

NEXSTAR BROADCASTING GROUP INC

Form 10-K

March 16, 2011

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
for the fiscal year ended December 31, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 000-50478

NEXSTAR BROADCASTING GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State of Organization or Incorporation)

23-3083125  
(I.R.S. Employer Identification No.)

5215 N. O'Connor Blvd., Suite 1400, Irving,  
Texas  
(Address of Principal Executive Offices)

75039  
(Zip Code)

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

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

Title of each class  
Class A Common Stock, \$0.01 par value per share

Name of each exchange on which registered  
NASDAQ Global 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

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Indicate by checkmark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) 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, 2010, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was \$47,812,829.

As of March 7, 2011, the Registrant had 15,038,839 shares of Class A Common Stock outstanding and 13,411,588 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2011 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 of this Annual Report on Form 10-K.

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## General

Nexstar Broadcasting, Inc. 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 Broadcasting, Inc., but does not own any of the equity interests in Mission Broadcasting, Inc. For a description of the relationship between Nexstar Broadcasting Group, Inc. and Mission Broadcasting, Inc., see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The information in this Annual Report on Form 10-K includes information related to Nexstar Broadcasting Group, Inc. and its consolidated subsidiaries. It also includes information related to Mission Broadcasting, Inc. In accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and as discussed in Note 2 to our Consolidated Financial Statements, the financial results of Mission Broadcasting, Inc. are consolidated into the Consolidated Financial Statements contained herein.

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 wholly-owned indirect subsidiary; “Nexstar Finance Holdings” refers to Nexstar Finance Holdings, Inc., our wholly-owned direct subsidiary; “Mission” refers to Mission Broadcasting, Inc.; the “Company” refers to Nexstar and Mission collectively; “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.

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.”

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 2010 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,” “intends,” “plans,” “believes,” “estimates” and 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.

## PART I

### Item 1. Business

#### Overview

We are a television broadcasting and digital media company focused exclusively on the acquisition, development and operation of television stations and interactive community websites in 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, 2010, we owned, operated, programmed or provided sales and other services to 59 television stations and four digital multi-cast channels, including those owned by Mission, in 34 markets in the states of Illinois, Indiana, Maryland, Missouri, Montana, Texas, Pennsylvania, Louisiana, Arkansas, Alabama, New York, Rhode Island, Utah and Florida. In 21 of the 34 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. These stations are affiliates of NBC (12 stations), CBS (11 stations), ABC (9 stations), FOX (15 stations), MyNetworkTV (7 stations and one digital multi-cast channel), The CW (4 stations), LATV (2 digital multi-cast channels), Azteca America (1 station) and Telemundo (1 digital multi-cast channel) and reaches approximately 13.3 million viewers or 11.4% of all U.S. television households.

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

Our principal offices are at 5215 North O'Connor 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 us, 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, 2010 we earned approximately one-third of our advertising revenue from spots aired during local news programming. Currently, our stations and the stations we provide services to provide between 15 to 25 hours per week of local news programming. Extensive local sports coverage and active sponsorship of community events further differentiate us from our competitors and strengthen our community relationships and our local advertising appeal.

**Emphasize Local Sales.** We employ a high-quality local sales force in each of our markets to increase revenue from local advertisers by capitalizing on our investment in local programming. We believe that local advertising is attractive because our sales force is more effective with local advertisers, giving us a greater ability to influence this revenue source. Additionally, local advertising has historically been a more stable source of revenue than national advertising for television broadcasters. For the year ended December 31, 2010, revenue generated from local advertising represented 73.7% of our consolidated spot revenue (total of local and national advertising revenue, excluding political advertising revenue). In most of our markets, we have increased the size and quality of our local sales force. We also invest in our sales efforts by implementing comprehensive training programs and employing a sophisticated inventory tracking system to help maximize advertising rates and the amount of inventory sold in each time period.

**Invest in eMedia.** Our eMedia team is focused on new technologies and growing our portfolio of internet products and services. These provide access to our local news and information, as well as community centric business and services. We delivered a record audience across all of our web sites in 2010. During the year, we had almost 22 million unique visitors, who utilized over 158 million page views. Also in 2010, we launched our mobile platform in all of our markets, including apps for both the iPhone and Android devices. This growing sector took off immediately, accounting for 20% of our page views by year end. Nexstar eMedia is committed to serving our local markets by providing local content to both online and mobile users wherever and whenever they want.

**Operate Duopoly Markets.** Owning or providing services to more than one station in a given market enables us to broaden our audience share, enhance our revenue share and achieve significant operating efficiencies. Duopoly markets broaden audience share by providing programming from multiple networks with different targeted demographics. These markets increase revenue share by capitalizing on multiple sales forces. Additionally, we achieve significant operating efficiencies by consolidating physical facilities, eliminating redundant management and leveraging capital expenditures between stations. We derived approximately 76.2% of our net broadcast revenue for the year ended December 31, 2010 from our duopoly markets.

**Maintain Strict Cost Controls.** We emphasize strict controls on operating and programming costs in order to increase broadcast cash flow. We continually seek to identify and implement cost savings at each of our stations and the stations we provide services to and our overall size benefits each station with respect to negotiating favorable terms with programming suppliers and other vendors. By leveraging our size and corporate management expertise, we are

able to achieve economies of scale by providing programming, financial, sales and marketing support to our stations and the stations we provide services to. Our and Mission's cash broadcast payments were 3.5%, 4.0% and 3.1% of net broadcast revenue for the years ended December 31, 2010, 2009 and 2008, respectively.

Capitalize on Diverse Network Affiliations. We currently own, operate, program, or provide sales and other services to a balanced portfolio of television stations with diverse network affiliations, including NBC, CBS, Fox and ABC affiliated stations which represented approximately 30.8%, 28.6%, 23.1% and 13.5%, respectively, of our 2010 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. 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 16 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 compliance with Federal Communications Commission ("FCC") regulations for both us and Mission, Mission maintains complete responsibility for and control over programming, finances and personnel for 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 secured credit facility, (c) Nexstar's power over significant activities affecting Mission's economic performance, including budgeting for Mission's advertising revenue, advertising and hiring and firing of sales force personnel and (d) 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 GAAP to have a controlling financial interest in Mission. As a result of our controlling financial interest in Mission under 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 our option agreements with Mission to be renewed upon expiration.

#### The Stations

The following chart sets forth general information about the stations we owned, operated, programmed or provided sales and other services as of December 31, 2010:

Market Rank (1)	Market	Station	Affiliation	Status (2)	Commercial FCC Lic Stations in Market (3)	Expiration Date
9	Washington, DC/Hagerstown, MD	WHAG	NBC	O&O	(4)	(5)
32	Salt Lake City, UT	KUTV	CBS	MSA	8	10/1/10
		KMYU	MyNetworkTV	MSA		10/1/10
38	West Palm Beach, FL	WTVX/WTVX-D-2	The CW/LATV	MSA	5	2/1/11
		WTCN	MyNetworkTV	MSA		2/1/11
		WWHB	Azteca America	MSA		2/1/11
39	Harrisburg-Lancaster-Lebanon-York, PA	WLYH	The CW	O&O (6)	5	(5)

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44	Austin, TX	KEYE/KEYE-D-2	CBS/Telemundo	MSA	5	8/1/1
49	Jacksonville, FL	WCWJ	The CW	O&O	6	2/1/1
53	Providence, RI	WLWC/WLWC-D-2	The CW/LATV	MSA	5	4/1/1
54	Wilkes Barre-Scranton, PA	WBRE	NBC	O&O	7	(5)
		WYOU	CBS	LSA (7)		(5)
56	Little Rock-Pine Bluff, AR	KARK	NBC	O&O	7	(5)
		KARZ	MyNetworkTV	O&O		6/1/1
74	Springfield, MO	KOLR	CBS	LSA (7)	6	(5)
		KSFX	Fox	O&O		(5)
81	Rochester, NY	WROC	CBS	O&O	4	(5)
		WUHF	Fox	LSA		6/1/1
83	Shreveport, LA	KTAL	NBC	O&O	6	8/1/1
84	Champaign-Springfield- Decatur, IL	WCIA	CBS	O&O	6	(5)
		WCFN	MyNetworkTV	O&O		(5)
100	Ft. Smith-Fayetteville- Springdale-Rogers, AR	KFTA	Fox/NBC	O&O	6	6/1/1
		KNWA	NBC/Fox	O&O		(5)
102	Johnstown-Altoona, PA	WTAJ	CBS	O&O	5	(5)
103	Evansville, IN	WTVW	Fox	O&O	5	(5)
107	Ft. Wayne, IN	WFFT	Fox	O&O	4	(5)
116	Peoria-Bloomington, IL	WMBD	CBS	O&O	5	(5)
		WYZZ	Fox	LSA		12/1/1
131	Amarillo, TX	KAMR	NBC	O&O	5	(5)
		KCIT	Fox	LSA (7)		(5)
		KCPN-LP	MyNetworkTV	LSA (7)		(5)
134	Rockford, IL	WQRF	Fox	O&O	4	(5)
		WTVO/WTVO-D-2	ABC/MyNetworkTV	LSA (7)		(5)
138	Monroe, LA- El Dorado, AR	KARD	Fox	O&O	6	(5)
		KTVE	NBC	LSA (7)		6/1/1
141	Beaumont-Port Arthur, TX	KBTW	Fox	O&O	4	(5)
142	Lubbock, TX	KLBK	CBS	O&O	5	(5)
		KAMC	ABC	LSA (7)		(5)
144	Erie, PA	WJET	ABC	O&O	4	(5)
		WFXP	Fox	LSA (7)		(5)
146	Wichita Falls, TX- Lawton, OK	KFDX	NBC	O&O	5	(5)
		KJTL	Fox	LSA (7)		(5)
		KJBO-LP	MyNetworkTV	LSA (7)		(5)
148	Joplin, MO-Pittsburg, KS	KSNF	NBC	O&O	4	(5)
		KODE	ABC	LSA (7)		(5)
151	Odessa-Midland, TX	KMID	ABC	O&O	5	(5)
152	Terre Haute, IN	WTWO	NBC	O&O	3	(5)
		WFXW	Fox	LSA (7)		(5)
165	Abilene-Sweetwater, TX	KTAB	CBS	O&O	4	(5)
		KRBC	NBC	LSA (7)		(5)
169	Dothan, AL	WDHN	ABC	O&O	3	(5)
170	Billings, MT	KSVI	ABC	O&O	4	(5)
		KHMT	Fox	LSA (7)		(5)
171	Utica, NY	WFXV	Fox	O&O	4	(5)
		WPNY-LP	MyNetworkTV	O&O		(5)
		WUTR	ABC	LSA (7)		(5)
196	San Angelo, TX	KSAN	NBC	LSA (7)	4	(5)
		KLST	CBS	O&O		(5)

200	St. Joseph, MO	KQTV	ABC	O&O	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 2010 4th Edition, as published by BIA Financial Network, Inc.
- (2) O&O refers to stations that we own and operate. LSA, or local service agreement, is the general term we use to refer to a contract under which we provide services utilizing our employees to a station owned and operated by an independent third party. Local service agreements include time brokerage agreements, shared services agreements, joint sales agreements and outsourcing agreements. MSA or management service agreement, refers to a contract under which we provide management oversight of a third party’s stations and employees. For further information regarding the LSAs to which we are party, see Note 2 to our Consolidated Financial Statements in Part IV, Item 15 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 2010 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 Newport Television pursuant to a time brokerage agreement.
- (7) These stations are owned by Mission.

## 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, CBS, Fox or ABC) 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.

## 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 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).

#### Network Affiliations

Each station that we own and operate, program or provide sales and other services to as of December 31, 2010 is affiliated with a network pursuant to an affiliation agreement, as described below:

Station	Market	Affiliation	Expiration
WTVW	Evansville, IN	Fox	June 2010 (5)
WQRF	Rockford, IL	Fox	June 2010 (5)
KARD	Monroe, LA-El Dorado, AR	Fox	June 2010 (5)
KSFX	Springfield, MO	Fox	June 2010 (5)
WFXV	Utica, NY	Fox	June 2010 (5)
WFFT	Ft. Wayne, IN	Fox	June 2010 (5)
KCIT (1)	Amarillo, TX	Fox	June 2010 (5)
WFXP (1)	Erie, PA	Fox	June 2010 (5)
KJTL (1)	Wichita Falls, TX-Lawton, OK	Fox	June 2010 (5)
WFXW (1)	Terre Haute, IN	Fox	June 2010 (5)
KHMT (1)	Billings, MT	Fox	June 2010 (5)

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KFTA	Ft. Smith-Fayetteville-Springdale-Rogers, AR	Fox	June 2010 (5)
WUTR (1)	Utica, NY	ABC	December 2010 (5)
WDHN	Dothan, AL	ABC	December 2010 (5)
WJET	Erie, PA	ABC	December 2010 (5)
KSVI	Billings, MT	ABC	December 2010 (5)
KMID	Odessa-Midland, TX	ABC	December 2010 (5)
WTVO (1)	Rockford, IL	ABC	December 2010 (5)
KAMC (1)	Lubbock, TX	ABC	December 2010 (5)
WCWJ	Jacksonville, FL	The CW	September 2011
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
KTVE (1)	Monroe, LA—El Dorado, AR	NBC	December 2011
KSAN (1)	San Angelo, TX	NBC	December 2011
KRBC (1)	Abilene-Sweetwater, TX	NBC	December 2011
WVHB (2)	West Palm Beach, FL	Azteca America	February 2012
KLST	San Angelo, TX	CBS	August 2012
KTAB	Abilene-Sweetwater, TX	CBS	December 2012
WUHF (2)	Rochester, NY	Fox	December 2012
WYZZ (2)	Peoria-Bloomington, IL	Fox	December 2012
KQTV	St. Joseph, MO	ABC	December 2012
KODE (1)	Joplin, MO-Pittsburg, KS	ABC	December 2012
KNWA	Ft. Smith-Fayetteville-Springdale-Rogers, AR	NBC	January 2013
WROC	Rochester, NY	CBS	January 2013
WTVX-D-2 (2)	West Palm Beach, FL	LATV	May 2013
WLWC-D-2 (2)	Providence, RI	LATV	June 2013
KOLR (1)	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
KBTB	Beaumont-Port Arthur, TX	Fox	December 2013
KARZ	Little Rock-Pine Bluff, AR	MyNetworkTV	August 2014
WPNY-LP	Utica, NY	MyNetworkTV	August 2014
WCFN	Champaign-Springfield-Decatur, IL	MyNetworkTV	August 2014
KCPN-LP (1)	Amarillo, TX	MyNetworkTV	August 2014
KJBO-LP (1)	Wichita Falls, TX-Lawton, OK	MyNetworkTV	August 2014
WTVO-D-2 (1)	Rockford, IL	MyNetworkTV	August 2014
KMYU (2)	Salt Lake City, UT	MyNetworkTV	August 2014
WTCN (2)	West Palm Beach, FL	MyNetworkTV	August 2014
KEYE-D-2 (2)	Austin, TX	Telemundo	October 2014
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(3)	NBC	December 2014
WYOU (1)	Wilkes Barre-Scranton, PA	CBS	June 2015
WTAJ	Johnstown-Altoona, PA	CBS	May 2016
WTVX (2)	West Palm Beach, FL	The CW	August 2016
WLWC (2)	Providence, RI	The CW	August 2016

WLYH (4)	Harrisburg-Lancaster-Lebanon-York, PA	The CW	September 2016
KEYE (2)	Austin, TX	CBS	April 2017
KUTV (2)	Salt Lake City, UT	CBS	April 2017

- (1) These stations are owned by Mission, which maintains the network affiliation agreements.
- (2) These stations are owned by other independent third parties, which maintain the network affiliation agreements.
- (3) 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.
- (4) 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.
- (5) These arrangements have continued under their previous contractual terms during renewal negotiations with the networks.

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 the network affiliation agreements listed above to be renewed.

## 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 (including network distribution of programming through websites) and gaming 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., Comcast Corporation, 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 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.

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.

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## 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 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.

**Station Transfer.** 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 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 in the DMA with overlapping service contours 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 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 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 markets in which we currently are permitted to own two stations under the duopoly rule are the Champaign-Springfield-Decatur, Illinois market and the Little Rock-Pine Bluff, Arkansas market. However, we also are permitted to own two stations in the Fort Smith-Fayetteville-Springdale-Rogers, Arkansas 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 FCC determines otherwise.

**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 4.4% 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 "voices", 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 "voices" 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.

As a result of the FCC's 2006 rulemaking proceeding, which provided a comprehensive review of all of its media ownership rules, in February 2008, the FCC adopted modest changes to its newspaper cross-ownership rule, while retaining the rest of its rules as then currently in effect. Multiple court appeals of this proceeding were filed and remain pending.

The FCC is required to review its media ownership rules every four years and to eliminate those rules it finds no longer serve the “public interest, convenience and necessity”. During 2009, the FCC held a series of hearings designed to evaluate possible changes to its rules. In May 2010, the FCC formally initiated its 2010 review of its media ownership rules with the issuance of a Notice of Inquiry (NOI). The NOI is intended to assist the Commission in establishing a framework within which to analyze whether its media ownership rules remain “necessary in the public interest as a result of competition,” due to the dramatic changes occurring in the media marketplace. Numerous parties have filed comments and reply comments in response to the NOI. In June 2010, the FCC issued a Request for Proposal with respect to nine economic studies related to its media ownership rules. These studies have not yet been provided to the general public for review and comment. We believe that upon completion of the studies the next step will be for the FCC to issue a Notice of Proposed Rulemaking (NPRM) to seek comment on specific proposed changes to its ownership rules. We cannot predict when the FCC will issue this NPRM but anticipate it will be sometime in 2011.

**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 and Satellite Carriage of Local Television Signals.** Broadcasters may obtain carriage of their stations’ signals on cable, satellite and other multichannel video programming distributors (“MVPDs”) through either mandatory carriage or through “retransmission consent.” Every three years all stations must formally elect either mandatory carriage (“must-carry” for cable distributors and “carry one-carry all” for satellite television providers) or retransmission consent. The next election must be made by October 1, 2011, and will be effective January 1, 2012. Must-carry elections require that the MVPD carry one station programming stream and related data in the station’s local market. However, MVPDs may decline a must-carry election in certain circumstances. MVPDs do not pay a fee to stations that elect mandatory carriage.

A broadcaster that elects retransmission consent waives its mandatory carriage rights, and the broadcaster and the MVPD must negotiate in good faith for carriage of the station’s signal. Negotiated terms may include channel position, service tier carriage, carriage of multiple program streams, compensation and other consideration. If a broadcaster elects to negotiate retransmission terms, it is possible that the broadcaster and the MVPD will not reach agreement and that the MVPD will not carry the station’s signal.

MVPD operators are actively seeking to change the regulations under which retransmission consent is negotiated before both the U.S. Congress and the FCC in order to increase their bargaining leverage with television stations. On March 3, 2011, the FCC initiated a Notice of Proposed Rulemaking to reexamine its rules (i) governing the requirements for good faith negotiations between MVPDs and broadcasters, including implementing a prohibition on one station negotiating retransmission consent terms for another station under a local service agreement; (ii) for providing advance notice to consumers in the event of dispute; and (iii) to extend certain cable-only obligations to all MVPDs. The FCC has also asked for comment on eliminating the network non-duplication and syndicated exclusivity protection rules, which may permit MVPDs to import out-of-market television stations during a retransmission consent dispute.

The FCC’s rules also govern which local television signals a satellite subscriber may receive. Congress and the FCC have also imposed certain requirements relating to satellite distribution of local television signals to “unserved” households that do not receive a useable signal from a local network-affiliated station and to cable and satellite carriage of out-of-market signals.

We and Mission 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 MVPDs which carry the stations’ signals.



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 (and, under recently proposed rules, video description);
  - children’s programming;
  - program ratings guidelines; and
  - network affiliation agreements.

Technical Regulation. FCC rules govern the technical operating parameters of television stations, including permissible operating channel, power and antenna height and interference protections between stations. Under various FCC rules and procedures, substantially all full power television stations have completed the transition from analog to digital television (DTV) broadcasting. The FCC has initiated a proceeding with respect to the conversion of existing low power and television translator stations to digital operation. The FCC has asked for comment on whether to adopt a date in 2012 by which analog low power and television translator stations must cease analog operation.

## Employees

As of December 31, 2010, we had a total of 2,111 employees, comprised of 1,857 full-time and 254 part-time employees. As of December 31, 2010, 160 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.

## 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>. Upon request, we will provide copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, and any other filings with the SEC. Requests can be sent to Nexstar Broadcasting Group, Attn: Investor Relations, 5215 N. O'Connor Blvd., Suite 1400, Irving, TX 75039. Additional information about us, or stations and the stations we program or provide services to can be found on our website at [www.nexstar.tv](http://www.nexstar.tv). We do not incorporate the information contained on or accessible through our corporate web site into this Annual Report on Form 10-K.

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

Economic slowdowns in the United States could adversely affect the demand for television advertising. 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.

Any economic slowdown in the United States could 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.

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

We and Mission have a history of net losses.

We and Mission had aggregate net losses of \$1.8 million, \$12.6 million and \$78.1 million for the years ended December 31, 2010, 2009 and 2008, 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, 2010, we and Mission had \$643.1 million of debt, which represented 137.4% 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;
- 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.

See “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 secured 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;
- make acquisitions;
- merge, consolidate or transfer all or substantially all of our assets;
- enter into sale and leaseback transactions;
- create liens;
- sell assets or stock of our subsidiaries; and
- enter into transactions with affiliates.

In addition, our senior secured credit facility requires us to maintain or meet certain financial ratios, including consolidated leverage ratios and fixed charges 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 secured credit facility contains similar terms and restrictions.

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 maximum total and first lien ratios and a minimum fixed charge coverage ratio. The covenants, which are calculated on a quarterly basis, include the combined results of Nexstar Broadcasting and Mission. 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.

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, 2010. 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 secured 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 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 secured 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—12 stations have primary affiliation agreements with NBC, 11 with CBS, 9 with ABC, 15 with Fox, 7 with MyNetworkTV, 4 with The CW and 1 with Azteca America. Additionally, four of the stations have secondary affiliation agreements – one with MyNetworkTV, two with LATV and one with Telemundo. Each of NBC, CBS and ABC generally provides affiliated stations with up to 22 hours of prime time programming per week, while each of Fox, MyNetworkTV and The CW provides affiliated stations with up to 15 hours of prime time programming per week. In return, affiliated stations broadcast the respective network’s commercials during the network programming.

All of the network affiliation agreements of the stations that we own, operate, program or provide sales and other services to are scheduled to expire at various times through August 2017. Our and Mission’s Fox network agreements for 12 stations expired in June 2010 and our and Mission’s ABC agreements for seven stations expired in December 2010. These agreements have continued under the same terms during our renewal negotiations. However, in order to renew certain of our affiliation agreements we may be required to make cash payments to the network and to accept other material modifications of existing affiliation agreements. If any of our stations cease to maintain affiliation agreements with networks for any reason, we would need to find alternative sources of programming, which may be less attractive and more expensive. Further, some of our network affiliation agreements are subject to earlier termination by the networks under specified circumstances.

For more information regarding these network affiliation agreements, see “Business—Network Affiliations.”

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

Nexstar’s retransmission consent agreements with cable operators, direct broadcast satellite operators, and others permit the operators to carry our stations’ signals in exchange for the payment of compensation to us from the system operators as consideration. The television networks have recently asserted to their local television station affiliates the networks’ position that they, as the owners or licensees of programming we broadcast and provide for retransmission, are entitled to a portion of the compensation under the retransmission consent agreements. Networks have proposed to include these provisions in their network affiliation agreements. In addition, our affiliation agreements with some broadcast networks include certain terms that may affect our ability to allow MVPDs to retransmit network programming, and in some cases, we may lose the right to grant retransmission consent to such providers. Inclusion of these or similar provisions in our network affiliation agreements could materially reduce t