that station WJET would be terminating analog operations and broadcasting exclusively in DTV as of April 17, 2009, that stations KSVI, WDHN, KNWA, KSNF, KARD, KTAL and KSFX would be terminating analog operations and broadcasting exclusively in DTV as of April 16, 2009 and that stations KAMR, KBTB, WCIA, WCFN, WTVW, WFFT, WTAJ, KMID, WROC, KQTV, WTWO, WFXV and WHAG would be terminating analog operations and broadcasting exclusively in DTV as of the final DTV transition date of June 12, 2009. On March 17, 2009, Mission informed the FCC that station KRBC would be terminating analog operations and broadcasting exclusively in DTV as of May 12, 2009, that station WFXP would be terminating analog operations and broadcasting exclusively in DTV as of April 17, 2009, that stations KHMT, KTVE and KOLR would be terminating analog operations and broadcasting exclusively in DTV as of April 16, 2009, and that stations KCIT, KODE, WFXW and WUTR would be terminating analog operations and broadcasting exclusively in DTV as of the final DTV conversion date of June 12, 2009.

In addition, Nexstar stations KBTB, KMID, KSNF, KLST and KQTV, and Mission station WFXW hold construction permits issued by the FCC to build higher-power DTV facilities by August 18, 2009. All of the Nexstar and Mission stations holding such construction permits are expected to complete construction on or before that deadline.

Channels used for analog broadcasts range from 2 through 69. The FCC designated Channels 2 through 51 as the core channels for use by television broadcasters' DTV stations after June 12, 2009. Nexstar has four stations with transitional DTV channel assignments outside the core. Mission has one station with its transitional DTV channel assignments outside the core. These stations will be required to change their DTV channels to in-core channels at the end of the transition.

Television station operators may use their DTV signals to provide ancillary services, such as computer software distribution, Internet, interactive materials, e-commerce, paging services, audio signals, subscription video, or data transmission services. To the extent a station provides such ancillary services it is subject to the same regulations as are applicable to other analogous services under the FCC's rules and policies. Commercial television stations also are required to pay the FCC 5% of the gross revenue derived from all ancillary services provided over their DTV signals for which a station received a fee in exchange for the service or received compensation from a third party in exchange for transmission of material from that third party, not including commercial advertisements used to support broadcasting.

*DTV Channel Election.* On October 20, 2006, the FCC released an order establishing the permanent, post-transition DTV channels for all stations. Nexstar's and Mission's stations have been assigned in-core channels for their permanent DTV operations.

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*DTV MVPD Carriage.* Stations may choose must-carry status or retransmission consent for their analog signals, but may only elect retransmission consent for their digital signals. When a television station operates only as a DTV station, and returns its analog channel to the FCC and converts to digital-only operations which, in most cases, will be on or about June 12, 2009, it may assert must-carry rights for a single DTV programming stream. Digital television signals carried on a cable system must be available to all subscribers on the system's basic service tier.

The exercise of must-carry rights by a digital-only television station for its DTV signal applies only to a single programming stream and other program-related content carried on that stream. If a television station is concurrently broadcasting more than one program stream on its DTV signal it may select which program stream is subject to its must-carry election. Cable systems and DBS providers are not required to carry Internet, e-commerce or other ancillary services provided over DTV signals if those services are not related to the station's primary video programming carried on the cable system and if they are not provided to viewers for free.

With respect to direct-to-the-home satellite service providers, the FCC will address DTV carriage at a later time.

*Programming and Operation.* The Communications Act requires broadcasters to serve the public interest. Since the late 1970s, the FCC gradually has relaxed or eliminated many of the more formalized procedures it had developed to promote the broadcast of certain types of programming responsive to the needs of a station's community of license. However, television station licensees are still required to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness. The FCC may consider complaints from viewers concerning programming when it evaluates a station's license renewal application, although viewer complaints also may be filed and considered by the FCC at any time. Stations also must follow various rules promulgated under the Communications Act that regulate, among other things:

political advertising (its price and availability);

sponsorship identification;

contest and lottery advertising;

obscene and indecent broadcasts;

technical operations, including limits on radio frequency radiation;

discrimination and equal employment opportunities;

closed captioning;

children's programming;

program ratings guidelines; and

network affiliation agreements.

**Employees**

As of December 31, 2008, we had a total of 2,258 employees, comprised of 1,950 full-time and 308 part-time or temporary employees. As of December 31, 2008, 154 of our employees were covered by collective bargaining agreements. We believe that our employee relations are satisfactory, and we have not experienced any work stoppages at any of our facilities. However, we cannot assure you that our collective bargaining agreements will be renewed in the future, or that we will not experience a prolonged labor dispute, which could have a material adverse effect on our business, financial condition or results of operations.



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**Item 1A. Risk Factors**

*You should carefully consider the following risk factors, which we believe are the most significant risks related to our business, as well as the other information contained in this document.*

**Risks Related to Our Operations**

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

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

Disruptions in the capital and credit markets, as have been experienced during 2008 and are continuing in 2009, could adversely affect our ability to draw on our bank revolving credit facilities. Our access to funds under the revolving credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

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

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

We and Mission had aggregate net losses of \$78.1 million, \$19.8 million and \$9.0 million for the years ended December 31, 2008, 2007 and 2006, 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 December 31, 2008, we and Mission had \$662.1 million of debt, which represented 133.2% of our and Mission's total combined capitalization. The companies' high level of debt could have important consequences to our business. For example, it could:

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

limit our ability to pursue acquisition opportunities;

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expose us to greater interest rate risk since the interest rate on borrowings under the senior credit facilities is variable;

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

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

Refer to Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations 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 our and Mission's senior credit facilities, as well as the indentures governing our publicly-held notes, limit, but do not prohibit us or Mission from incurring substantial amounts of additional debt. To the extent we or Mission incur additional debt we would become even more susceptible to the leverage-related risks described above.

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

Our senior credit facility and the indentures governing our publicly-held 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;

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, our senior credit facility requires us to maintain or meet certain financial ratios, including consolidated leverage ratios and interest coverage ratios. Future financing agreements may contain similar, or even more restrictive, provisions and covenants. As a result of these restrictions and covenants, our 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. Mission's senior credit facility contains similar terms and restrictions.

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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.

Our senior secured credit facility agreement contains covenants which require us to comply with certain financial ratios, including: (a) maximum total and senior leverage ratios, (b) a minimum interest coverage ratio, and (c) a minimum fixed charge coverage ratio. The covenants, which are calculated on a quarterly basis, include the combined results of Nexstar Broadcasting and Mission. Mission's senior secured credit facility agreement 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 senior subordinated notes and senior discount notes contain restrictive covenants customary for borrowing arrangements of this type.

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As of December 31, 2008 and at each respective quarterly reporting period during 2008, we were in compliance with all covenants contained in the credit agreements governing our senior secured credit facility and the indentures governing the publicly-held notes. For a discussion of the financial ratio requirements of these covenants, we refer you to Note 10 of our consolidated financial statements in Part IV, Item 15(a) of this Annual Report on Form 10-K.

On March 30, 2009, we closed an offer to exchange \$143,600,000 of the 7% senior subordinated notes due 2014 in exchange for \$143,600,000 7% senior subordinated PIK Notes due 2014 (the PIK Notes ). Based on the financial covenants in the senior secured credit facility, the PIK Notes are not included in the debt amount used to calculate the total leverage ratio until January 2011. In addition to the debt exchange, we have undertaken certain actions as part of our efforts to ensure we do not exceed the maximum total leverage and senior leverage ratios including 1) the elimination of corporate bonuses for 2008 and 2009, 2) the consolidation of various back office processes in certain markets , 3) the execution of a management services agreement whereby Nexstar operates four stations in exchange for a service fee , and 4) the consummation of a purchase agreement on March 11, 2009 to acquire all the assets of KARZ.

In addition to the above items, our plans for 2009 include certain other cost containment measures, including one week Company furloughs for all employees, if necessary. We believe the consummation of the exchange offer combined with the actions described above, will allow us to maintain compliance with all covenants contained in the credit agreements governing our senior secured facility and the indentures governing our publicly held notes for a period of at least the next twelve months from December 31, 2008. However, no assurance can be provided that our actions will be successful or that such actions will allow us to maintain compliance with these covenants.

***The industry-wide mandatory conversion to digital television could have an adverse impact on our business, as certain viewers that do not upgrade their technology to be able to receive digital signals could no longer be able to view our programming.***

Television stations in the U.S. are in the process of transitioning from analog to digital broadcasts and must phase-out analog broadcasting altogether by June 12, 2009. Some stations including some of our and Mission s stations already have made the transition and now broadcast in digital only. TV viewers who receive their signals over-the-air (instead of through multichannel video program distributors, which we refer to as MVPDs, such as cable, satellite, or fiber optic service) and who have older, analog-only television receivers, will have to obtain digital-to-analog converters (or new digital televisions) and perhaps new antennas in order to continue watching television after the stations they watch complete the transition to digital-only transmissions. The federal government established a program to provide eligible TV viewers with coupons to cover the expense of purchasing digital-to-analog converters (but not new antennas). Moreover, due to technological differences in the way digital as compared to analog TV signals are received, it is possible that some viewers who live in locations where they currently receive adequate analog signals over-the-air will not be able to receive usable digital signals after the transition (even with digital-to-analog converters and new antennas) and, therefore, will not be able to watch some or all of the stations they have been watching (unless they subscribe to an MVPD service).

***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 an independent third party. Mission owns and operates 16 television stations as of December 31, 2008. 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 the available cash, after payment of debt service costs, generated by Mission s stations. We also guarantee all of the obligations incurred under Mission s senior credit facility, which were incurred primarily in connection with Mission s acquisition of its stations. The sole shareholder of Mission has granted to us a purchase option to

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acquire the assets and assume the liabilities of each Mission station, subject to FCC consent, for consideration equal to the greater of (1) seven times the station's cash flow, as defined in the option agreement, less the amount of its indebtedness as defined in the option agreement or (2) the amount of its indebtedness.

We do not own Mission or Mission's television stations. However, as a result of our guarantee of the obligations incurred under Mission's senior credit facility, our arrangements under the local service agreements and purchase option agreements with Mission, we are deemed under U.S. GAAP to have a controlling financial interest in Mission while complying with the FCC's rules regarding ownership limits in television markets. In order for both us and Mission to comply with FCC regulations, Mission maintains complete responsibility for and control over the programming, finances, personnel and operations of its stations. As a result, Mission's sole shareholder and officers can make decisions with which we 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 instance, we may disagree with Mission's programming decisions, which programming may prove unpopular and/or may generate less advertising revenue. Furthermore, subject to Mission's agreement with its lenders, Mission's sole shareholder could choose to pay himself 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. All of the stations that we operate or provide services to have network affiliation agreements. 13 stations have primary affiliation agreements with NBC, 9 with CBS, 9 with ABC, 14 with Fox, 4 with MyNetworkTV and 1 with The CW. 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. Under the affiliation agreements with NBC, CBS and ABC, some of the stations we operate or provide services to also receive compensation from these networks.

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 beginning in June 2010 through September 2016.

Network affiliation agreements are also subject to earlier termination by the networks under limited circumstances. For more information regarding these network affiliation agreements, see Item 1. Business Network Affiliations.

***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 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.

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On January 3, 2006, Cable America Corporation submitted a petition to deny the applications for renewal of license for Nexstar's station KSFY 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 began to submit renewal of license applications for their stations beginning in June 2004. 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.

***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 and 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 manage effectively 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. 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 rapid growth, our operating results will suffer.***

We have experienced rapid growth. 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 19 stations and contracted to provide service to 11 additional stations. We will continue to actively pursue additional acquisition opportunities. To manage effectively our growth 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;

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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, 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 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. However, if the FCC adopts a joint sales agreement attribution rule for television stations we will be required to comply with the rule.

Cable America Corporation and an affiliate of Equity separately have alleged that our local service agreements with Mission give Nexstar improper control over Mission's operations. If the FCC challenges our existing arrangements with Mission (or our similar arrangements with Sinclair Broadcasting Group, Inc. (Sinclair)) based on these complaints and determines that our arrangements violate the FCC's rules and policies, we may be required to terminate such arrangements and we could be subject to sanctions, fines and/or other penalties.

***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 more than 15% 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 and KHMT unless the FCC simultaneously changes its duopoly rules to allow ownership of two stations in the applicable markets.

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***Failure to construct full-power DTV facilities may lead to a loss of station coverage area or other FCC sanctions.***

Television broadcasters may currently broadcast both analog and DTV signals. In February 2009, President Obama signed into law legislation that established June 12, 2009 as the deadline for television broadcasters to complete their transition to DTV-only operations and return their analog spectrum to the FCC.

As of December 31, 2008, Mission's stations WFXP, WUTR, WTVO, WYOU, KCIT, KTVE, KAMC and KRBC and Nexstar's stations WBRE, WROC, KARK, KNWA, KFTA, WMBD, WTAJ, WLYH, KSFX, WQRF, KTAL, WCIA, WTVW, KARD, KAMR, KLBK and KTAB were broadcasting with full-power DTV signals. As of February 17, 2009, Mission's stations WYOU, KJTL, KSAN-TV, KAMC and WTVO, and Nexstar's stations KARK, KFDX, KFTA, KLBK, KLST, WBRE, WLYH, WMBD and WQRF have terminated analog operations and are broadcasting exclusively in DTV. On March 17, 2009, Nexstar informed the FCC that KTAB would be terminating analog operations and broadcasting exclusively in DTV as of May 12, 2009, that station WJET would be terminating analog operations and broadcasting exclusively in DTV as of April 17, 2009, that stations KSVI, WDHN, KNWA-TV, KSNF, KARD, KTAL and KSFX would be terminating analog operations and broadcasting exclusively in DTV as of April 16, 2009, and that stations KAMR, KBTB, WCIA, WCFN, WTVW, WFFT, WTAJ, KMID, WROC, KQTV, WTWO, WFXV and WHAG would be terminating analog operations and broadcasting exclusively in DTV as of the final DTV transition date of June 12, 2009. On March 17, 2009, Mission informed the FCC that station KRBC would be terminating analog operations and broadcasting exclusively in DTV as of May 12, 2009, that station WFXP would be terminating analog operations and broadcasting exclusively in DTV as of April 17, 2009, that stations KHMT, KTVE and KOLR would be terminating analog operations and broadcasting exclusively in DTV as of April 16, 2009, and that stations KCIT, KODE, WFXW and WUTR would be terminating analog operations and broadcasting exclusively in DTV as of the final DTV transition date of June 12, 2009.

In addition, Nexstar stations KBTB, KMID, KSNF, KLST and KQTV, and Mission station WFXW hold construction permits issued by the FCC to build higher-power DTV facilities by August 18, 2009. All of the Nexstar and Mission stations holding such construction permits are expected to complete construction on or before that deadline.

Stations that fail to meet the deadlines for termination of analog operations set forth in their March 17, 2009 filings at the FCC may face monetary forfeitures imposed by the FCC. Stations that hold construction permits issued by the FCC to build higher-power DTV facilities by August 18, 2009 that fail to meet that construction deadline may lose interference protection in certain geographic areas authorized by those construction permits.

***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 25% 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 interest 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



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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, cable system 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 acquisitions 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.

***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 common stock.

In addition, a change in control would be an event of default under our senior credit facility and trigger the rights of holders of our publicly-traded notes to cause us to repurchase such notes. These events would add to the cost of an acquisition, which could deter a third party from acquiring us.

***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, 2008, approximately \$390.5 million, or 62.3%, of our and Mission's combined total assets consisted of goodwill and intangible assets, including FCC licenses and network affiliation agreements.



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We recorded an impairment charge of \$82.4 million during the year ended December 31, 2008 that included an impairment to the carrying value of FCC licenses of \$41.4 million, related to 20 of our television stations; an impairment to the carrying value of network affiliation agreements of \$2.1 million related to 3 of our television stations; and an impairment to the carrying values of goodwill of \$38.9 million, related to 10 reporting units consisting of 11 of our television 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 Statement of Financial Accounting Standards No. 142, 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**

*Nexstar's operating results are dependent on advertising revenue and as a result, Nexstar may be more vulnerable to economic downturns and other factors beyond Nexstar's control than businesses not dependent on advertising.*

Nexstar derives revenue primarily from the sale of advertising time. Nexstar's ability to sell advertising time depends on numerous factors that may be beyond Nexstar's 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 Nexstar's 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.*

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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.

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***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 our 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.

***The industry-wide mandatory conversion to digital television will require us to make significant capital expenditures without assurance that we will remain competitive with other developing technologies.***

The conversion from broadcasting in the analog broadcast format to the digital broadcast format is expensive. Digital conversion expenditures were \$23.3 million, \$8.6 million and \$14.3 million respectively, for the years ended December 31, 2008, 2007 and 2006. We estimate that we will spend approximately \$5.4 million in 2009 to complete DTV conversions.

Since digital technology allows broadcasting of multiple channels within the additional allocated spectrum, this technology could expose us to additional competition from programming alternatives.

Technological advancements and the resulting increase in programming alternatives, such as cable television, DBS systems, pay-per-view, home video and entertainment systems, video-on-demand and the Internet have created new types of competition to television broadcast stations and will also increase competition for household audiences and advertisers.

***If direct broadcast satellite companies do not carry the stations that we own and operate or provide services to, we could lose audience share and revenue.***

Direct broadcast satellite television companies are permitted to transmit local broadcast television signals to subscribers in local markets provided that they offer to carry all local stations in that market. However, satellite providers have limited satellite capacity to deliver local station signals in local markets. Satellite providers, such as DirecTV and EchoStar, carry our and Mission's stations in only some of our markets and may choose not to carry local stations in any of our other markets. DirecTV currently provides satellite carriage of our and Mission's stations in the Champaign-Springfield-Decatur, Evansville, Ft. Smith-Fayetteville-Springdale-Rogers, Ft. Wayne, Johnstown-Altoona, Little Rock-Pine Bluff, Peoria-Bloomington, Rochester, Rockford, Shreveport, Springfield and Wilkes Barre-Scranton markets. EchoStar currently provides satellite carriage of our and Mission's stations in the Abilene-Sweetwater, Amarillo, Beaumont-Port Arthur, Billings, Champaign-Springfield-Decatur, Dothan, Erie, Evansville, Fort Wayne, Ft. Smith-Fayetteville-Springdale-Rogers, Hagerstown, Johnstown-Altoona, Joplin, MO-Pittsburg, KS, Little Rock-Pine Bluff, Lubbock, Monroe, LA-El Dorado, AR, Odessa-Midland, Peoria-Bloomington, Rochester, Rockford, San Angelo, Shreveport, Springfield, Terre Haute, Wichita Falls, TX-Lawton, OK and Wilkes Barre-Scranton markets. In those markets in which the satellite providers do not carry local station signals, subscribers to those satellite services are unable to view local stations without making further arrangements, such as installing antennas and switches. Furthermore, when direct broadcast satellite companies do carry local television stations in a market, they are permitted to charge subscribers extra for such service. Some subscribers may choose not to pay extra to receive local television stations. In the event subscribers to satellite services do not receive the stations that we own and operate or provide services to, we could lose audience share which would adversely affect our revenue and earnings.

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***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. 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.

In addition, Congress recently increased the fines which may be imposed on a television broadcaster for an indecency violation to a maximum of \$325 thousand 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 and home video and entertainment systems, 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 businesses.

***The FCC could implement legislation and/or regulations 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's ongoing rule making proceeding concerning implementation of the transition from analog to digital television broadcasts is likely to have a significant impact on the television industry and the operation of our stations and the stations we provide services to. The FCC has initiated proceedings to determine whether to make TV joint sales agreements attributable interests under its ownership rules; to determine whether it should establish formal rules under which broadcasters will be required 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. A change to any of these rules may have significant impact on us and the stations we provide services to.

In addition, the FCC 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. 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.

**Item 1B. Unresolved Staff Comments**

None

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Nexstar owns and leases facilities in the following locations:

<b>Station Metropolitan Area and Use</b>	<b>Owned or Leased</b>	<b>Square Footage/Acreage Approximate Size</b>	<b>Expiration of Lease</b>
WBRE Wilkes Barre-Scranton, PA			
News Bureau/Office-Studio	Leased	6,977 Sq. Ft.	11/30/09
Office-Studio	100% Owned	0.80 Acres	
Office-Studio	100% Owned	49,556 Sq. Ft.	
Office-Studio Williamsport News Bureau	Leased	460 Sq. Ft.	Month to Month
Office-Studio Stroudsburg News Bureau	Leased	320 Sq. Ft.	4/30/11
Office-Studio Scranton News Bureau	Leased	1,627 Sq. Ft.	11/30/09
Tower/Transmitter Site Williamsport	33% Owned	1.33 Acres	
Tower/Transmitter Site Sharp Mountain	33% Owned	0.23 Acres	
Tower/Transmitter Site Blue Mountain	100% Owned	0.998 Acres	
Tower/Transmitter Site Penobscot Mountain	100% Owned	20 Acres	
Tower/Transmitter Site Pimple Hill	Leased	400 Sq. Ft.	Month to Month
KARK Little Rock-Pine Bluff, AR			
Office-Studio	Leased	34,835 Sq. Ft.	3/31/22
Tower/Transmitter Site	100% Owned	40 Acres	
KTAL Shreveport, LA			
Office-Studio	100% Owned	2 Acres	
Office-Studio	100% Owned	16,000 Sq. Ft.	
Equipment Building Texarkana	100% Owned	0.0808 Acres	
Office-Studio Texarkana	Leased	2,941 Sq. Ft.	9/30/13
Tower/Transmitter Site	100% Owned	109 Acres	
Tower/Transmitter Site	100% Owned	2,284 Sq. Ft.	
WROC Rochester, NY			
Office-Studio	100% Owned	3.9 Acres	
Office-Studio	100% Owned	48,864 Sq. Ft.	
Tower/Transmitter Site	100% Owned	0.24 Acres	
Tower/Transmitter Site	100% Owned	2,400 Sq. Ft.	
Tower/Transmitter Site	50% Owned	1.90 Acres	
WCIA/WCFN Champaign-Springfield-Decatur, IL			
Office-Studio	100% Owned	20,000 Sq. Ft.	
Office-Studio	100% Owned	1.5 Acres	
Office-Studio Sales Bureau	Leased	1,600 Sq. Ft.	1/31/12
Office-Studio News Bureau	Leased	350 Sq. Ft.	2/28/13
Office-Studio Decatur News Bureau	Leased	300 Sq. Ft.	5/31/10
Roof Top & Boiler Space Danville Tower	Leased	20 Sq. Ft.	11/30/10
Tower/Transmitter Site WCIA Tower	100% Owned	38.06 Acres	
Tower/Transmitter Site Springfield Tower	100% Owned	2.0 Acres	
Tower/Transmitter Site Dewitt Tower	100% Owned	1.0 Acres	
WMBD Peoria-Bloomington, IL			
Office-Studio	100% Owned	0.556 Acres	
Office-Studio	100% Owned	18,360 Sq. Ft.	
Building-Transmitter Site	100% Owned	2,350 Sq. Ft.	
Building-Transmitter Site	100% Owned	800 Sq. Ft.	
Tower/Transmitter Site	100% Owned	34.93 Acres	
Tower/Transmitter Site	100% Owned	1.0 Acres	
KBTV Beaumont-Port Arthur, TX			
Office-Studio <sup>(6)</sup>	Leased	8,000 Sq. Ft.	1/31/10
Office-Studio	100% Owned	26,160 Sq. Ft.	
Tower/Transmitter Site	100% Owned	1.2 Acres	
Tower/Transmitter Site	100% Owned	40 Acres	

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WTWO Terre Haute, IN		
Office-Studio	100% Owned	4.774 Acres
Office-Studio Tower/Transmitter Site	100% Owned	17,375 Sq. Ft.
WJET Erie, PA		
Tower/Transmitter Site	100% Owned	2 Sq. Ft.
Office-Studio	100% Owned	9.87 Acres
Office-Studio	100% Owned	15,533 Sq. Ft.



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<b>Station Metropolitan Area and Use</b>	<b>Owned or Leased</b>	<b>Square Footage/Acreage Approximate Size</b>	<b>Expiration of Lease</b>
KFDX Wichita Falls, TX Lawton, OK Office-Studio-Tower/Transmitter Site	100% Owned	28.06 Acres	
Office-Studio	100% Owned	13,568 Sq. Ft.	
KSNF Joplin, MO-Pittsburg, KS Office-Studio	100% Owned	13.36 Acres	
Office-Studio	100% Owned	13,169 Sq. Ft.	
Tower/Transmitter Site	Leased	240 Sq. Ft.	Month to Month
KMID Odessa-Midland, TX Office-Studio	100% Owned	1.127 Acres	
Office-Studio	100% Owned	14,000 Sq. Ft.	
Tower/Transmitter Site	100% Owned	69.87 Acres	
Tower/Transmitter Site	100% Owned	0.322 Acres	
KTAB Abilene-Sweetwater, TX Office-Studio <sup>(1)</sup>			
Tower/Transmitter Site	100% Owned	25.55 Acres	
KQTV St Joseph, MO Office-Studio	100% Owned	3 Acres	
Office-Studio	100% Owned	15,100 Sq. Ft.	
Tower/Transmitter Site	100% Owned	9,360 Sq. Ft.	
Offsite Storage	Leased	130 Sq. Ft.	Month to Month
WDHN Dothan, AL Office-Studio- Tower/Transmitter Site	100% Owned	10 Acres	
Office-Studio	100% Owned	7,812 Sq. Ft.	
KLST San Angelo, TX Office-Studio	100% Owned	7.31 Acres	
Tower/Transmitter Site	100% Owned	8 Acres	
WHAG Washington, DC/Hagerstown, MD Office-Studio	Leased	11,000 Sq. Ft.	6/30/09
Sales Office-Frederick	Leased	1,200 Sq. Ft.	8/10/10
Tower/Transmitter Site	Leased	11.2 Acres	5/12/21
WTVW Evansville, IN Office-Studio	100% Owned	1.834 Acres	
Office-Studio	100% Owned	14,280 Sq. Ft.	
Tower/Transmitter Site	Leased	16.36 Acres	5/12/21
KSFY Springfield, MO Office-Studio <sup>(2)</sup>			
Tower/Transmitter Site Kimberling City	100% Owned	.25 Acres	
Tower/Transmitter Site	Leased	0.5 Acres	5/12/21
WFFT Fort Wayne, IN Office-Studio	100% Owned	21.84 Acres	
Tower/Transmitter Site	Leased	0.5 Acres	5/12/21
KAMR Amarillo, TX Office-Studio	100% Owned	26,000 Sq. Ft.	
Tower/Transmitter Site	Leased	110.2 Acres	5/12/21
Translator Site	Leased	0.5 Acres	5/31/09
KARD Monroe, LA Office-Studio	100% Owned	14,450 Sq. Ft.	
Tower/Transmitter Site	Leased	26 Acres	5/12/21
Tower/Transmitter Site	Leased	80 Sq. Ft.	Month to Month
KLBK Lubbock, TX Office-Studio	100% Owned	11.5 Acres	
Tower/Transmitter Site	Leased	0.5 Acres	5/12/21

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WFXV Utica, NY

Office-Studio<sup>(3)</sup>

Tower/Transmitter Site Burlington Flats

Tower/Transmitter Site

Tower/Transmitter Site Cassville

100% Owned

Leased

Leased

6.316 Acres

160 Sq. Ft.

96 Sq. Ft.

9/1/14

1/12/10

WPNY LP Utica, NY

Office-Studio<sup>(4)</sup>

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<b>Station Metropolitan Area and Use</b>	<b>Owned or Leased</b>	<b>Square Footage/Acreage Approximate Size</b>	<b>Expiration of Lease</b>
KSVI Billings, MT			
Office-Studio	100% Owned	9,700 Sq. Ft.	
Tower/Transmitter Site	Leased	10 Acres	5/12/21
Tower/Transmitter Site	Leased	75 Sq. Ft.	6/30/11
Tower/Transmitter Site	Leased	75 Sq. Ft.	10/31/15
Tower/Transmitter Site	Leased	75 Sq. Ft.	12/31/22
Tower/Transmitter Site Rapeljie	Leased	1 Acre	2/1/11
Tower/Transmitter Site Hardin	Leased	1 Acre	12/1/14
Tower/Transmitter Site Columbus	Leased	75 Sq. Ft.	6/1/10
Tower/Transmitter Site Sarpy	Leased	75 Sq. Ft.	Month to Month
Tower/Transmitter Site Rosebud	Leased	1 Acre	Year to Year
Tower/Transmitter Site Miles City	Leased	.25 Acre	3/23/11
Tower/Transmitter Site Sheridan, WY	Leased	56 Sq. Ft.	12/31/10
Tower/Transmitter Site McCullough Pks, WY	Leased	75 Sq. Ft.	Month to Month
WQRF Rockford, IL			
Office-Studio <sup>(5)</sup>			
Tower/Transmitter Site	Leased	2,000 Sq. Ft.	5/12/21
KFTA/KNWA Fort Smith-Fayetteville-Springdale-Rogers, AR			
Office	Leased	9,950 Sq. Ft.	Month to Month
Office	Leased	900 Sq. Ft.	6/30/09
Office-Studio	Leased	10,000 Sq. Ft.	7/31/14
Tower/Transmitter Site	Leased	216 Sq. Ft.	Month to Month
Tower/Transmitter Site	Leased	936 Sq. Ft.	7/31/25
Tower/Transmitter Site	100% Owned	1.61 Acres	
Tower/Transmitter Site Fort Smith	Leased	1,925 Sq. Ft.	9/1/11
Microwave Relay Site	100% Owned	166 Sq. Ft.	
Microwave Site	Leased	216 Sq. Ft.	Month to Month
WTAJ Altoona-Johnstown, PA			
Office-Studio	Leased	22,367 Sq. Ft.	5/31/09
Office-Johnstown	Leased	672 Sq. Ft.	2/28/11
Office-State College Bureau	Leased	7,200 Sq. Ft.	Month to Month
Office-Dubois Bureau	Leased	315 Sq. Ft.	9/30/10
Tower/Transmitter Site	Owned	4,400 Sq. Ft.	
Corporate Office Irving, TX	Leased	18,168 Sq. Ft.	12/31/13
Corporate Office Offsite Storage Dallas, TX	Leased	475 Sq. Ft.	Month to Month

- (1) The office space and studio used by KTAB are owned by KRBC.
- (2) The office space and studio used by KSFY are owned by KOLR.
- (3) The office space and studio used by WFXV are owned by WUTR.
- (4) The office space and studio used by WPNY-LP are owned by WUTR.
- (5) The office space and studio used by WQRF are owned by WTVO.
- (6) This office was destroyed by a fire in February 2009.

Mission owns and leases facilities in the following locations:

WYOU Wilkes Barre-Scranton, PA