WACHOVIA CORP NEW
Form 424B5
January 04, 2007
Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed.

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-123311

SUBJECT TO COMPLETION, DATED JANUARY 2, 2007

(To prospectus dated May 13, 2005)

PROSPECTUS SUPPLEMENT

$•

Wachovia Corporation

Principal Protected Notes

Linked to a Basket of Emerging Market Currencies

due•

Offering 100% Principal Protection

Issuer:	Wachovia Corporation
Principal Amount:	Each note will have a principal amount of $10. Each note will be offered at an initial public offering price of $10.
Maturity Date:	(expected to be approximately 18 months after the pricing date)
Interest:	Wachovia will not pay you interest during the term of your notes.
Underlying Basket:	The return on the notes, in excess of the principal amount, is linked to the performance of an equally-weighted basket (the basket) of the following four currencies relative to the U.S. Dollar: the Brazilian Real, the Russian Ruble, the Indian Rupee and the Chinese Renminbi (Yuan) (each, a basket currency , and collectively, the basket currencies).
Maturity Payment Amount:	At maturity, for each note you own, you will receive a cash payment equal to the sum of $10 and the basket performance amount. The basket performance amount per note will equal the greater of (i) $0, and (ii) the product of the principal amount of the note, the average currency appreciation and a participation rate of •% (to be determined on the pricing date). The average currency appreciation will equal the arithmetic mean of the percentage change in the value of the exchange rate of each basket currency relative to the U.S. Dollar. If the average currency appreciation is less than or equal to zero, the basket performance amount will be $0, and the maturity payment amount will be $10.
Listing:	

	The notes will not be listed or displayed on any securities exchange, the Nasdaq Global Market or any electronic communications network.
Pricing Date:	•, 2007
Expected Settlement Date:	•, 2007
CUSIP Number:	929903888

For a detailed description of the terms of the notes, see Summary Information beginning on page S-1 and Specific Terms of the Notes beginning on page S-14.

Investing in the securities involves risks. See Risk Factors beginning on page S-8.

	Per Note	Total
Public Offering Price		
Underwriting Discount and Commission		
Proceeds to Wachovia Corporation		

The notes solely represent senior, unsecured debt obligations of Wachovia and are not the obligation of, or guaranteed by, any other entity. The notes are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

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

Wachovia may use this prospectus supplement in the initial sale of the notes. In addition, Wachovia Capital Markets, LLC or any other broker-dealer affiliate of Wachovia may use this prospectus supplement in a market-making or other transaction in any note after its initial sale. ***Unless Wachovia or its agent informs the purchaser otherwise in the confirmation of sale, this prospectus supplement is being used in a market-making transaction.***

Wachovia Securities

The date of this prospectus supplement is •, 2007.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Unless otherwise indicated, you may rely on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriter has authorized anyone to provide information different from that contained in this prospectus supplement and the accompanying prospectus. When you make a decision about whether to invest in the notes, you should not rely upon any information other than the information in this prospectus supplement and the accompanying prospectus. Neither the delivery of this prospectus supplement nor sale of the notes means that information contained in this prospectus supplement or the accompanying prospectus is correct after their respective dates. This prospectus supplement and the accompanying prospectus are not an offer to sell or solicitation of an offer to buy the notes in any circumstances under which the offer or solicitation is unlawful.

Table of Contents

SUMMARY INFORMATION

This summary includes questions and answers that highlight selected information from this prospectus supplement and the accompanying prospectus to help you understand the Principal Protected Notes Linked to a Basket of Emerging Market Currencies due Offering 100% Principal Protection (the notes). You should carefully read this prospectus supplement and the accompanying prospectus to fully understand the terms of the notes, the exchange rate of each basket currency relative to the U.S. Dollar and the tax and other considerations that are important to you in making a decision about whether to invest in the notes. You should carefully review the section Risk Factors in this prospectus supplement and the accompanying prospectus, which highlights certain risks associated with an investment in the notes, to determine whether an investment in the notes is appropriate for you.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to Wachovia , we , us and our or similar references mean Wachovia Corporation and its subsidiaries. Wachovia Capital Markets, LLC is an indirect, wholly owned subsidiary of Wachovia Corporation. Wachovia Corporation conducts its investment banking, capital markets and retail brokerage activities through its various broker-dealer, bank and non-bank subsidiaries, including Wachovia Capital Markets, LLC, under the trade name Wachovia Securities . Any reference to Wachovia Securities in this prospectus supplement does not, however, refer to Wachovia Securities, LLC, member of the New York Stock Exchange and the Securities Investor Protection Corporation or Wachovia Securities Financial Network, LLC, member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation, broker-dealer affiliates of Wachovia Corporation and Wachovia Capital Markets, LLC. Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to WBNA mean Wachovia Bank, National Association. All references to this prospectus supplement mean the pricing supplement contemplated in the accompanying prospectus.

What are the notes?

The notes offered by this prospectus supplement will be issued by Wachovia Corporation and will mature on . The maturity payment amount, in excess of the principal amount of the notes, if any, will be linked to the performance of the basket, which is in turn based on the performance of the basket currencies. The notes will not bear interest and no other payments will be made until maturity.

Each basket currency will represent 25% of the basket. The basket currencies, with their respective symbols as used by Bloomberg Financial Markets and recognized by the Foreign Exchange Committee of the Federal Reserve Bank of New York and certain currency traders associations (the currency symbols), are set forth below:

- Brazilian Real (symbol BRL) the lawful currency of the Federative Republic of Brazil;
- Russian Ruble (symbol RUB), the lawful currency of the Russian Federation;
- Indian Rupee (symbol INR), the lawful currency of the Republic of India; and
- Chinese Renminbi (Yuan) (symbol CNY), the lawful currency of the People s Republic of China.

The weighting of each basket currency is fixed and will not change during the term of the notes. Similarly, the basket currencies that compose the basket will not change, except as described under Specific Terms of the Notes Adjustments to the Basket on page S-16.

As discussed in the accompanying prospectus, the notes are debt securities and are part of a series of debt securities entitled Medium-Term Notes, Series G that Wachovia Corporation may issue from time to time. The notes will rank equally with all other unsecured and unsubordinated debt of Wachovia Corporation. For more details, see Specific Terms of the Notes beginning on page S-14.

Each note will have a principal amount of $10. Each note will be offered at an initial public offering price of $10. You may transfer only whole notes. Wachovia Corporation will issue the notes in the form of a global

Table of Contents

certificate, which will be held by The Depository Trust Company, also known as DTC, or its nominee. Direct and indirect participants in DTC will record your ownership of the notes.

Are the notes principal protected?

The notes are fully principal protected and will pay 100% of the principal amount of your notes at maturity, subject to our ability to pay our obligations.

What will I receive upon maturity of the notes?

On the maturity date, for each note you own, you will receive a cash payment equal to the sum of $10 and the basket performance amount.

Determination of the basket performance amount

The basket performance amount per note will be determined by the calculation agent and will equal the greater of:

(i) $0, and

(ii) $10 × average currency appreciation × participation rate.

The participation rate will be determined on the pricing date and will equal %.

The average currency appreciation will be determined by the calculation agent and will equal the arithmetic mean of the currency appreciation of each basket currency.

The currency appreciation of each basket currency will be determined by the calculation agent as follows:

$$\text{currency appreciation} = \left(\frac{\text{initial basket currency exchange rate} \quad \text{final basket currency exchange rate}}{\text{initial basket currency exchange rate}} \right).$$

The initial basket currency exchange rate for each basket currency is the basket currency exchange rate for that basket currency on the business day immediately following the pricing date.

The final basket currency exchange rate for each basket currency will be the basket currency exchange rate for that basket currency on the valuation date.

The basket currency exchange rate for each basket currency on any given date will be determined by the calculation agent and will equal the basket currency/U.S. Dollar exchange rate as reported by Reuters Group PLC (Reuters), as follows:

For the Brazilian Real, the Brazilian Real/U.S. Dollar exchange rate as determined by reference to Reuters page 1FEE , or any successor page, published at approximately 12:00 p.m., New York City time, on the relevant date;

For the Russian Ruble, a Russian Ruble/U.S. Dollar exchange rate determined by multiplying the Russian Ruble/Euro exchange rate and the Euro/U.S. Dollar exchange rates, which are determined by reference to Reuters page EMTA , or any successor page, published at approximately 2:15 p.m., Frankfurt time, on the relevant date;

S-2

Table of Contents

For the Indian Rupee, the Indian Rupee/U.S. Dollar exchange rate, as determined by reference to Reuters page 1FEE , or any successor page, published at approximately 12:00 p.m., New York City time, on the relevant date; and

For the Chinese Renminbi (Yuan), the Chinese Renminbi (Yuan)/U.S. Dollar exchange rate, as determined by reference to Reuters page 1FEE , or any successor page, published at approximately 12:00 p.m., New York City time, on the relevant date.

If the calculation agent is unable to determine a basket currency exchange rate by reference to the applicable Reuters page listed above or the corresponding successor page, then the calculation agent will select a similar source in a commercially reasonable manner in accordance with general market practice.

The following table shows the basket currencies, their respective currency symbols, their initial basket currency exchange rates and their applicable currency business days:

Basket Currency	Currency Symbol	Initial Basket Currency Exchange Rate	Applicable Currency Business Day
Brazilian Real	BRL	•	New York City
Russian Ruble	RUB	•	Frankfurt
Indian Rupee	INR	•	New York City
Chinese Renminbi (Yuan)	CNY	•	New York City

A business day means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

The currency business day for each basket currency is any day, other than a Saturday or a Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close (including for dealings in foreign exchange in accordance with the practice of the foreign exchange market) in the city listed in the table above under Applicable Currency Business Day for that basket currency.

The valuation date , with respect to each basket currency, means the tenth business day before the maturity date. However, if that day occurs on a day that is not a currency business day or on which the calculation agent has determined that a market disruption event has occurred or is continuing with respect to one or more basket currencies, then the valuation date for the affected basket currency or basket currencies will be postponed until the next succeeding currency business day for such basket currency or basket currencies on which the calculation agent determines that a market disruption event does not occur or is not continuing with respect to such basket currency or basket currencies; provided that in no event will the valuation date with respect to any basket currency be postponed by more than ten business days. The determination of the final basket currency exchange rate for any basket currency with respect to which a market disruption event does not occur or is not continuing on the valuation date will not be postponed for the purpose of calculating the maturity payment amount. *If the valuation date with respect to any basket currency is postponed, then the maturity date of the notes will be postponed by an equal number of business days.*

If the average currency appreciation is less than or equal to zero, the basket performance amount will be $0, and the maturity payment amount will be $10.

Hypothetical Examples

Set forth below are three hypothetical examples of the calculation of the maturity payment amount. For purposes of these examples, we have assumed a participation rate of 150%. The actual participation rate will be determined on the pricing date.

S-3

Table of Contents

Example 1

The hypothetical average currency appreciation is 50%, reflecting a 50% decrease in the value of the basket:

Basket performance amount (per note) is the greater of:

(i) $0, and

(ii) $\left(\$10 \times 50\% \times 150\% \right) = \$7.50.$

Maturity payment amount = $10 + $0 = $10.

Since the hypothetical currency appreciation is *less* than zero, the basket performance amount would equal $0 and the maturity payment amount would equal the principal amount of your note.

Example 2

The hypothetical average currency appreciation is 5%, reflecting a 5% increase in the value of the basket:

Basket performance amount (per note) is the greater of:

(i) $0, and

(ii) $\left(\$10 \times 5\% \times 150\% \right) = \$0.75$

Maturity payment amount = $10 + $0.75 = $10.75.

Since the hypothetical average currency appreciation is *greater* than zero, the basket performance amount would equal $0.75 and the maturity payment amount would be greater than the principal amount of your note.

Example 3

The hypothetical average currency appreciation is 50%, reflecting a 50% increase in the value of the basket:

Basket performance amount (per note) is the greater of:

(i) $0, and

(ii) $\left(\$10 \times 50\% \times 150\% \right) = \$7.50$

Maturity payment amount = $10 + $7.50 = $17.50

Since the hypothetical average currency appreciation is *greater* than zero, the basket performance amount would equal $7.50 and the maturity payment amount would be greater than the principal amount of your note.

Table of Contents

Hypothetical Returns

The following table illustrates, for a range of hypothetical average currency appreciations representing equivalent percentage changes in the value of the basket:

- the hypothetical basket performance amount;
- the hypothetical maturity payment amount per note;
- the hypothetical pre-tax annualized rate of return to beneficial owners of the notes as more fully described below.

The figures below are for purposes of illustration only. The actual maturity payment amount and the resulting total and pre-tax annualized rate of return will depend on the actual average currency appreciation determined by the calculation agent as described in this prospectus supplement.

Hypothetical average currency appreciation	Hypothetical basket performance amount	Hypothetical maturity payment amount per note[1]	Hypothetical pre-tax annualized rate of return on the notes[2]
-50.00%	$ 0.00	$ 10.00	0.00%
-45.00	0.00	10.00	0.00
-40.00	0.00	10.00	0.00
-35.00	0.00	10.00	0.00
-30.00	0.00	10.00	0.00
-25.00	0.00	10.00	0.00
-20.00	0.00	10.00	0.00
-15.00	0.00	10.00	0.00
-10.00	0.00	10.00	0.00
-5.00	0.00	10.00	0.00
0.00 (3)	0.00	10.00	0.00
5.00	0.75	10.75	4.88
10.00	1.50	11.50	9.54
15.00	2.25	12.25	14.00
20.00	3.00	13.00	18.28
25.00	3.75	13.75	22.40
30.00	4.50	14.50	26.37
35.00	5.25	15.25	30.21
40.00	6.00	16.00	33.92
45.00	6.75	16.75	37.52
50.00	7.50	17.50	41.01

(1) The hypothetical maturity payment per note is based on a participation rate of 150%. The actual participation rate will be determined on the pricing date.

(2) The hypothetical pre-tax annualized rate of return is based on an 18-month term, semi-annual compounding and a 30/360 day count.

(3) This is also the average currency appreciation corresponding to the value of the basket on the pricing date.

Table of Contents

The following graph sets forth the hypothetical return at maturity for a range of hypothetical average currency appreciations.

Return Profile of Principal Protected Notes vs. Basket*

*Assumes a participation rate of 150%

Who should or should not consider an investment in the notes?

We have designed the notes for investors who are willing to hold the notes to maturity; who seek an investment with a return linked to the basket currency exchange rates and who believe that the basket currency exchange rates, when averaged together, will decrease over the term of the notes (*i.e.*, that over the term of the notes, when averaged together, *fewer* units of the basket currencies will be needed to buy a given amount of U.S. Dollars and the basket currencies will, when averaged together, *appreciate* in value against the U.S. Dollar); and who seek to protect their investment by receiving at least 100% of the principal amount of their investment at maturity.

The notes are not designed for, and may not be a suitable investment for, investors who are unable or unwilling to hold the notes to maturity; who require an investment that yields regular returns; who believe that the basket currency exchange rates, when averaged together, are likely to increase or remain unchanged over the term of the notes (*i.e.*, that over the term of the notes, when averaged together, *more* or the same number of units of the basket currencies will be needed to buy a given amount of U.S. Dollars and the basket currencies will, when averaged together, *depreciate* or remain unchanged in value against the U.S. Dollar); or who seek a more aggressive leveraged investment with exposure to both the full upside performance as well as the full downside performance risk of the basket currency exchange rates.

What will I receive if I sell the notes prior to maturity?

The market value of the notes may fluctuate during the term of the notes. Several factors and their interrelationship will influence the market value of the notes, including the level of the basket currency exchange rates; the time remaining to the maturity date; the Brazilian Real, Russian Ruble, Indian Rupee, Chinese Renminbi (Yuan) and U.S. Dollar interest rates; and the volatility of the basket currency exchange rates. The notes are 100% principal protected only if held to maturity. If you sell your notes before maturity, you may have to sell them at a discount and you will not have principal protection. Depending on the impact of these factors, you may receive less than the principal amount in any sale of your notes before the maturity date and less than what you would have received had you held the notes until maturity. For more details, see Risk Factors Many factors affect the market value of the notes .

How have the basket currency exchange rates performed historically?

You can find a table with the published high and low levels in the interbank market of each of the basket currency exchange rates as well as the basket currency exchange rates at the end of each calendar quarter from calendar year 2004 to present in the section entitled The Basket Historical Basket Currency Exchange Rates in this prospectus supplement. We have provided this historical information to help you evaluate the behavior of the basket currency exchange rates in the recent past; however, past performance of the basket currency exchange rates does not indicate how they will perform in the future.

What about taxes?

The notes will be treated as debt instruments subject to special rules governing contingent payment debt obligations for United States federal income tax purposes. If you are a U.S. individual or taxable entity, you generally will be required to pay taxes on ordinary income from the notes over their term based on the comparable yield for the notes, even though you will not receive any payments from us until maturity. This comparable yield is determined solely to calculate the amount on which you will be taxed prior to maturity and is neither a prediction nor a guarantee of what the actual yield will be. In addition, any gain you may recognize on the sale or maturity of the notes will be taxed as ordinary interest income. If you are a secondary purchaser of the notes, the tax consequences to you may be different.

For further discussion, see Supplemental Tax Considerations beginning on page S-22.

Will the notes be listed on a stock exchange?

The notes will not be listed or displayed on any securities exchange, the Nasdaq Global Market or any electronic communications network. There can be no assurance that a liquid trading market will develop for the notes. Accordingly, if you sell your notes before maturity, you may have to sell them at a substantial loss. You should review the section entitled Risk Factors There may not be an active trading market for the notes in this prospectus supplement.

Are there any risks associated with my investment?

Yes, an investment in the notes is subject to significant risks. We urge you to read the detailed explanation of risks in Risk Factors beginning on page S-8.

How to reach us

You may reach us by calling toll-free 1-888-215-4145 (or by calling 1-704-715-8400 (toll call)) and asking for the Fixed Income Structured Notes Group.

Table of Contents

R ISK FACTORS

An investment in the notes is subject to the risks described below, as well as the risks described under Risk Factors Risks Relating to Indexed Notes in the accompanying prospectus. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the currencies, i.e., the basket currencies and the U.S. Dollar underlying the basket currency exchange rates to which your notes are linked. You should carefully consider whether the notes are suited to your particular circumstances.

The notes are intended to be held to maturity. Your principal is only protected if you hold your notes to maturity

You will receive at least 100% of the principal amount of your notes if you hold your notes to maturity, subject to our ability to pay our obligations. If you sell your notes in the secondary market before maturity, you will not receive principal protection on the notes you sell. You should be willing to hold your notes to maturity.

You will not receive interest payments on the notes

You will not receive any periodic interest payments on the notes or any interest payment at maturity. At maturity, you may not receive any return in excess of the principal amount of your notes.

Your yield on the notes may be lower than the yield on a standard senior debt security of comparable maturity

The yield that you will receive on your notes, which could be zero, may be less than the return you could earn on other investments. Even if your yield is positive, your yield may be less than the yield you would earn if you bought a standard senior non-callable debt security of Wachovia with the same maturity date. Your investment may not reflect the full opportunity cost to you when you take into account factors that affect the time value of money. In addition, no interest will be paid during the term of your notes.

If the average currency appreciation is less than or equal to zero, the maturity payment amount for each note will be limited to the principal amount of the note. This will be true even if the value of the basket, as measured by the average currency appreciation, on some date or dates before the valuation date is greater than the value of the basket on the pricing date, because the maturity payment amount will be calculated only on the basis of the basket currency exchange rates on the valuation date (or as otherwise determined by the calculation agent, in the case of a market disruption event). You should, therefore, be prepared to realize no return at maturity over the principal amount of your notes.

Owning the notes is not the same as owning the basket currencies

The return on your notes will not reflect the return you would realize if you actually purchased any or all of the basket currencies and converted them into U.S. Dollars on the valuation date. Even if the average currency appreciation increases above zero during the term of the notes, the market value of the notes may not increase by the same amount. It is also possible for the average currency appreciation to increase while the market value of the notes declines.

There may not be an active trading market for the notes

The notes will not be listed or displayed on any securities exchange, the Nasdaq Global Market or any electronic communications network. There can be no assurance that a liquid trading market will develop for the notes. The development of a trading market for the notes will depend on our financial performance and other factors such as the increase, if any, in the value of the basket. Even if a secondary market for the notes develops, it may not provide significant liquidity and we expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your notes in any secondary market could be substantial. If you sell your notes before maturity, you may have to do so at a discount from the initial public offering price, and, as a result, you may suffer substantial losses.

Wachovia Capital Markets, LLC and other broker-dealer affiliates of Wachovia currently intend to make a market for the notes, although they are not required to do so and may stop any such market-making activities at any time. As market makers, trading of the notes may cause Wachovia Capital Markets, LLC or any other broker-dealer affiliates of Wachovia to have long or short positions of the notes in their inventory. The supply and demand for the notes, including inventory positions of market makers, may affect the secondary market for the notes.

Even though the basket currencies and U.S. Dollar are traded around-the-clock, if a secondary market develops, the notes may trade only during regular trading hours in the United States

The interbank market for the basket currencies and the U.S. Dollar is a global, around-the-clock market. Therefore, the hours of trading for the notes may not conform to the hours during which the basket currencies and the U.S. Dollar are traded. To the extent that U.S. markets are closed while the markets for any of the basket currencies remain open, significant price and rate movements may take place in the underlying foreign exchange markets that will not be reflected immediately in the price of the notes.

There is no systematic reporting of last-sale information for foreign currencies. Reasonable current bid and offer information is available in certain brokers offices, in bank foreign currency trading offices, and to others who wish to subscribe for this information, but this information will not necessarily reflect the basket currency exchange rates relevant for determining the value of the notes. The absence of last-sale information and the limited availability of quotations to individual investors make it difficult for many investors to obtain timely, accurate data about the state of the underlying foreign exchange markets.

Many factors affect the market value of the notes

The market value of the notes will be affected by factors that interrelate in complex ways. It is important for you to understand that the effect of one factor may offset the increase in the market value of the notes caused by another factor and that the effect of one factor may exacerbate the decrease in the market value of the notes caused by another factor. For example, a change in the volatility of any or all of the basket currency exchange rates may offset some or all of any increase in the market value of the notes attributable to another factor, such as an increase in the trading value of the basket currencies relative to the U.S. Dollar. In addition, a change in interest rates may offset other factors that would otherwise change the trading value of any or all of the basket currencies relative to the U.S. Dollar and, therefore, may change the market value of the notes.

We expect that the market value of the notes will depend substantially on the amount, if any, by which the value of the basket, as measured by the change in the average currency appreciation, increases during the term of the notes. If you choose to sell your notes when the average currency appreciation has increased above zero, you may receive substantially less than the amount that would be payable at maturity based on this increase because of the expectation that the average currency appreciation will continue to fluctuate until the valuation date. We believe that other factors that may influence the value of the notes include:

- the volatility (the frequency and magnitude of changes in level) of the basket currency exchange rates and in particular market expectations regarding the volatility of the basket currency exchange rates;

- interest rates in the U.S. market and in the markets of each of the basket currencies;

- our creditworthiness, as represented by our credit ratings and as otherwise perceived in the market;

- changes in the correlation (the extent to which the basket currency exchange rates increase or decrease to the same degree at the same time) between the basket currency exchange rates;

- suspension or disruption of market trading in any or all of the basket currencies the time remaining to maturity; and

Table of Contents

geopolitical, economic, financial, political, regulatory or judicial events as well as other conditions may affect the basket currency exchange rates.

The basket currency exchange rates will be influenced by unpredictable factors that interrelate in complex ways

The basket currency exchange rates are a result of the supply of and demand for each currency, and changes in foreign exchange rates may result from the interactions of many factors including economic, financial, social and political conditions in the United States, Brazil, Russia, India and China. These conditions include, for example, the overall growth and performance of the economies of the United States, Brazil, Russia, India and China; the trade and current account balances between the U.S. on the one hand and Brazil, Russia, India and China on the other; the financing and capital account balances between the U.S. on the one hand and Brazil, Russia, India and China on the other; market interventions by the Federal Reserve Board or the respective governmental and banking authorities responsible for setting foreign exchange policies in Brazil, Russia, India and China; inflation, interest rate levels, the performance of stock markets, and the stability of the governments and banking systems in the United States, Brazil, Russia, India and China; wars that any of the United States, Brazil, Russia, India and China are directly or indirectly involved in or wars that occur anywhere in the world; major natural disasters in the United States, Brazil, Russia, India and China; and other foreseeable and unforeseeable events.

Certain relevant information relating to Brazil, Russia, India and China may not be as well known or as rapidly or thoroughly reported in the United States as comparable United States developments. Prospective purchasers of the notes should be aware of the possible lack of availability of important information that can affect the value of the basket currencies relative to the U.S. Dollar and must be prepared to make special efforts to obtain that information on a timely basis.

The liquidity, market value and maturity payment amount of the notes could be affected by the actions of the governments of Brazil, Russia, India and China

Exchange rates of the currencies of most economically developed nations and of many other nations, including Brazil, Russia and India, are floating, meaning they are permitted to fluctuate in value relative to the U.S. Dollar. However, governments of many nations, from time to time, do not allow their currencies to float freely in response to economic forces. (The Chinese Renminbi (Yuan) exchange rate is not floating and will be described further below.) Governments, including the governments of Brazil, Russia and India, use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter its exchange rate or relative exchange characteristics by devaluing or revaluing the currency. Thus, a special risk in purchasing the notes is that their liquidity, trading value and amounts payable could be affected by the actions of the governments of Brazil, Russia and India that could change or interfere with currency valuations that are currently determined primarily by the markets, by fluctuations in response to other market forces, and the movement of currencies across borders. There will be no adjustment or change in the terms of the notes if exchange rates become fixed, if there is any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, if there is an issuance of a replacement currency, or if other developments affect any or all of the basket currencies, the U.S. Dollar, or any other currency.

There are specific risks related to the Chinese Renminbi (Yuan)

The exchange rate of the Chinese Renminbi (Yuan) is currently managed by the Chinese government. On July 21, 2005, the People s Bank of China, with the authorization of the State Council of the People s Republic of China, announced that the Renminbi (Yuan) exchange rate would no longer be pegged to the U.S. Dollar and instead would be pegged to a basket of currencies (the Renminbi basket) and allowed to float within a narrow band around the value of the Renminbi basket. According to public reports, the governor of the People s Bank of China has stated that the Renminbi basket is composed mainly of the U.S. Dollar, the European Union Euro, the Japanese Yen, and the Korean Won. Also considered, but playing smaller roles, are the currencies of Singapore, the United Kingdom, Malaysia, Russia, Australia, Canada and Thailand. The weight of each currency within the Renminbi basket has not been announced.

The initial adjustment of the Chinese Renminbi (Yuan) exchange rate was an approximate 2% revaluation from an exchange rate of 8.28 Yuan per U.S. Dollar to 8.11 Yuan per U.S. Dollar. The People s Bank of China has also announced that the daily trading price of the U.S. Dollar against the Renminbi (Yuan) in the inter-bank foreign exchange market will continue to be allowed to float within a band of 0.3 percent around the central parity published by the People s Bank of China, while the trading prices of the non-U.S. Dollar currencies against the Renminbi (Yuan) will be allowed to move within a certain band announced by the People s Bank of China. The People s Bank of China will announce the closing price of a foreign currency such as the U.S. Dollar traded against the Renminbi (Yuan) in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the Renminbi (Yuan) on the following working day. The People s Bank of China has stated that it will make adjustments of the Renminbi (Yuan) exchange rate band when necessary according to market developments as well as the economic and financial situation.

Despite the recent change in their exchange rate regime, the Chinese government continues to manage the valuation of the Chinese Renminbi (Yuan), and, as currently managed, its price movements are unlikely to contribute significantly to either an increase or decrease in the value of the basket. However, further changes in the Chinese government s management of the Renminbi (Yuan) could result in a significant movement in the U.S. Dollar/Chinese Renminbi (Yuan) exchange rate. Assuming the values of all other basket currencies remain constant, a decrease in the value of the Renminbi (Yuan), whether because of a change in the government s management of the currency or for other reasons, would result in a decrease in the value of the basket.

Historical levels of the basket currency exchange rates should not be taken as indications of the future levels of the basket currency exchange rates during the term of the notes

The basket currency exchange rates will be influenced by complex and interrelated political, economic, financial and other factors. As a result, it is impossible to predict whether the basket currency exchange rates will appreciate or depreciate over the term of the notes.

The basket is not a recognized market index and may not accurately reflect global market performance

The basket is not a recognized market index. The basket was created solely for purposes of the offering of the notes and will be calculated solely during the term of the notes. The value of the basket and, therefore, the basket performance amount, however, will not be published during the term of the notes. The basket does not reflect the performance of all major securities or currency markets, and may not reflect actual global market performance.

Purchases and sales by us and our affiliates may affect the return on the notes

As described below under Use of Proceeds and Hedging on page S-26, we or one or more affiliates may hedge our obligations under the notes by purchasing basket currencies, futures or options on basket currencies or other derivative instruments with returns linked or related to changes in the performance of the basket currencies, and we may adjust these hedges by, among other things, purchasing or selling basket currencies, futures, options or other derivative instruments at any time.

Although they are not expected to, any of these hedging activities may adversely affect the levels of the basket currency exchange rates and the basket performance amount. It is possible that we or one or more of our affiliates could receive substantial returns from these hedging activities while the market value of the notes declines.

Potential conflicts of interest could arise

Our subsidiary, WBNA, is our agent for the purposes of calculating the average currency appreciation and the maturity payment amount. Under certain circumstances, WBNA s role as our subsidiary and its responsibilities as calculation agent for the notes could give rise to conflicts of interest. These conflicts could occur, for instance, in connection with its determination of whether any or all of the basket currency exchange rates can be calculated on a particular business day. See Specific Terms of the Notes Market Disruption Event on page S-16. WBNA is required to carry out its duties as calculation agent in good faith and using its reasonable judgment.

Table of Contents

Wachovia and its affiliates may engage in trading activities related to the basket currencies and the U.S. Dollar that are not for the account of holders of the notes or on their behalf. These trading activities may present a conflict between the holders interest in the notes and the interests we and our affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the basket currency exchange rates, could be adverse to the interests of the holders of the notes.

We or one or more of our affiliates have published and may in the future publish research on foreign exchange markets, exchange rates and other matters that may have an influence on currency exchange rates. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the notes. This research should not be viewed as a recommendation or endorsement of the notes in any way, and investors must make their own independent investigation of the merits of this investment. Any of these activities by us or our other affiliates may affect the levels of the basket currency exchange rates and, therefore, the market value of the notes.

The calculation agent may postpone the determination of the average currency appreciation and the maturity date if a market disruption event occurs on the valuation date

The determination of one or more final basket currency exchange rates may be postponed if the calculation agent determines that a market disruption event has occurred or is continuing on the valuation date with respect to one or more basket currencies. If a postponement occurs, then for each basket currency with respect to which a market disruption event has occurred or is continuing, the calculation agent will use the final basket currency exchange rate on the next succeeding business day on which no market disruption event occurs or is continuing with respect to that basket currency for the calculation of the average currency appreciation. As a result, the maturity date for the notes would be postponed. You will not be entitled to compensation from us or the calculation agent for any loss suffered because of a market disruption event or any resulting delay in payment. See Specific Terms of the Notes Market Disruption Event beginning on page S-16.

The inclusion of commissions and projected profits from hedging in the initial public offering price is likely to adversely affect secondary market prices

Assuming no change in market conditions or any other relevant factors, the price, if any, at which Wachovia is willing to purchase the notes in secondary market transactions will likely be lower than the initial public offering price, since the initial public offering price included, and secondary market prices are likely to exclude, commissions paid with respect to the notes, as well as the projected profit included in the cost of hedging our obligations under the notes. In addition, any such prices may differ from values determined by pricing models used by Wachovia, as a result of dealer discounts, mark-ups or other transactions.

U.S. taxpayers will be required to pay taxes on the notes each year

The notes will be treated as debt instruments subject to special rules governing contingent payment debt obligations for United States federal income tax purposes. If you are a U.S. individual or taxable entity, you generally will be required to pay taxes on ordinary income from the notes over their term based on the comparable yield for the notes, even though you will not receive any payments from us until maturity. This comparable yield is determined solely to calculate the amounts you will be taxed on prior to maturity and is neither a prediction nor a guarantee of what the actual yield will be. In addition, any gain you may recognize upon the sale or maturity of the notes will be taxed as ordinary income. Any gain you may recognize on the sale or maturity of the notes will be ordinary interest income. Any loss you may recognize upon the sale of the notes will be ordinary loss to the extent the interest you included as income in the current or previous taxable years in respect of the notes, and thereafter will be capital loss. If you hold your notes until maturity and the maturity payment is less than the projected payment at maturity, the difference will first reduce interest that would otherwise accrue in respect of the notes in such taxable year, and any remainder will be ordinary loss to the extent the interest you previously accrued as income in respect of the notes, and thereafter will be capital loss. If you are a secondary purchaser of the notes, the tax consequences to you may be different. You should consult your tax advisor about your own tax situation.

For further information, see Supplemental Tax Considerations on page S-22.

Table of Contents

Certain considerations for insurance companies and employee benefit plans

A fiduciary of a pension plan or other employee benefit plan that is subject to the prohibited transaction rules of the Employee Retirement Income Security Act of 1974, as amended, which we call ERISA , or the Internal Revenue Code of 1986, as amended, and that is considering purchasing the notes with the assets of a plan, should consult with its counsel regarding whether the purchase or holding of the notes could become a prohibited transaction under ERISA, the Internal Revenue Code or any substantially similar prohibition. These prohibitions are discussed in further detail under Employee Retirement Income Security Act on page S-24.

Table of Contents

SPECIFIC TERMS OF THE NOTES

Please note that in this section entitled Specific Terms of the Notes , references to holders mean those who own notes registered in their own names, on the books that we or the trustee maintain for this purpose, and not indirect holders who own beneficial interests in notes registered in street name or in notes issued in book-entry form through The Depository Trust Company. Please review the special considerations that apply to indirect holders in the accompanying prospectus, under Legal Ownership .

The notes are part of a series of debt notes, entitled Medium-Term Notes, Series G , that we may issue under the indenture from time to time as described in the accompanying prospectus. The notes are also Indexed Notes and Senior Notes , each as described in the accompanying prospectus.

This prospectus supplement summarizes specific financial and other terms that apply to the notes. Terms that apply generally to all Medium-Term Notes, Series G, are described in Description of the Notes We May Offer in the accompanying prospectus. The terms described here supplement those described in the accompanying prospectus and, if the terms described there are inconsistent with those described here, the terms described here are controlling.

We describe the terms of the notes in more detail below.

No Interest

There will be no interest payments, periodic or otherwise, on the notes.

Denominations

Wachovia will issue the notes in principal amounts of $10 per note and integral multiples thereof.

Offering Price

Each note will be offered at an initial public offering price equal to $10.

Maturity Payment Amount

On the maturity date, for each note you own, you will receive a cash payment equal to the sum of $10 and the basket performance amount.

Determination of the basket performance amount

The basket performance amount per note will be determined by the calculation agent and will equal the greater of:

(i) $0, and

(ii) $10 × average currency appreciation × participation rate.

The participation rate will be determined on the pricing date and will equal •%.

The average currency appreciation will be determined by the calculation agent and will equal the arithmetic mean of the currency appreciation of each basket currency.

The currency appreciation of each basket currency will be determined by the calculation agent as follows:

Table of Contents

$$\text{currency appreciation} = \left(\frac{\text{initial basket currency exchange rate} \quad \text{final basket currency exchange rate}}{\text{initial basket currency exchange rate}} \right).$$

The initial basket currency exchange rate for each basket currency is the basket currency exchange rate for that basket currency on the business day immediately following the pricing date.

The final basket currency exchange rate for each basket currency will be the basket currency exchange rate for that basket currency on the valuation date.

The basket currency exchange rate for each basket currency on any given date will be determined by the calculation agent and will equal the basket currency/U.S. Dollar exchange rate as reported by Reuters Group PLC (Reuters), as follows:

For the Brazilian Real, the Brazilian Real/U.S. Dollar exchange rate as determined by reference to Reuters page 1FEE , or any successor page, published at approximately 12:00 p.m., New York City time, on the relevant date;

For the Russian Ruble, a Russian Ruble/U.S. Dollar exchange rate determined by multiplying the Russian Ruble/Euro exchange rate and the Euro/U.S. Dollar exchange rates, which are determined by reference to Reuters page EMTA , or any successor page, published at approximately 2:15 p.m., Frankfurt time, on the relevant date;

For the Indian Rupee, the Indian Rupee/U.S. Dollar exchange rate, as determined by reference to Reuters page 1FEE , or any successor page, published at approximately 12:00 p.m., New York City time, on the relevant date; and

For the Chinese Renminbi (Yuan), the Chinese Renminbi (Yuan)/U.S. Dollar exchange rate, as determined by reference to Reuters page 1FEE , or any successor page, published at approximately 12:00 p.m., New York City time, on the relevant date.

If the calculation agent is unable to determine a basket currency exchange rate by reference to the applicable Reuters page listed above or the corresponding successor page, then the calculation agent will select a similar source in a commercially reasonable manner in accordance with general market practice.

The following table shows the basket currencies, their respective currency symbols, their initial basket currency exchange rates and their applicable currency business days:

Basket Currency	Currency Symbol	Initial Basket Currency Exchange Rate	Applicable Currency Business Day
Brazilian Real	BRL	•	New York City
Russian Ruble	RUB	•	Frankfurt
Indian Rupee	INR	•	New York City
Chinese Renminbi (Yuan)	CNY	•	New York City

A business day means a day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close.

The currency business day for each basket currency is any day, other than a Saturday or a Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close (including for dealings in foreign exchange in accordance with the practice of the foreign

Table of Contents

exchange market) in the city listed in the table above under Applicable Currency Business Day for that basket currency.

The valuation date , with respect to each basket currency, means the tenth business day before the maturity date. However, if that day occurs on a day that is not a currency business day or on which the calculation agent has determined that a market disruption event has occurred or is continuing with respect to one or more basket currencies, then the valuation date for the affected basket currency or basket currencies will be postponed until the next succeeding currency business day for such basket currency or basket currencies on which the calculation agent determines that a market disruption event does not occur or is not continuing with respect to such basket currency or basket currencies; provided that in no event will the valuation date with respect to any basket currency be postponed by more than ten business days. The determination of the final basket currency exchange rate for any basket currency with respect to which a market disruption event does not occur or is not continuing on the valuation date will not be postponed for the purpose of calculating the maturity payment amount. *If the valuation date with respect to any basket currency is postponed, then the maturity date of the notes will be postponed by an equal number of business days.*

If the average currency appreciation is less than or equal to zero, the basket performance amount will be $0, and the maturity payment amount will be $10.

If any payment is due on the notes on a day which is not a day on which commercial banks settle payments in New York City, then that payment may be made on the next succeeding day that is a day on which commercial banks settle payments in New York City, in the same amount and with the same effect as if paid on the original due date.

WBNA, our subsidiary, will serve as the calculation agent. All determinations made by the calculation agent shall be at the sole discretion of the calculation agent and, absent a determination of a manifest error, shall be conclusive for all purposes and binding on Wachovia and the holders and beneficial owners of the notes. Wachovia may at any time change the calculation agent without notice to holders of notes.

U.S. Bank National Association will serve as the U.S. registrar and domestic paying agent.

Market Disruption Event

A market disruption event with respect to a basket currency, as determined by the calculation agent in its sole discretion, means (i) a currency business day on which it becomes impossible to obtain the relevant basket currency exchange rate on the applicable Reuters page, the corresponding successor page, or a similar source, as described above; or (ii) a day that is declared not to be a currency business day for that basket currency, without prior public announcement or other public notice that that day will not be a currency business day.

If a market disruption event occurs with respect to a basket currency, the valuation date for the affected basket currency exchange rate will be postponed to the next succeeding currency business day for that basket currency on which the calculation agent determines that a market disruption event does not occur or is not continuing; provided that in no event will the valuation date with respect to any basket currency be postponed by more than twenty calendar days. If the final basket currency exchange rate for that basket currency cannot be calculated as of the twentieth calendar day following the originally scheduled valuation date, then the calculation agent will determine the final basket currency exchange rate for that basket currency in a commercially reasonable manner in accordance with general market practice, taking into consideration all available information that in good faith it deems relevant.

Adjustments to the Basket

Each basket currency of the respective country (the issuing country) listed under What are the notes? on page S-1 will also include any lawful successor currency (a successor currency) of that issuing country. If, after the pricing date and on or before the valuation date, any of the issuing countries has lawfully eliminated, converted, redenominated or exchanged for a successor currency its lawful currency that was in effect on the pricing date (an original currency), then for the purpose of calculating the corresponding final basket currency exchange rate, any original currency amounts will be converted into successor currency amounts by multiplying

Table of Contents

the amount of original currency by a ratio of successor currency to original currency. This ratio will be the exchange ratio set by the issuing country for converting the original currency into the successor currency on the date that the elimination, conversion, redenomination or exchange occurred. If there is more than one such date, the date closest to the valuation date will be selected.

Events of Default and Acceleration

In case an event of default with respect to any notes has occurred and is continuing, the amount payable to a beneficial owner of a note upon any acceleration permitted by the notes, with respect to the principal amount of each note will be equal to the maturity payment amount, calculated as though the date of early repayment were the maturity date of the notes. If a bankruptcy proceeding is commenced in respect of Wachovia, the claim of the beneficial owner of a note may be limited, under Section 502(b)(2) of Title 11 of the United States Code, to the principal amount of the note plus an additional amount of contingent interest calculated as though the date of the commencement of the proceeding were the maturity date of the notes.

In case of default in payment of the notes, whether at their maturity or upon acceleration, the notes will not bear a default interest rate.

Table of Contents

THE BASKET

The basket is an equally-weighted basket of the following four currencies: the Brazilian Real, the Russian Ruble, the Indian Rupee and the Chinese Renminbi (Yuan). The basket currency exchange rate for each of the basket currencies is a foreign exchange spot price that measures the relative value of that basket currency against the U.S. Dollar. The Brazilian Real is the official currency of the Federative Republic of Brazil. The Russian Ruble is the official currency of the Russian Federation. The Indian Rupee is the official currency of the Republic of India. The Chinese Renminbi (Yuan) is the official currency of the People s Republic of China. Each basket currency exchange rate measures the number of units of that basket currency that can be exchanged for one U.S. Dollar. A basket currency exchange rate decreases when the that basket currency appreciates relative to the U.S. Dollar, and increases when that basket currency depreciates relative to the U.S. Dollar. The basket currency exchange rate for any basket currency on any date of determination means the trading price in that basket currency of one U.S. Dollar in the interbank market. U.S. Dollars and the basket currencies are traded by all major foreign exchange traders around the world. We have obtained all information on the basket currencies and the basket currency exchange rates from public sources, without independent verification.

Historical Basket Currency Exchange Rates

Any historical upward or downward trend in any of the basket currency exchange rates during any period shown below is not an indication that that basket currency exchange rate is more or less likely to increase or decrease at any time during the term of the notes. The historical basket currency exchange rates do not indicate future performance of the basket currency exchange rates. We cannot make any assurance that the future levels of the basket currency exchange rates will result in holders of the notes receiving a maturity payment amount greater than the principal amount of their notes on the maturity date. We do not make any representation to you regarding the change in the value of the basket over the term of the notes or the average currency appreciation.

We obtained each of the basket currency exchange rates listed below from Bloomberg Financial Markets without independent verification. The actual basket currency exchange rates on or near the valuation date may bear little relation to the historical values shown below.

The following table sets forth the published high and low levels in the interbank market of the each of the basket currency exchange rates in each calendar quarter from January 1, 2004 through September 30, 2006 and the period from October 1, 2006 to December 28, 2006. On December 28, 2006, the Brazilian Real/U.S. Dollar exchange rate was 2.1340, the Russian Ruble/U.S. Dollar exchange rate was 26.3636, the Indian Rupee/U.S. Dollar exchange rate was 44.2900 and the Chinese Renminbi (Yuan)/U.S. Dollar exchange rate was 7.8141. Historical performances of the basket currency exchange rates do not indicate future performance.

Quarterly High, Low and Close of the Brazilian Real/U.S. Dollar Exchange Rate

Quarter-Start Date	Quarter-End Date	High	Low	Quarter-End Close
01/01/2004	03/31/2004	2.9645	2.7820	2.8953
04/01/2004	06/30/2004	3.2118	2.8755	3.0850
07/01/2004	09/30/2004	3.0782	2.8505	2.8608
10/01/2004	12/31/2004	2.8800	2.6530	2.6560
01/01/2005	03/31/2005	2.7640	2.5665	2.6790
04/01/2005	06/30/2005	2.6588	2.3325	2.3325
07/01/2005	09/30/2005	2.4870	2.2140	2.2275
10/01/2005	12/31/2005	2.3800	2.1615	2.3355
01/01/2006	03/31/2006	2.3364	2.1040	2.1640
04/01/2006	06/30/2006	2.3525	2.0555	2.1650
07/01/2006	09/30/2006	2.2244	2.1230	2.1690
10/01/2006	12/28/2006	2.2000	2.1310	2.1340

Table of Contents

Quarterly High, Low and Close of the Russian Ruble/U.S. Dollar Exchange Rate

Quarter-Start Date	Quarter-End Date	High	Low	Quarter-End Close
01/01/2004	03/31/2004	29.2425	28.4375	28.5190
04/01/2004	06/30/2004	29.0825	28.5075	29.0697
07/01/2004	09/30/2004	29.2755	28.9900	29.2229
10/01/2004	12/31/2004	29.2210	27.7200	27.7200
01/01/2005	03/31/2005	28.1950	27.4487	27.8621
04/01/2005	06/30/2005	28.6800	27.7080	28.6300
07/01/2005	09/30/2005	28.8312	28.1600	28.4977
10/01/2005	12/31/2005	28.9814	28.4295	28.7414
01/01/2006	03/31/2006	28.7414	27.6651	27.7049
04/01/2006	06/30/2006	27.7165	26.7316	26.8455
07/01/2006	09/30/2006	27.0500	26.6660	26.7958
10/01/2006	12/28/2006	26.9846	26.1735	26.3636

Quarterly High, Low and Close of the Indian Rupee/U.S. Dollar Exchange Rate

Quarter-Start Date	Quarter-End Date	High	Low	Quarter-End Close
01/01/2004	03/31/2004	45.6400	43.6000	43.6000
04/01/2004	06/30/2004	46.2500	43.5375	46.0600
07/01/2004	09/30/2004	46.4713	45.6650	45.9500
10/01/2004	12/31/2004	45.9000	43.4600	43.4600
01/01/2005	03/31/2005	43.9300	43.4200	43.7450
04/01/2005	06/30/2005	43.8300	43.2900	43.4850
07/01/2005	09/30/2005	44.1500	43.1750	44.0150
10/01/2005	12/31/2005	46.3100	44.1275	45.0500
01/01/2006	03/31/2006	45.0925	44.1175	44.6225
04/01/2006	06/30/2006	46.3900	44.6012	46.0400
07/01/2006	09/30/2006	46.9950	45.7700	45.9250
10/01/2006	12/28/2006	45.9715	44.2900	44.2900

Table of Contents

Quarterly High, Low and Close of the Chinese Renminbi (Yuan)/U.S. Dollar Exchange Rate

Quarter-Start Date	Quarter-End Date	High	Low	Quarter-End Close
01/01/2004	03/31/2004	8.2775	8.2766	8.2770
04/01/2004	06/30/2004	8.2773	8.2765	8.2766
07/01/2004	09/30/2004	8.2771	8.2765	8.2765
10/01/2004	12/31/2004	8.2768	8.2763	8.2765
01/01/2005	03/31/2005	8.2766	8.2763	8.2764
04/01/2005	06/30/2005	8.2767	8.2763	8.2764
07/01/2005	09/30/2005	8.2765	8.0871	8.0920
10/01/2005	12/31/2005	8.0920	8.0702	8.0702
01/01/2006	03/31/2006	8.0702	8.0172	8.0172
04/01/2006	06/30/2006	8.0265	7.9943	7.9943
07/01/2006	09/30/2006	8.0048	7.8965	7.9041
10/01/2006	12/28/2006	7.9149	7.8141	7.8141

Table of Contents

Although the basket is not a recognized market index, the following graph depicts the historical performance of the basket as it would have occurred from January 1, 2000 to December 28, 2006, as though the basket had been in existence since January 1, 2000 with a starting level of $10 and initial basket currency exchange rates for the basket currencies determined as of that date. An increase in the level of the basket corresponds to a decrease in the basket currency exchange rates, and a decrease in the level of the basket corresponds to an increase in the basket currency exchange rates. Any historical upward or downward trend in the level of the basket during any period shown below is not an indication that the level of the basket is more or less likely to increase or decrease at any time during the term of the securities. The historical values of the basket do not give any indication of the future performance of the basket and Wachovia cannot make any assurance regarding the future performance of the basket.

Table of Contents

SUPPLEMENTAL TAX CONSIDERATIONS

The following is a general description of certain United States federal income tax considerations relating to the notes. The following does not purport to be a complete analysis of all tax considerations relating to the notes. Prospective purchasers of the notes should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the United States of acquiring, holding and disposing of the notes and receiving payments under the notes. This summary is based on the law as in effect on the date of this prospectus supplement and is subject to any change in law that may take effect after such date. This summary does not address all aspects of United States federal income taxation of the notes that may be relevant to you in light of your particular circumstances, nor does it address all of your tax consequences if you are a holder of notes who is subject to special treatment under the United States federal income tax laws.

Supplemental U.S. Tax Considerations

The discussion below supplements the discussion under United States Taxation in the accompanying prospectus and is subject to the limitations and exceptions set forth therein. Except as otherwise noted under United States Alien Holders below, this discussion is only applicable if you are a United States holder (as defined in the accompanying prospectus).

In the opinion of Sullivan & Cromwell LLP, the notes will be treated as debt instruments subject to special rules governing contingent payment debt obligations for United States federal income tax purposes. Under those rules, the amount of interest you are required to take into account for each accrual period will be determined by constructing a projected payment schedule for the notes, and applying the rules similar to those for accruing original issue discount on a hypothetical noncontingent debt instrument with that projected payment schedule. This method is applied by first determining the yield at which we would issue a noncontingent fixed rate debt instrument with terms and conditions similar to the notes (the comparable yield) and then determining a payment schedule as of the issue date that would produce the comparable yield. These rules will generally have the effect of requiring you to include amounts in income in respect of the notes prior to your receipt of cash attributable to that income.

The amount of interest that you will be required to include in income in each accrual period for the notes will equal the product of the adjusted issue price for the notes at the beginning of the accrual period and the comparable yield for the notes. The adjusted issue price of the notes will equal the original offering price for the notes plus any interest that has accrued on the notes (under the rules governing contingent payment debt obligations).

We have determined that the comparable yield for the notes is equal to •% per annum, compounded semi-annually, with a projected payment at maturity of $• based on an investment of $10. Based on this comparable yield, if you are an initial holder that holds a note until maturity and you pay your taxes on a calendar year basis, subject to the adjustments described below to reflect this actual payment in the year in which the note matures, you would be required to report the following amounts as ordinary income from the note each year:

Accrual Period	Interest Deemed to Accrue During Accrual Period (per $10 note)	Total Interest Deemed to Have Accrued from Original Issue Date (per $10 note) as of End of Accrual Period
Original Issue Date through December 31, 2007	$•	$•
January 1, 2008 through •, 2008	$•	$•

However, if the amount you receive at maturity is greater than $•, you would be required to increase the amount of ordinary income that you recognize in • by an amount that is equal to such excess. Conversely, if the amount you receive at maturity is less than $•, you would be required to make an adjustment as described below under Treatment Upon Sale or Maturity .

Table of Contents

You are required to use the comparable yield and projected payment schedule above in determining your interest accruals in respect of the notes, unless you timely disclose and justify on your federal income tax return the use of a different comparable yield and projected payment schedule.

The comparable yield and projected payment schedule are not provided to you for any purpose other than the determination of your interest accruals in respect of the notes, and we make no representations regarding the amount of contingent payments with respect to the notes. Any Form 1099-OID accrued interest will be based on such comparable yield and projected payment schedule.

If you purchase the notes for an amount that differs from the notes adjusted issue price at the time of the purchase, you must determine the extent to which the difference between the price you paid for your notes and their adjusted issue price is attributable to a change in expectations as to the projected payment schedule, a change in interest rates, or both, and allocate the difference accordingly.

If you purchase the notes for an amount that is less than the adjusted issue price of the notes, you must (a) make positive adjustments increasing the amount of interest that you would otherwise accrue and include in income each year to the extent of amounts allocated to a change in interest rates under the preceding paragraph and (b) make positive adjustments increasing the amount of ordinary income (or decreasing the amount of loss) that you would otherwise recognize on the maturity of the notes to the extent of amounts allocated to a change in expectations as to the projected payment schedule under the preceding paragraph. If you purchase the notes for an amount that is greater than the adjusted issue price of the notes, you must (a) make negative adjustments decreasing the amount of interest that you would otherwise accrue and include in income each year to the extent of amounts allocated to a change in interest rates under the preceding paragraph and (b) make negative adjustments decreasing the amount of ordinary income (or increasing the amount of loss) that you would otherwise recognize on the maturity of the notes to the extent of amounts allocated to a change in expectations as to the projected payment schedule under the preceding paragraph. Adjustments allocated to the interest amount are not made until the date the daily portion of interest accrues.

Because any Form 1099-OID that you receive will not reflect the effects of positive or negative adjustments resulting from your purchase of the notes at a price other than the adjusted issue price determined for tax purposes, you are urged to consult with your tax advisor as to whether and how adjustments should be made to the amounts reported on any Form 1099-OID.

Treatment Upon Sale or Maturity. You will recognize gain or loss on the sale or maturity of the notes in an amount equal to the difference, if any, between the amount of cash you receive at that time and your adjusted basis in the notes. In general, your adjusted basis in the notes will equal the amount you paid for the notes, increased by the amount of interest you previously accrued with respect to the notes (in accordance with the comparable yield for the notes), and increased or decreased by the amount of any positive or negative adjustment that you are required to make with respect to your notes under the rules set forth above.

Any gain you may recognize on the sale or maturity of the notes will be ordinary interest income. Any loss you may recognize upon the sale of the notes will be ordinary loss to the extent of the interest you included as income in the current or previous taxable years in respect of the notes, and thereafter will be capital loss. If you hold your notes until maturity and the maturity payment is less than the projected payment at maturity, the difference will first reduce interest that would otherwise accrue in respect of the notes in such taxable year, and any remainder will be ordinary loss to the extent of]the interest you previously accrued as income in respect of the notes, and thereafter will be capital loss. The deductibility of capital losses is limited.

United States Alien Holders. If you are a United States alien holder (as defined in the accompanying prospectus), you generally will not be subject to United States withholding tax or to generally applicable information reporting and backup withholding requirements with respect to payments on your notes as long as you comply with certain certification and identification requirements as to your foreign status. Please see the discussion under United States Taxation United States Alien Holders in the accompanying prospectus.

Table of Contents

EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan (a plan) subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), should consider the fiduciary standards of ERISA in the context of the plan s particular circumstances before authorizing an investment in the notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code (the Code).

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Internal Revenue Code (also plans), from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code (parties in interest) with respect to the plan or account. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (non-ERISA arrangements) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (similar laws).

The acquisition of the notes by a plan with respect to which Wachovia, Wachovia Capital Markets, LLC or certain of our affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those notes are acquired pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or PTCEs , that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the notes. These exemptions are:

PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;

PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;

PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;

PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and

PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

The notes may not be purchased or held by (1) any plan, (2) any entity whose underlying assets include plan assets by reason of any plan s investment in the entity (a plan asset entity) or (3) any person investing in plan assets of any plan, unless in each case the purchaser or holder is eligible for the exemptive relief available under one or more of the PTCEs listed above or another applicable similar exemption. Any purchaser or holder of the notes or any interest in the notes will be deemed to have represented by its purchase and holding of the notes that it either (1) is not a plan or a plan asset entity and is not purchasing those notes on behalf of or with plan assets of any plan or plan asset entity or (2) with respect to the purchase or holding, is eligible for the exemptive relief available under any of the PTCEs listed above or another applicable exemption. In addition, any purchaser or holder of the notes or any interest in the notes which is a non-ERISA arrangement will be deemed to have represented by its purchase and holding of the notes that its purchase and holding will not violate the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the notes on behalf of or with plan assets of any plan, plan asset entity or non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above or any other applicable exemption, or the potential consequences of any purchase or holding under similar laws, as applicable.

Table of Contents

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in the notes, you should consult your legal counsel.

Table of Contents

USE OF PROCEEDS AND HEDGING

The net proceeds from the sale of the notes will be used as described under Use of Proceeds in the accompanying prospectus and to hedge market risks of Wachovia associated with its obligation to pay the maturity payment amount of the notes.

The hedging activity discussed above may adversely affect the market value of the notes from time to time and the maturity payment amount you will receive on the notes at maturity. See Risk Factors Trading and other transactions by Wachovia or its affiliates in the foreign exchange and currency derivative markets may impair the value of the notes and Risk Factors Potential conflicts of interest could arise for a discussion of these adverse effects.

Table of Contents

SUPPLEMENTAL PLAN OF DISTRIBUTION

Wachovia Capital Markets, LLC has agreed, subject to the terms and conditions of the distribution agreement and a terms agreement, to purchase from Wachovia as principal $• aggregate principal amount of notes less an underwriting discount and commission of $• per note.

The distribution agreement provides that the obligations of Wachovia Capital Markets, LLC are subject to certain conditions and that Wachovia Capital Markets, LLC is obligated to purchase the notes. Wachovia Capital Markets, LLC has advised Wachovia that it proposes initially to offer part of the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and part of the notes to dealers at the public offering price less a concession not to exceed $• per note. Wachovia Capital Markets, LLC may allow, and the dealers may reallow, a discount not to exceed $• per note on sales to other dealers. If all the notes are not sold to the public at the initial public offering price, the underwriters may change the public offering price and other selling terms. Wachovia Capital Markets, LLC is offering the notes subject to receipt and acceptance and subject to its right to reject any order in whole or in part.

In addition, additional agents under the distribution agreement, subject to the terms and conditions of the distribution agreement, may act as Wachovia s agents in the sale of $• aggregate principal amount of the securities. The total commission payable on securities sold by the additional agents on an agency basis, pursuant to the distribution agreement, will be $• per note. We refer to the additional agents, together with Wachovia Capital Markets, LLC, as the Agents .

Proceeds to be received by Wachovia in this offering will be net of the underwriting discount, commission and expenses payable by Wachovia.

The Agents or any broker-dealer affiliate of Wachovia may use this prospectus supplement and the accompanying prospectus for offers and sales related to market-making transactions in the notes. The Agents or any broker-dealer affiliate of Wachovia may act as principal or agent in these transactions, and the sales will be made at prices related to prevailing market prices at the time of sale.

Wachovia Capital Markets, LLC is an affiliate of Wachovia. Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc. (the NASD) imposes certain requirements when an NASD member such as Wachovia Capital Markets, LLC distributes an affiliated company s debt securities. Wachovia Capital Markets, LLC has advised Wachovia that this offering will comply with the applicable requirements of Rule 2720. No NASD member participating in this offering will confirm initial sales to accounts over which it exercises discretionary authority without the prior written approval of the customer.

We expect to deliver the notes against payment therefor in The City of New York, New York on or about the expected settlement date specified on the coverage page of this prospectus supplement, which will be the fifth business day following the date of this prospectus supplement and of the pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the pricing date or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in five business days (T+5), to specify alternative settlement arrangements to prevent a failed settlement.

No action has been or will be taken by Wachovia, the Agents or any other broker-dealer affiliate of Wachovia that would permit a public offering of the notes or possession or distribution of this prospectus supplement or the accompanying prospectus in any jurisdiction, other than the United States, where action for that purpose is required. No offers, sales or deliveries of the notes, or distribution of this prospectus supplement or the accompanying prospectus, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on Wachovia, the Agents or any other broker-dealer affiliate of Wachovia. In respect of specific jurisdictions, please note the following:

The notes, and the offer to sell notes, do not constitute a public offering in Argentina. Consequently, no public offering approval has been requested or granted by the Comisión Nacional de Valores, nor has any listing authorization of the notes been requested on any stock market in Argentina.

Table of Contents

The notes will not be offered or sold to any persons who are residents of the Bahamas within the meaning of the Exchange Control Regulations of 1956 issued by the Central Bank of the Bahamas.

The notes may not be offered or sold to the public in Brazil. Accordingly, the notes have not been submitted to the Comissão de Valores Mobiliáros for approval. Documents relating to this offering may not be supplied to the public as a public offering in Brazil or be used in connection with any offer for subscription or sale to the public in Brazil.

Neither the notes nor Wachovia Corporation are registered in the Securities Registry of the Superintendency of Securities and Insurance in Chile.

The notes have not been registered with the National Registry of Securities maintained by the Mexican National Banking and Securities Commission and may not be offered or sold publicly in Mexico. This prospectus supplement and the accompanying prospectus may not be publicly distributed in Mexico.

Table of Contents

RECENT DEVELOPMENTS

On October 1, 2006, Wachovia Corporation (Wachovia) completed its acquisition of Golden West Financial Corporation (Golden West), pursuant to the terms and conditions of the Agreement and Plan of Merger, dated May 7, 2006 (the Merger Agreement), among Wachovia, a wholly owned subsidiary of Wachovia, and Golden West. The acquisition was effected through the merger of Golden West with and into Wachovia s wholly owned subsidiary (the Merger). As a result of the Merger, the outstanding shares of Golden West common stock, with respect to each shareholder of record of Golden West common stock, were converted into the right to receive: (A) a number of shares of Wachovia common stock equal to the product of (i) 1.365 times (ii) the number of shares of Golden West common stock held by such holder of record times (iii) 77%; and (B) an amount in cash equal to the product of (i) $81.07 times (ii) the number of shares of Golden West common stock held by such holder of record times (iii) 23%. This represents total consideration of approximately $24 billion, based on the closing price of Wachovia common stock on September 29, 2006 and the approximately 310 million shares of Golden West common stock outstanding at the effective time of the Merger.

Table of Contents

$9,100,000,000

WACHOVIA CORPORATION

Senior Global Medium-Term Notes, Series G

and

Subordinated Global Medium-Term Notes, Series H

Terms of Sale

Wachovia Corporation may from time to time offer and sell notes with various terms, including the following:

- stated maturity of 9 months or longer
- fixed or floating interest rate, zero-coupon or issued with original issue discount; a floating interest rate may be based on:
  - commercial paper rate
  - prime rate
  - LIBOR
  - EURIBOR
  - treasury rate
  - CMT rate
  - CD rate
  - CPI rate
- amount of principal or interest may be determined by reference to an index or formula
- book-entry form through The Depository Trust Company, Euroclear, Clearstream or any other clearing system or financial institution named in the applicable pricing supplement
- redemption at the option of Wachovia or repayment at the option of the holder
- interest on notes paid monthly, quarterly, semi-annually or annually
- denominations of $1,000 and multiples of $1,000
- denominated in U.S. dollars, a currency other than U.S dollars or in a composite currency
- settlement in immediately available funds

federal funds rate

ranked as senior or subordinated indebtedness of Wachovia

The final terms of each note will be included in a pricing supplement. Wachovia will receive between $9,090,000,000 and $8,372,000,000 of the proceeds from the sale of the notes, after paying the agents commissions of between $10,000,000 and $728,000,000, unless otherwise agreed with the agents.

Wachovia has filed an application to list notes issued under this prospectus on the Luxemburg Stock Exchange. The Luxembourg Stock Exchange has advised us that with respect to notes so listed, this prospectus is valid for one year from the date of this prospectus.

Investing in the notes involves risks. See Risk Factors beginning on page 5.

Neither the Securities and Exchange Commission, any state securities commission or the Commissioner of Insurance of the state of North Carolina has approved or disapproved of the securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

These securities will be our unsecured obligations and will not be savings accounts, deposits or other obligations of any bank or non-bank subsidiary of ours and are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency.

Wachovia may sell the notes directly or through one or more agents or dealers, including the agents listed below. The agents are not required to sell any particular amount of the notes.

Wachovia may use this prospectus in the initial sale of any notes. In addition, Wachovia Capital Markets, LLC, or any other affiliate of Wachovia may use this prospectus in a market-making or other transaction in any note after its initial sale. ***Unless Wachovia or its agent informs the purchaser otherwise in the confirmation of sale or pricing supplement, this prospectus is being used in a market-making transaction.***

Wachovia Securities

This prospectus is dated May 13, 2005

Table of Contents

TABLE OF CONTENTS

Table of Contents

ABOUT THIS PROSPECTUS

General

This document is called a prospectus and is part of a registration statement that we filed with the SEC using a shelf registration or continuous offering process. Under this shelf registration, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings up to a total aggregate initial offering price of $9,100,000,000 or the equivalent amount in one or more other currencies or composite currencies.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities we will provide a pricing supplement containing specific information about the terms of the securities being offered. That pricing supplement may include a discussion of any risk factors or other special considerations that apply to those securities. The pricing supplement may also add, update or change the information in this prospectus. If there is any inconsistency between the information in this prospectus and any pricing supplement, you should rely on the information in that pricing supplement. You should read both this prospectus and any pricing supplement together with additional information described under the heading Where You Can Find More Information .

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC web site or at the SEC offices mentioned under the heading Where You Can Find More Information .

When acquiring any securities discussed in this prospectus, you should rely only on the information provided in this prospectus and in any pricing supplement, including the information incorporated by reference. Neither we nor any underwriters or agents have authorized anyone to provide you with different information. We are not offering the securities in any state where the offer is prohibited. You should not assume that the information in this prospectus, any pricing supplement or any document incorporated by reference is truthful or complete at any date other than the date mentioned on the cover page of these documents.

We may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, the securities may be sold by us directly or through dealers or agents designated from time to time, which agents may be our affiliates. If we, directly or through agents, solicit offers to purchase the securities, we reserve the sole right to accept and, together with our agents, to reject, in whole or in part, any of those offers.

The pricing supplement will contain the names of the underwriters, brokers, dealers or agents, if any, together with the terms of offering, the compensation of those persons and the net proceeds to us. Any underwriters, brokers, dealers or agents participating in the offering may be deemed underwriters within the meaning of the Securities Act of 1933 (the Securities Act).

One or more of our subsidiaries, including Wachovia Capital Markets, LLC may buy and sell any of the securities after the securities are issued as part of their business as a broker-dealer. Those subsidiaries may use this prospectus and the related pricing supplement in those transactions. Any sale by a subsidiary will be made at the prevailing market price at the time of sale. Wachovia Capital Markets, LLC and Wachovia Securities, LLC another of our subsidiaries, each conduct business under the name Wachovia Securities . Any reference in this prospectus to Wachovia Securities means Wachovia Capital Markets, LLC, unless otherwise mentioned or unless the context requires otherwise.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus to Wachovia , we , us , our or similar references mean Wachovia Corporation and its subsidiaries.

1

Table of Contents

Selling Restrictions Outside the United States

Offers and sales of the notes are subject to restrictions in the United Kingdom. The distribution of this prospectus and the offering of the notes in certain other jurisdictions may also be restricted by law. This prospectus does not constitute an offer of, or an invitation on Wachovia s behalf or on behalf of the agents or any of them to subscribe to or purchase, any of the notes. This prospectus may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Please refer to the section entitled Plan of Distribution .

As long as the notes are listed on the Luxembourg Stock Exchange, a supplemental prospectus will be prepared and filed with the Luxembourg Stock Exchange in the event of a material change in the financial condition of Wachovia that is not reflected in this prospectus, for the use in connection with any subsequent issue of debt securities to be listed on the Luxembourg Stock Exchange. As long as the notes are listed on the Luxembourg Stock Exchange, if the terms and conditions of the notes are modified or amended in a manner which would make this prospectus materially inaccurate or misleading, a new prospectus or supplemental prospectus will be prepared.

Wachovia accepts responsibility for the information contained in this prospectus. The Luxembourg Stock Exchange takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss no matter how arising from or in reliance upon the whole or any part of the contents of this prospectus.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. In addition, our SEC filings are available to the public at the SEC s web site at http://www.sec.gov. You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York.

The SEC allows us to incorporate by reference into this prospectus the information in documents we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC the information incorporated by reference in this prospectus is considered to be automatically updated and superseded. In other words, in the case of a conflict or inconsistency between information contained in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. We incorporate by reference the documents listed below and any documents we file with the SEC in the future under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) until the offering of securities by means of this prospectus is completed:

- Annual Report on Form 10-K for the year ended December 31, 2004;
- Quarterly Report on Form 10-Q for the period ended March 31, 2005; and
- Current Reports on Form 8-K dated January 5, 2005, January 14, 2005, January 19, 2005, April 15, 2005 and May 2, 2005.

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

Corporate Relations

Wachovia Corporation

One Wachovia Center

301 South College Street

Charlotte, North Carolina 28288-0206

(704) 374-6782

As long as the notes are listed on the Luxembourg Stock Exchange, you may also obtain documents incorporated by reference in this prospectus free of charge from the Luxembourg Listing Agent or the Luxembourg Paying Agent and Transfer Agent.

3

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus and applicable pricing supplements contain or incorporate statements that are forward-looking statements . These statements can be identified by the use of forward-looking language such as will likely result , may , are expected to , is anticipated , estimate , projected , i to , or other similar words. Our actual results, performance or achievements could be significantly different from the results expressed in or implied by these forward-looking statements. These statements are subject to certain risks and uncertainties, including but not limited to certain risks described in the pricing supplement or the documents incorporated by reference. When considering these forward-looking statements, you should keep in mind these risks, uncertainties and other cautionary statements made in this prospectus and the pricing supplements. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. You should refer to our periodic and current reports filed with the SEC for specific risks which could cause actual results to be significantly different from those expressed or implied by these forward-looking statements.

WACHOVIA CORPORATION

Wachovia was incorporated under the laws of North Carolina in 1967. We are registered as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956, as amended, and are supervised and regulated by the Board of Governors of the Federal Reserve System. Our banking and securities subsidiaries are supervised and regulated by various federal and state banking and securities regulatory authorities. On September 1, 2001, the former Wachovia Corporation merged with and into First Union Corporation, and First Union Corporation changed its name to Wachovia Corporation .

In addition to North Carolina, Wachovia s full-service banking subsidiaries operate in Alabama, Connecticut, Delaware, Florida, Georgia, Maryland, Mississippi, New Jersey, New York, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Washington, D.C. These full-service banking subsidiaries provide a wide range of commercial and retail banking and trust services. Wachovia also provides various other financial services, including mortgage banking, home equity lending, leasing, investment banking, insurance and securities brokerage services through other subsidiaries.

In 1985, the Supreme Court upheld regional interstate banking legislation. Since then, Wachovia has concentrated its efforts on building a large regional banking organization in what it perceives to be some of the better banking markets in the eastern United States. Since November 1985, Wachovia has completed over 100 banking-related acquisitions.

Wachovia continually evaluates its business operations and organizational structures to ensure they are aligned closely with its goal of maximizing performance in its core business lines, Capital Management, Wealth Management, the General Bank and Corporate and Investment Banking. When consistent with our overall business strategy, we may consider the disposition of certain of our assets, branches, subsidiaries or lines of business. We continue to routinely explore acquisition opportunities, particularly in areas that would complement our core business lines, and frequently conduct due diligence activities in connection with possible acquisitions. As a result, acquisition discussions and, in some cases, negotiations frequently take place, and future acquisitions involving cash, debt or equity securities can be expected.

Wachovia is a separate and distinct legal entity from its banking and other subsidiaries. Dividends received from our subsidiaries are our principal source of funds to pay dividends on our common and preferred stock and debt service on our debt. Various federal and state statutes and regulations limit the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval.

4

RISK FACTORS

Our Credit Ratings May Not Reflect All Risks of An Investment in the Notes

The credit ratings of our medium-term note program may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, your notes. In addition, real or anticipated changes in our credit ratings will generally effect any trading market for, or trading value of, your notes.

Risks Relating to Indexed Notes

We use the term indexed notes to mean notes whose value is linked to an underlying property or index. Indexed notes may present a high level of risk, and those who invest in indexed notes may lose their entire investment. In addition, the treatment of indexed notes for U.S. federal income tax purposes is often unclear due to the absence of any authority specifically addressing the issues presented by any particular indexed note. Thus, if you propose to invest in indexed notes, you should independently evaluate the federal income tax consequences of purchasing an indexed note that apply in your particular circumstances. You should also read United States Taxation for a discussion of U.S. tax matters.

Investors in Indexed Notes Could Lose Their Investment

The amount of principal and/or interest payable on an indexed note and the cash value or physical settlement value of a physically settled note will be determined by reference to the price, value or level of one or more securities, currencies, commodities or other properties, any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, and/or one or more indices or baskets of any of these items. We refer to each of these as an index . The direction and magnitude of the change in the price, value or level of the relevant index will determine the amount of principal and/or interest payable on the indexed note, and the cash value or physical settlement value of a physically settled note. The terms of a particular indexed note may or may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. Thus, if you purchase an indexed note, you may lose all or a portion of the principal or other amount you invest and may receive no interest on your investment.

The Issuer of a Security or Currency That Serves as an Index Could Take Actions That May Adversely Affect an Indexed Note

The issuer of a security that serves as an index or part of an index for an indexed note will have no involvement in the offer and sale of the indexed note and no obligations to the holder of the indexed note. The issuer may take actions, such as a merger or sale of assets, without regard to the interests of the holder. Any of these actions could adversely affect the value of a note indexed to that security or to an index of which that security is a component.

If the index for an indexed note includes a non-U.S. dollar currency or other asset denominated in a non-U.S. dollar currency, the government that issues that currency will also have no involvement in the offer and sale of the indexed note and no obligations to the holder of the indexed note. That government may take actions that could adversely affect the value of the note. See Risks Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency below for more information about these kinds of government actions.

An Indexed Note May Be Linked to a Volatile Index, Which Could Hurt Your Investment

Some indices are highly volatile, which means that their value may change significantly, up or down, over a short period of time. The amount of principal or interest that can be expected to become payable on an

5

indexed note may vary substantially from time to time. Because the amounts payable with respect to an indexed note are generally calculated based on the value or level of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on the indexed note may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of an indexed note.

An Index to Which a Note Is Linked Could Be Changed or Become Unavailable

Some indices compiled by us or our affiliates or third parties may consist of or refer to several or many different securities, commodities or currencies or other instruments or measures. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value or level of the index is calculated. An alteration may result in a decrease in the value of or return on an indexed note that is linked to the index. The indices for our indexed notes may include published indices of this kind or customized indices developed by us or our affiliates in connection with particular issues of indexed notes.

A published index may become unavailable, or a customized index may become impossible to calculate in the normal manner, due to events such as war, natural disasters, cessation of publication of the index or a suspension or disruption of trading in one or more securities, commodities or currencies or other instruments or measures on which the index is based. If an index becomes unavailable or impossible to calculate in the normal manner, the terms of a particular indexed note may allow us to delay determining the amount payable as principal or interest on an indexed note, or we may use an alternative method to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that any alternative method of valuation we use will produce a value identical to the value that the actual index would produce. If we use an alternative method of valuation for a note linked to an index of this kind, the value of the note, or the rate of return on it, may be lower than it otherwise would be.

Some indexed notes are linked to indices that are not commonly used or that have been developed only recently. The lack of a trading history may make it difficult to anticipate the volatility or other risks associated with an indexed note of this kind. In addition, trading in these indices or their underlying stocks, commodities or currencies or other instruments or measures, or options or futures contracts on these stocks, commodities or currencies or other instruments or measures, may be limited, which could increase their volatility and decrease the value of the related indexed notes or the rates of return on them.

We May Engage in Hedging Activities that Could Adversely Affect an Indexed Note

In order to hedge an exposure on a particular indexed note, we may, directly or through our affiliates, enter into transactions involving the securities, commodities or currencies or other instruments or measures that underlie the index for the note, or involving derivative instruments, such as swaps, options or futures, on the index or any of its component items. By engaging in transactions of this kind, we could adversely affect the value of an indexed note. It is possible that we could achieve substantial returns from our hedging transactions while the value of the indexed note may decline.

Information About Indices May Not Be Indicative of Future Performance

If we issue an indexed note, we may include historical information about the relevant index in the relevant pricing supplement. Any information about indices that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in the relevant index that may occur in the future.

Table of Contents

We May Have Conflicts of Interest Regarding an Indexed Note

Wachovia Securities and our other affiliates may have conflicts of interest with respect to some indexed notes. Wachovia Securities and our other affiliates may engage in trading, including trading for hedging purposes, for their proprietary accounts or for other accounts under their management, in indexed notes and in the securities, commodities or currencies or other instruments or measures on which the index is based or in other derivative instruments related to the index or its component items. These trading activities could adversely affect the value of indexed notes. We and our affiliates may also issue or underwrite securities or derivative instruments that are linked to the same index as one or more indexed notes. By introducing competing products into the marketplace in this manner, we could adversely affect the value of an indexed note.

Wachovia Bank, National Association or another of our affiliates may serve as calculation agent for the indexed notes and may have considerable discretion in calculating the amounts payable in respect of the notes. To the extent that Wachovia Bank, National Association or another of our affiliates calculates or compiles a particular index, it may also have considerable discretion in performing the calculation or compilation of the index. Exercising discretion in this manner could adversely affect the value of an indexed note based on the index or the rate of return on the security.

Risks Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency

If you intend to invest in a non-U.S. dollar note e.g., a note whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Notes of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

An Investment in a Non-U.S. Dollar Note Involves Currency-Related Risks

An investment in a non-U.S. dollar note entails significant risks that are not associated with a similar investment in a note that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by either the United States or non-U.S. governments. These risks generally depend on factors over which we have no control, such as economic and political events and the supply of and demand for the relevant currencies in the global markets.

Changes in Currency Exchange Rates Can Be Volatile and Unpredictable

Rates of exchange between the U.S. dollar and many other currencies have been highly volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a note denominated in, or where value is otherwise linked to, a specified currency other than U.S. dollars. Depreciation of the specified currency against the U.S. dollar could result in a decrease in the U.S. dollar-equivalent value of payments on the note, including the principal payable at maturity. That in turn could cause the market value of the note to fall. Depreciation of the specified currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

In courts outside of New York, investors may not be able to obtain judgment in a specified currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar note in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars.

Table of Contents

The date used to determine the rate of conversion of the currency in which any particular note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

Information About Exchange Rates May Not Be Indicative of Future Performance

If we issue a non-U.S. dollar note, we may include in the relevant pricing supplement a currency supplement that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular note.

Table of Contents

USE OF PROCEEDS

Wachovia currently intends to use the net proceeds from the sale of any notes for general corporate purposes, which may include:

- reducing debt;
- investments at the holding company level;
- investing in, or extending credit to, our operating subsidiaries;
- acquisitions;
- stock repurchases; and
- other purposes as mentioned in any pricing supplement.

Pending such use, we may temporarily invest the net proceeds. The precise amounts and timing of the application of proceeds will depend upon our funding requirements and the availability of other funds. Except as mentioned in any pricing supplement, specific allocations of the proceeds to such purposes will not have been made at the date of that pricing supplement.

Based upon our historical and anticipated future growth and our financial needs, we may engage in additional financings of a character and amount that we determine as the need arises.

CONSOLIDATED EARNINGS RATIOS

The following table provides Wachovia s consolidated ratios of earnings to fixed charges and preferred stock dividends:

	Three Months Ended March 31,	Years Ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**	**2000**

Consolidated Ratios of Earnings to Fixed Charges and Preferred Stock Dividends						
Excluding interest on deposits	3.31x	3.83	3.63	2.91	1.61	1.13
Including interest on deposits	2.16x	2.37	2.30	1.79	1.27	1.06

For purposes of computing these ratios

earnings represent income from continuing operations before extraordinary items and cumulative effect of a change in accounting principles, plus income taxes and fixed charges (excluding capitalized interest);

fixed charges, excluding interest on deposits, represent interest (including capitalized interest), one-third of rents and all amortization of debt issuance costs; and

fixed charges, including interest on deposits, represent all interest (including capitalized interest), one-third of rents and all amortization of debt issuance costs.

One-third of rents is used because it is the proportion deemed representative of the interest factor.

Table of Contents

SELECTED CONSOLIDATED CONDENSED FINANCIAL DATA

The following is selected unaudited consolidated condensed financial information for Wachovia for the three months ended March 31, 2005, and the year ended December 31, 2004. The summary below should be read in conjunction with the consolidated financial statements of Wachovia, and the related notes thereto, and the other detailed information contained in Wachovia s 2005 First Quarter Report on Form 10-Q and in Wachovia s 2004 Annual Report on Form 10-K.

(In millions, except per share data)	Three Months Ended March 31, 2005	Year Ended December 31, 2004
CONSOLIDATED CONDENSED SUMMARIES OF INCOME		
Interest income	$ 5,453	17,288
Interest expense	2,040	5,327
Net interest income	3,413	11,961
Provision for credit losses	36	257
Net interest income after provision for credit losses	3,377	11,704
Securities losses	(2)	(10)
Fee and other income	2,997	10,789
Merger-related and restructuring expenses	61	444
Other noninterest expense	3,811	14,222
Minority interest in income of consolidated subsidiaries	64	184
Income before income taxes	2,436	7,633
Income taxes	815	2,419
Net income	$ 1,621	5,214
PER COMMON SHARE DATA		
Basic earnings	$ 1.03	3.87
Diluted earnings	1.01	3.81
Cash dividends	$ 0.46	1.66
Average common shares Basic	1,571	1,346
Average common shares Diluted	1,603	1,370
CONSOLIDATED CONDENSED PERIOD-END BALANCE SHEET		
Cash and cash equivalents	$ 38,227	38,591
Trading account assets	47,149	45,932
Securities	116,731	110,597
Loans, net of unearned income	227,266	223,840
Allowance for loan losses	(2,732)	(2,757)
Loans, net	224,534	221,083
Loans held for sale	14,173	12,988
Goodwill	21,635	21,526
Other intangible assets	1,428	1,581
Other assets	42,956	41,026

Total assets	$ 506,833	493,324
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	297,657	295,053
Short-term borrowings	73,401	63,406
Trading account liabilities	22,418	21,709
Other liabilities	16,147	16,262
Long-term debt	47,932	46,759
Total liabilities	457,555	443,189
Minority interest in net assets of consolidated subsidiaries	2,811	2,818
Stockholders equity	46,467	47,317
Total liabilities and stockholders equity	$ 506,833	493,324

Table of Contents

CAPITALIZATION

The following table sets forth the unaudited capitalization of Wachovia at March 31, 2005.

(In millions)		**March 31, 2005**
Long-term Debt		
Total long-term debt	$	47,932
Stockholders Equity		
Dividend Equalization Preferred shares, issued 97 million shares		
Common stock, authorized 3 billion shares, issued 1.576 billion shares		5,255
Paid-in capital		30,976
Retained earnings		10,319
Accumulated other comprehensive income, net		(83)
Total stockholders equity		46,467
Total long-term debt and stockholders equity	$	94,399

As of the date of this prospectus, there has been no material change in the capitalization of Wachovia since March 31, 2005.

REGULATORY CONSIDERATIONS

As a financial holding company and a bank holding company under the Bank Holding Company Act, the Federal Reserve Board regulates, supervises and examines Wachovia. For a discussion of the material elements of the regulatory framework applicable to financial holding companies, bank holding companies and their subsidiaries and specific information relevant to Wachovia, please refer to Wachovia s annual report on Form 10-K for the fiscal year ended December 31, 2004, and any subsequent reports we file with the SEC, which are incorporated by reference in this prospectus. This regulatory framework is intended primarily for the protection of depositors and the federal deposit insurance funds and not for the protection of security holders. As a result of this regulatory framework, Wachovia s earnings are affected by actions of the Federal Reserve Board, the Office of Comptroller of the Currency, that regulates our banking subsidiaries, the Federal Deposit Insurance Corporation, that insures the deposits of our banking subsidiaries within certain limits, and the SEC, that regulates the activities of certain subsidiaries engaged in the securities business.

Wachovia s earnings are also affected by general economic conditions, our management policies and legislative action.

In addition, there are numerous governmental requirements and regulations that affect our business activities. A change in applicable statutes, regulations or regulatory policy may have a material effect on Wachovia s business.

Depository institutions, like Wachovia s bank subsidiaries, are also affected by various federal laws, including those relating to consumer protection and similar matters. Wachovia also has other financial services subsidiaries regulated, supervised and examined by the Federal Reserve Board, as well as other relevant state and federal regulatory agencies and self-regulatory organizations. Wachovia s non-bank subsidiaries may be subject to other laws and regulations of the federal government or the various states in which they are authorized to do business.

Table of Contents

DESCRIPTION OF THE NOTES WE MAY OFFER

The following information outlines some of the provisions of the indentures and the notes. This information may not be complete in all respects, and is qualified entirely by reference to the indenture under which the notes are issued. These indentures are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. This information relates to certain terms and conditions that generally apply to the notes. The specific terms of any series of notes will be described in the relevant pricing supplement. As you read this section, please remember that the specific terms of your note as described in your pricing supplement will supplement and, if applicable, may modify or replace the general terms described in this section. If your pricing supplement is inconsistent with this prospectus, your pricing supplement will control with regard to your note. Thus, the statements we make in this section may not apply to your note.

General

Senior notes will be issued under an indenture, dated as of April 1, 1983, as amended and supplemented, between Wachovia and JPMorgan Chase Bank, National Association, (formerly known as The Chase Manhattan Bank) as trustee. Subordinated notes will be issued under an indenture, dated as of March 15, 1986, as amended and supplemented, between Wachovia and J.P. Morgan Trust Company, National Association (formerly known as Bank One Trust Company, N.A.), as trustee. Each of the senior and the subordinated notes constitutes a single series of debt securities of Wachovia issued under the senior and the subordinated indenture, respectively. The provisions of each indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under that indenture, but also to reopen a previously issued series of debt securities and issue additional debt securities of that series. The term debt securities, as used in this prospectus, refers to all debt securities, including the notes, issued and issuable from time to time under the relevant indenture. The indentures are subject to, and governed by, the Trust Indenture Act of 1939, as amended. These indentures are more fully described below in this section. Whenever we refer to specific provisions or defined terms in one or both of the indentures, those provisions or defined terms are incorporated in this prospectus by reference. Section references used in this discussion are references to the relevant indenture. Capitalized terms which are not otherwise defined shall have the meaning given to them in the relevant indenture. As long as the notes are listed on the Luxembourg Stock Exchange, the indentures will be available for inspection at the offices of the Luxembourg Listing Agent and Luxembourg Paying Agent and Transfer Agent.

The notes will be limited to an aggregate initial offering price of $9,100,000,000, or at Wachovia s option if so specified in the relevant pricing supplement, the equivalent of this amount in any other currency or currency unit, and will be Wachovia s direct, unsecured obligations. The notes will not be deposits or other bank obligations and will not be FDIC insured.

The notes are being offered on a continuous basis by Wachovia through one or more agents listed under Plan of Distribution . The indentures do not limit the aggregate principal amount of senior or subordinated notes that we may issue. We may, from time to time, without the consent of the holders of the notes, provide for the issuance of notes or other debt securities under the indentures in addition to the $9,100,000,000 aggregate initial offering price of notes noted on the cover of this prospectus. Each note issued under this prospectus will mature nine months or more from its date of issue, as selected by the purchaser and agreed to by Wachovia and may be subject to redemption or repayment before its stated maturity. Notes may be issued at significant discounts from their principal amount due on the stated maturity (or on any prior date on which the principal or an installment of principal of a note becomes due and payable, whether by the declaration of acceleration, call for redemption at the option of Wachovia, repayment at the option of the holder or otherwise), and some notes may not bear interest. Wachovia may from time to time, without the consent of the existing holders of the relevant notes, create and issue further notes having the same terms and conditions as such notes in all respects, except for the issue date, issue price and, if applicable, the first payment of interest thereon. Additional notes issued in this manner will be consolidated with, and will form a single series with, the previously outstanding notes.

Unless we specify otherwise in the relevant pricing supplement, currency amounts in this prospectus are expressed in United States dollars. Unless we specify otherwise in any note and pricing supplement, the notes will be denominated in U.S. dollars and payments of principal, premium, if any, and any interest on the notes will be made in U.S. dollars. If any note is to be denominated other than exclusively in U.S. dollars, or if the principal of, premium, if any, or any interest on the note is to be paid in one or more currencies (or currency units or in amounts determined by reference to an index or indices) other than that in which that note is denominated, additional information (including authorized denominations and related exchange rate information) will be provided in the relevant pricing supplement. Unless we specify otherwise in any pricing supplement, notes denominated in U.S. dollars will be issued in denominations of $1,000 or any integral multiple of $1,000.

Interest rates that we offer on the notes may differ depending upon, among other factors, the aggregate principal amount of notes purchased in any single transaction. Notes with different variable terms other than interest rates may also be offered concurrently to different investors. We may change interest rates or formulas and other terms of notes from time to time, but no change of terms will affect any note we have previously issued or as to which we have accepted an offer to purchase.

Each note will be issued as a book-entry note in fully registered form without coupons. Each note issued in book-entry form will be represented by a global note that we deposit with and register in the name of a financial institution or its nominee, that we select. The financial institution that we select for this purpose is called the depositary. Unless we specify otherwise in the applicable pricing supplement, The Depository Trust Company, New York, New York, will be the depositary for all notes in global form. Except as discussed below under Global Notes , owners of beneficial interests in book-entry notes will not be entitled to physical delivery of notes in certificated form. We will make payments of principal of, and premium, if any and interest, if any, on the notes through the applicable trustee to the depositary for the notes. See Global Notes .

The indentures do not limit the aggregate principal amount of debt securities or of any particular series of debt securities which may be issued under the indentures and provide that these debt securities may be issued at various times in one or more series, in each case with the same or various maturities, at par or at a discount. (*Section 301*) The indentures provide that there may be more than one trustee under the indentures with respect to different series of debt securities. As of March 31, 2005, $16.0 billion aggregate principal amount of senior debt securities was outstanding under the senior indenture. The senior trustee is trustee for such series. As of March 31, 2005, $31.9 billion aggregate principal amount of subordinated debt securities was outstanding under the subordinated indenture. The subordinated trustee is trustee for such series.

The indentures do not limit the amount of other debt that Wachovia may issue and do not contain financial or similar restrictive covenants. As of March 31, 2005, Wachovia had an aggregate of $27.4 billion of short-term senior indebtedness outstanding which consisted primarily of commercial paper and other borrowed money. Wachovia expects from time to time to incur additional senior indebtedness and Other Financial Obligations (as defined below). The indentures do not prohibit or limit additional senior indebtedness or Other Financial Obligations.

Because Wachovia is a holding company and a legal entity separate and distinct from its subsidiaries, Wachovia s rights to participate in any distribution of assets of any subsidiary upon its liquidation, reorganization or otherwise, and the holders of notes ability to benefit indirectly from such distribution, would be subject to prior creditor s claims, except to the extent that Wachovia itself may be a creditor of that subsidiary with recognized claims. Claims on Wachovia s subsidiary banks by creditors other than Wachovia include long-term debt and substantial obligations with respect to deposit liabilities and federal funds purchased, securities sold under repurchase agreements, other short-term borrowings and various other financial obligations. The indentures do not contain any covenants designed to afford holders of notes protection in the event of a highly leveraged transaction involving Wachovia.

Legal Ownership

Street Name and Other Indirect Holders

Investors who hold their notes in accounts at banks or brokers will generally not be recognized by us as legal holders of notes. This is called holding in street name. Instead, we would recognize only the bank or

Table of Contents

broker, or the financial institution the bank or broker uses to hold its notes. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the notes, either because they agree to do so in their customer agreements or because they are legally required to do so. If you hold your notes in street name, you should check with your own institution to find out:

- how it handles note payments and notices;
- whether it imposes fees or charges;
- how it would handle voting if it were ever required;
- whether and how you can instruct it to send you notes registered in your own name so you can be a direct holder as described below; and
- how it would pursue rights under the notes if there were a default or other event triggering the need for holders to act to protect their interests.

Direct Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, under the notes run only to persons who are registered as holders of notes. As noted above, we do not have obligations to you if you hold in street name or other indirect means, either because you choose to hold your notes in that manner or because the notes are issued in the form of global securities as described below. For example, once we make payment to the registered holder we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Notes

A global note is a special type of indirectly held security, as described above under Street Name and Other Indirect Holders . If we choose to issue notes in the form of global notes, the ultimate beneficial owners of global notes can only be indirect holders. We require that the global note be registered in the name of a financial institution we select.

We also require that the notes included in the global note not be transferred to the name of any other direct holder except in the special circumstances described in the section Global Notes . The financial institution that acts as the sole direct holder of the global note is called the depositary. Any person wishing to own a global note must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depositary. The pricing supplement indicates whether your series of notes will be issued only in the form of global notes.

Further details of legal ownership are discussed in the section Global Notes below.

In the remainder of this description you or holder means direct holders and not street name or other indirect holders of notes. Indirect holders should read the previous subsection titled Street Name and Other Indirect Holders .

Types of Notes

We may issue the following four types of notes:

Fixed Rate Notes. A note of this type will bear interest at a fixed rate described in the applicable pricing supplement. This type includes zero-coupon notes, which bear no interest and are instead issued at a price lower than the principal amount.

Table of Contents

Floating Rate Notes. A note of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. The various interest rate formulas and these other features are described below in Interest Rates Floating Rate Notes . If your note is a floating rate note, the formula and any adjustments that apply to the interest rate will be specified in your pricing supplement.

Indexed Notes. A note of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to:

- one or more securities;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measures or instruments, including the occurrence or non-occurrence of any event or circumstance; and/or
- indices or baskets of any of these items.

If you are a holder of an indexed note, you may receive a principal amount at maturity that is greater than or less than the face amount of your note depending upon the value of the applicable index at maturity. That value may fluctuate over time. If you purchase an indexed note your pricing supplement will include information about the relevant index and about how amounts that are to become payable will be determined by reference to that index. Before you purchase any indexed note, you should read carefully the section entitled Risk Factors Risks Relating to Indexed Notes above.

Exchangeable Notes. We may issue notes, which we refer to as exchangeable notes, that are exchangeable, at our option or the option of the holder, into securities of an issuer other than Wachovia or into other property. The exchangeable notes may or may not bear interest or be issued with original issue discount or at a premium. The general terms of the exchangeable notes are described below.

Optionally Exchangeable Notes. The holder of an optionally exchangeable note may, during a period, or at specific times, exchange the note for the underlying property at a specified rate of exchange. If specified in your pricing supplement, we will have the option to redeem the optionally exchangeable note prior to maturity. If the holder of an optionally exchangeable note does not elect to exchange the note prior to maturity or any redemption date, the holder will receive the principal amount of the note plus any accrued interest at maturity or upon redemption.

Mandatorily Exchangeable Notes. At maturity, the holder of a mandatorily exchangeable note must exchange the note for the underlying property at a specified rate of exchange, and, therefore, depending upon the value of the underlying property at maturity, the holder of a mandatorily exchangeable note may receive less than the principal amount of the note at maturity. If so indicated in your pricing supplement, the specified rate at which a mandatorily exchangeable note may be exchanged may vary depending on the value of the underlying property so that, upon exchange, the holder participates in a percentage, which may be less than, equal to, or greater than 100% of the change in value of the underlying property. Mandatorily exchangeable notes may include notes where we have the right, but not the obligation, to require holders of notes to exchange their notes for the underlying property.

Payments upon Exchange. Your pricing supplement will specify if upon exchange, at maturity or otherwise, the holder of an exchangeable note may receive, at the specified exchange rate, either the underlying property orTD>

Office-Studio

100% Owned 5.42 Acres

Office-Studio

100% Owned 19,312 Sq. Ft.

Tower/Transmitter Site

100% Owned 12.78 Acres

KSAN San Angelo, TX

Office-Studio(6)

Tower/Transmitter Site

Leased 10 Acres 5/15/09

32

Table of Contents

Station Metropolitan Area and Use	Owned or Leased	Square Footage/Acreage Approximate Size	Expiration of Lease
KOLR Springfield, MO			
Office-Studio	100% Owned	30,000 Sq. Ft.	
Office-Studio	100% Owned	7 Acres	
Tower/Transmitter Site	Leased	0.5 Acres	5/12/21
KCIT/KCPN-LP Amarillo, TX			
Office-Studio(7)			
Tower/Transmitter Site	Leased	100 Acres	5/12/21
Tower/Transmitter Site Parmer County, TX	Leased	80 Sq. Ft.	5/31/06
Tower/Transmitter Site Guyman, OK	Leased	80 Sq. Ft.	Month to Month
KAMC Lubbock, TX			
Office-Studio(7)			
Tower/Transmitter Site	Leased	790 Sq. Ft.	5/12/21
Tower/Transmitter Site	Leased	4,316 Sq. Ft.	9/1/12
KHMT Billings, MT			
Office-Studio(9)			
Tower/Transmitter Site	Leased	4 Acres	5/12/21
WUTR Utica, NY			
Office-Studio	100% Owned	12,100 Sq. Ft.	
Tower/Transmitter Site	100% Owned	21 Acres	
WTVO Rockford, IL			
Office-Studio-Tower/Transmitter Site	100% Owned	20,000 Sq. Ft	
Corporate Office-Brecksville, OH	Leased	540 Sq. Ft.	10/14/07

(1) The office space and studio used by WYOU are owned by WBRE.
(2) Effective June 1, 2005, WBAK changed its call letters to WFXW.
(3) The office space and studio used by WFXW are owned by WTWO.
(4) The office space and studio used by WFXP are owned by WJET.
(5) The office space and studio used by KJTL and KJBO-LP are owned by KFDX.
(6) The office space and studio used by KSAN are owned by KLST.
(7) The office space and studio used by KCIT/KCPN-LP are owned by KAMR.
(8) The office space and studio used by KAMC are owned by KLBK.
(9) The office space and studio used by KHMT are owned by KSVI.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

We did not submit any matter to a vote of our shareholders during the fourth quarter of 2005.

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
Market Prices; Record Holders and Dividends

Our Class A Common Stock trades on The Nasdaq Stock Market s National Market (Nasdaq) under the symbol NXST .

The following table sets forth the high and low sales prices for our Class A Common Stock for the periods indicated, as reported by Nasdaq:

2004:	**High**	**Low**
1st Quarter 2004	$ 14.50	$ 10.63
2nd Quarter 2004	$ 13.17	$ 9.99
3rd Quarter 2004	$ 11.21	$ 7.75
4th Quarter 2004	$ 9.25	$ 6.54
2005:		
1st Quarter 2005	$ 9.56	$ 6.86
2nd Quarter 2005	$ 7.24	$ 4.52
3rd Quarter 2005	$ 6.37	$ 4.65
4th Quarter 2005	$ 5.89	$ 4.09

The following table summarizes the outstanding shares of common stock held by shareholders of record as of January 31, 2006:

Type	**Shares Outstanding**	**Shareholders of Record**
Common Class A	14,289,310	30(1)
Common Class B	13,411,588	3
Common Class C	662,529	1

(1) The majority of these shares are held in nominee names by brokers and other institutions on behalf of approximately 3,000 shareholders.

We have not paid and do not expect to pay any dividends or distribution on our common stock for the foreseeable future. We currently expect to retain future earnings, if any, for use in the operation and expansion of our business.

Securities Authorized for Issuance Under Equity Compensation Plans

For an overview of our option plans and grants, we refer you to Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K.

Table of Contents

Item 6. Selected Financial Data

The selected historical consolidated financial data presented below for the years ended December 31, 2005, 2004, 2003, 2002 and 2001 have been derived from our consolidated financial statements. The following financial data should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in Part IV, Item 15(a) of this Annual Report on Form 10-K.

On December 31, 2003, we completed the acquisition of all the direct and indirect subsidiaries of Quorum Broadcast Holdings, LLC (Quorum). Quorum owned and operated 11 television stations and provided sales or other services to an additional 5 stations. The Quorum acquisition was structured as a merger of Quorum s direct subsidiaries with and into us. The merger constituted a tax-free reorganization and has been accounted for as a merger under common control in a manner similar to pooling of interests. Accordingly, our consolidated financial statements herein have been restated to include the financial results of all of the Quorum subsidiaries for all periods prior to 2004.

	Fiscal years ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Statement of Operations Data:	(in thousands, except per share/unit amounts)				
Net revenue	$ 226,053	$ 245,740	$ 214,332	$ 206,277	$ 176,719
Operating expenses (income):					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)	68,117	66,044	60,808	53,371	46,877
Selling, general and administrative expenses (exclusive of depreciation and amortization shown separately below)	72,977	72,319	74,439	62,110	52,897
Merger related expenses		456	11,754		
Loss on property held for sale	616				
Loss (gain) on asset disposal, net	232	146	(495)	897	108
Amortization of broadcast rights	22,257	24,805	25,894	24,689	27,157
Depreciation and amortization	43,244	44,412	45,401	44,841	60,876
Income (loss) from operations	18,610	37,558	(3,469)	20,369	(11,196)
Interest expense .	(47,260)	(52,265)	(68,342)	(67,419)	(62,091)
Loss on extinguishment of debt	(15,715)	(8,704)	(10,767)	(227)	(1,822)
Interest income	213	113	606	152	317
Other income (expenses), net	380	5,077	3,365	(319)	(2,829)
Loss from operations before income taxes	(43,772)	(18,221)	(78,607)	(47,444)	(77,621)
Income tax benefit (expense)	(4,958)	(4,385)	14,920	(8,179)	670
Loss before related party minority interest preferred dividend	(48,730)	(22,606)	(63,687)	(55,623)	(76,951)
Related party minority interest preferred dividend					(2,423)
Loss before cumulative effect of change in accounting principle and minority interest in consolidated entity	(48,730)	(22,606)	(63,687)	(55,623)	(79,374)
Cumulative effect of change in accounting principle, net of tax			(8,898)	(43,470)	
Minority interest of consolidated entity		2,106	786		
Net loss	$ (48,730)	$ (20,500)	$ (71,799)	$ (99,093)	$ (79,374)
Other comprehensive loss:					
Cumulative effect of change in accounting principle	$	$	$	$	$ (241)
Change in market value of derivative instrument				3,731	(3,490)
Net loss and other comprehensive loss	$ (48,730)	$ (20,500)	$ (71,799)	$ (95,362)	$ (83,105)
Net loss	(48,730)	(20,500)	(71,799)	(99,093)	(79,374)
Accretion of preferred interests			(15,319)	(17,481)	(10,095)
Net loss attributable to common share and unitholders	$ (48,730)	$ (20,500)	$ (87,118)	$ (116,574)	$ (89,469)

Table of Contents

	Fiscal years ended December 31, 2005	2004	2003	2002	2001
	(in thousands, except per share/unit amounts)				
Basic and diluted loss per share/unit:					
Net loss attributable to common shareholders	$ (1.72)	$ (0.72)	$ (5.59)	$	$
Net loss attributable to common unitholders				(18.75)	(17.56)
Cumulative effect of change in accounting principle			(0.57)	(6.99)	
Basic and diluted:					
Weighted average number of shares outstanding	28,363	28,363	15,576		
Weighted average number of units outstanding				6,216	5,094
Balance Sheet Data (end of period):					
Cash and cash equivalents	$ 13,487	$ 18,505	$ 10,848	$ 29,201	$ 7,777
Working capital (deficit)	25,796	35,249	20,405	26,210	27,883
Net intangible assets and goodwill	494,231	519,626	523,589	418,493	471,321
Total assets	680,081	734,965	727,096	614,491	668,603
Total debt	646,505	629,898	598,938	471,280	453,010
Total member s interest (deficit) or stockholder s equity (deficit)	(66,025)	(17,295)	3,205	(103,932)	1,706
Cash Flow Data:					
Net cash provided by (used for):					
Operating activities	$ 14,350	$ 31,911	$ 3,686	$ 28,741	$ (14,891)
Investing activities	(26,358)	(44,605)	(124,411)	(20,312)	(100,731)
Financing activities	6,990	20,351	102,372	12,995	116,852
Other Financial Data:					
Capital expenditures, net of proceeds from asset sales	$ 13,891	$ 10,298	$ 10,294	$ 10,442	$ (13,795)
Cash payments for broadcast rights	9,704	10,520	12,395	11,932	11,810

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with Item 6. Selected Financial Data and the consolidated financial statements and related notes included in Part IV, Item 15(a) of this Annual Report on Form 10-K.

On December 30, 2003, we completed the acquisition of all of the direct and indirect subsidiaries of Quorum Broadcast Holdings, LLC (Quorum). Quorum owned and operated 11 television stations and provided sales or other services to an additional 5 stations. The Quorum acquisition was structured as a merger of Quorum s direct subsidiaries with and into us. The merger constituted a tax-free reorganization and has been accounted for as a merger under common control in a manner similar to pooling of interests. Accordingly, our consolidated financial statements herein have been restated to include the financial results of all of the Quorum subsidiaries for all periods prior to 2004. Common control existed because ABRY Partners, LLC, our principal stockholder, through its various funds both before and after the merger, held more than 50% of the voting ownership of both Nexstar and Quorum.

Additionally, on December 30, 2003, Mission completed a merger with VHR Broadcasting, Inc. and its subsidiaries (VHR) and with Mission Broadcasting of Amarillo, Inc. (Mission of Amarillo). Prior to December 30, 2003, Quorum provided management, sales or other services under local service agreements with VHR and Mission of Amarillo that were substantially similar to Nexstar s local service agreements with Mission. Upon completion of the Quorum acquisition and the Mission mergers, Nexstar became a party to these local service agreements as successor to the Quorum subsidiaries and Mission became a party to such agreements as the successor to VHR and Mission of Amarillo.

We make references throughout our Management s Discussion and Analysis of Financial Condition and Results of Operations to comparisons on a same station basis in order to provide a more meaningful comparison of annual growth from internal operations which may be masked by growth from acquisitions. Same station basis refers to the television markets in which we or Mission Broadcasting, Inc. (Mission) owned a television station at the beginning and end of a particular period. Television markets in the United States of America are generally recognized as Designated Market Areas, or DMAs, as reported by the A.C. Nielsen

36

Company. In particular, references to comparison on a same station basis for the year ended December 31, 2005 versus the year ended December 31, 2004 include the following stations: WYOU, KQTV, WBRE, KFDX, KSNF, KBTV, WJET, WFXP, WROC, KJTL, KJBO-LP, KMID, KTAL, WCIA, WMBD, WYZZ, KODE, WCFN, WHAG, KSFX (formerly KDEB), WFFT, KAMR, KARD, KLBK, KSVI, WTVW, KOLR, KCIT, KCPN-LP, KAMC, KHMT, KARK, WDHN, KTAB and KRBC. References to a comparison on a same station basis for the year ended December 31, 2004 versus the year ended December 31, 2003 include the following stations: WYOU, KQTV, WBRE, KFDX, KSNF, KBTV, WJET, WFXP, WROC, KJTL, KJBO-LP, KMID, KTAL, WCIA, WMBD, WYZZ, KODE, WCFN, WHAG, KSFX (formerly KDEB), WFFT, KAMR, KARD, KLBK, KSVI, WTVW, KOLR, KCIT, KCPN-LP, KAMC and KHMT. As used in the report, unless the context indicates otherwise, Nexstar refers to Nexstar Broadcasting Group, Inc. and its consolidated subsidiaries Nexstar Finance Holdings, Inc. and Nexstar Broadcasting, Inc., and Mission refers to Mission Broadcasting, Inc. All references to we, our, and us refer to Nexstar. All references to the Company refer to Nexstar and Mission collectively.

As a result of our controlling financial interest in Mission under accounting principles generally accepted in the United States of America (U.S. GAAP) and in order to present fairly our financial position, results of operations and cash flows, we consolidate the financial position, results of operations and cash flows of Mission as if it were a wholly-owned entity. We believe this presentation is meaningful for understanding our financial performance. As discussed in Note 2 to our consolidated financial statements in Part IV, Item 15(a) of this Annual Report on Form 10-K, we have considered the method of accounting under FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation on Accounting Research Bulletin No. 51 (FIN No. 46) as revised in December 2003 (FIN No. 46R) and have determined that we are required to continue consolidating Mission s financial position, results of operations and cash flows. Therefore, the following discussion of our financial position and results of operations includes Mission s financial position and results of operations.

Executive Summary

Overview of Operations

We owned and operated 29 television stations as of December 31, 2005. Through various local service agreements, we programmed or provided sales and other services to 17 additional television stations, including 15 television stations owned and operated by Mission as of December 31, 2005. Mission is 100% owned by an independent third party.

The following table summarizes the various local service agreements we had in effect as of December 31, 2005 with Mission:

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

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

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

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

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

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

The operating revenue of our stations is derived primarily from broadcast advertising revenue, which is affected by a number of factors, including the economic conditions of the markets in which we operate, the demographic makeup of those markets and the marketing strategy we employ in each market. Most advertising contracts are short-term and generally run for a few weeks. Excluding political revenue, 68.6% and 68.1% of our and Mission s consolidated spot revenue for the years ended December 31, 2005 and 2004, respectively, was generated from local advertising. The remaining advertising revenue represents inventory sold for national or political advertising. Each station has an agreement with a national representative firm that provides for representation outside the particular station s market. National commission rates vary within the industry and are governed by each station s agreement. All national and political revenue is derived from advertisements placed by advertising agencies. The agencies receive a commission rate of 15.0% of the gross amount of advertising schedules placed by them. While the majority of local spot revenue is placed by local agencies, some advertisers place their schedules directly with the stations local sales staff, thereby eliminating the agency commission. Advertising revenue is positively affected by strong local economies, national and regional political election campaigns, and certain events such as the Olympic Games or the Super Bowl. Because television broadcast stations rely on advertising revenue, declines in advertising budgets, 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. The stations advertising revenue is generally highest in the second and fourth quarters of each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to, and including, the holiday season. In addition, advertising revenue is generally higher during even-numbered years resulting from political advertising and advertising aired during the Olympic Games.

Each of our stations and the stations we provide services to, except for KCPN-LP, has a network affiliation agreement pursuant to which the network provides programming to the station during specified time periods, including prime time. Under the affiliation agreements with NBC, CBS and ABC, most of our stations and the stations we provide services to receive cash compensation for distributing the network s programming over the air and for allowing the network to keep a portion of advertising inventory during those time periods. The affiliation agreements with Fox and UPN do not provide for compensation.

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

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

Industry Trends

Net broadcast revenue on a same station basis decreased 10.8% from $200.4 million for the year ended December 31, 2004 to $178.9 million for the year ended December 31, 2005. Net broadcast revenue in 2004 was higher than in 2005 due to a few factors. The demand for advertising was favorably affected by the improving U.S. economy and by the volume of advertising time purchased by campaigns for elective offices and for political issues. The demand for political advertising is generally higher in even-numbered years, when congressional and presidential elections occur, than in odd-numbered years. During an election year, political revenue makes up a significant portion of the increase in revenue in that year. Since 2004 was an election year, a large percentage of the Company s revenue growth in 2004 was attributable to political revenue. However, even during an election year, political revenue is influenced by geography and the competitiveness of the election races. Political revenue was $2.2 million, $26.7 million and $4.4 million, respectively, for the years ended December 31, 2005, 2004 and 2003.

The Television Bureau of Advertising reported that U.S. television advertising revenue increased 10.3% in 2004 largely due to political advertising and the Olympic Games. The Television Bureau of Advertising forecasted advertising revenue to be flat in 2005 primarily due to less political spending in 2005 and the absence of Olympic spending.

Automotive-related advertising represented approximately 26% and 27% of our total net revenue for the years ended December 31, 2005 and 2004, respectively. Our automotive-related advertising decreased approximately 8% for the year ended December 31, 2005 as compared to the same period in 2004 due to a decline in demand for advertising from the automotive business sector. A significant change in this advertising revenue source could materially affect our future results of operations.

Station Acquisitions

On June 13, 2003, Mission completed its acquisition of KRBC, the NBC affiliate in Abilene-Sweetwater, Texas, and KSAN, the NBC affiliate in San Angelo, Texas, for total consideration of $10.0 million, exclusive of transaction costs. Pursuant to terms of the purchase agreement, Mission made a down payment of $1.5 million against the purchase price in December 2002 and paid the remaining $8.5 million on June 13, 2003, exclusive of transaction costs. Prior to its acquisition of the stations, Mission had been providing programming and selling advertising for KRBC and KSAN under a local marketing agreement.

On August 1, 2003, we completed our acquisition of KARK, the NBC affiliate in Little Rock-Pine Bluff, Arkansas, and WDHN, the ABC affiliate in Dothan, Alabama, for total consideration of $91.5 million, exclusive of transaction costs. Pursuant to terms of the purchase agreement, we made a down payment of $40.0 million against the purchase price on January 31, 2003 and paid the remaining $51.5 million on August 1, 2003, exclusive of transaction costs. Prior to our acquisition of the stations, we had been providing programming and selling advertising for KARK and WDHN under TBAs.

On April 1, 2004, Mission completed its acquisition of WUTR, the ABC affiliate in Utica, New York, for total consideration of $3.7 million, exclusive of transaction costs.

Table of Contents

On April 6, 2004, Mission completed its acquisition of WFXW (formerly WBAK), the Fox affiliate in Terre Haute, Indiana, for total consideration of $3.0 million, exclusive of transaction costs. Pursuant to terms of the purchase agreement, Mission made a down payment of $1.5 million against the purchase price on May 9, 2003 and paid the remaining $1.5 million on April 6, 2004, exclusive of transaction costs. Prior to its acquisition of the station, Mission had been providing programming and selling advertising for WFXW under a TBA.

On November 30, 2004, we completed our acquisition of KLST, the CBS affiliate in San Angelo, Texas, for total consideration of $12.0 million, exclusive of transaction costs. Pursuant to the terms of the purchase agreement, we made a down payment of $1.7 million against the purchase price on May 21, 2004, and paid the remaining $10.3 million on November 30, 2004, exclusive of transaction costs. Prior to our acquisition of the station, we had been providing programming and selling advertising for KLST under a TBA.

On January 4, 2005, Mission completed its acquisition of WTVO, the ABC affiliate in Rockford, Illinois, for total consideration of $20.75 million, exclusive of transaction costs. Pursuant to the terms of the purchase agreement, Mission made an initial payment of $15.0 million against the purchase price on November 1, 2004, to acquire substantially all of the assets of WTVO, except for its FCC license and certain transmission equipment. Mission paid the remaining $5.75 million on January 4, 2005, exclusive of transaction costs, for the purchase of WTVO s FCC license and certain transmission equipment. Prior to its acquisition of the station, Mission had been providing programming and selling advertising for WTVO under a TBA.

On January 7, 2005, we completed our acquisition of KFTA/KNWA, the NBC affiliate in Fort Smith-Fayetteville-Springdale-Rogers, Arkansas, for total consideration of $17.0 million, exclusive of transaction costs. Pursuant to terms of the purchase agreement, we made a down payment of $10.0 million against the purchase price on October 16, 2003 and paid $6.0 million on January 7, 2005, exclusive of transaction costs. The remaining $1.0 million relates to a non-compete agreement being paid to a principal of the seller over a four year period. Prior to our acquisition of the station, we had been providing programming and selling advertising for KFTA/KNWA under a TBA.

Refinancing of Long-term Debt Obligations

On April 1, 2005, we entered into a new senior credit facility agreement which replaced our previous credit facility agreement. Our new senior credit facility consists of a $175.8 million term loan ($182.3 million original amount less a voluntary repayment of $6.5 million) and a $50.0 million revolving loan. All borrowings outstanding under this new credit facility are due to mature in 2012. The term loan, which matures in October 2012, is payable in consecutive quarterly installments amortized at 0.25% quarterly which commenced on December 30, 2005, with the remaining 93.25% due at maturity. Borrowings under the new credit facility bear interest at either a base rate plus an applicable margin or, at our option, LIBOR plus an applicable margin. Under the new credit facility agreement, the applicable margin component of the revolving loan was decreased by 100 basis points, representing one percent. The financial covenant ratios contained in the new credit facility agreement are less restrictive than our previous credit facility. For a discussion of interest rates and financial covenant requirements of the new credit facility, we refer you to Note 8 of our consolidated financial statements in Part IV, Item 15(a) of this Annual Report on Form 10-K.

Mission also entered into a new senior credit facility agreement on April 1, 2005 which replaced its previous credit facility. Mission s new credit facility consists of a $172.7 million term loan and a $47.5 million revolving loan. Terms of the new Mission credit facility, including maturity and interest rates, are the same as the terms of our new credit facility.

Also on April 1, 2005, we redeemed all our outstanding $160.0 million in aggregate principal amount of 12% senior subordinated notes (12% Notes) that were due to mature on April 1, 2008, at a price of $1,060 per $1,000 principal amount. Redemption of the 12% Notes was funded from proceeds obtained through a combination of an offering of senior subordinated notes (as discussed below) and senior secured credit facility financing. The aggregate redemption payment of $169.6 million plus accrued interest made on April 1, 2005

Table of Contents

included a $9.6 million call premium related to the retirement of the notes. The redemption of the 12% Notes resulted in the recognition of a loss in the second quarter of 2005 consisting of $9.6 million in call premium and the write-off of approximately $3.6 million of previously capitalized debt financing costs and accelerated amortization of $3.4 million of unamortized discount on the notes. In conjunction with the redemption, we recorded a gain during the second quarter of 2005 of approximately $2.3 million from the derecognition of a SFAS No. 133 fair value hedge adjustment of the carrying amount of the 12% Notes.

Additionally, on April 1, 2005, we issued $75.0 million in the aggregate principal amount of 7% senior subordinated notes at a price of 98.01% (7% Notes) due 2014. The 7% Notes were issued as an add-on to the $125.0 million aggregate principal amount of our previously issued 7% Notes. The net proceeds from the offering, together with proceeds from our senior secured credit facility, were used to redeem the 12% Notes.

Recent Developments

Effective September 1, 2005, we entered into a seven year outsourcing agreement with a subsidiary of Sinclair Broadcasting Group, Inc. (Sinclair) under which our station WROC will provide sales and other non-programming services to Sinclair s station WUHF, the Fox affiliate in Rochester, New York. Through this agreement, we expect to achieve efficiencies by eliminating certain duplicative costs from combining certain operations of the two stations and also increase our revenue share in the market.

On October 20, 2005, we and Mission entered into a joint agreement with Cox Communications, Inc. (Cox) for the retransmission of station signals in Abilene-Sweetwater, San Angelo, Lubbock, Amarillo, Odessa-Midland and Beaumont-Port Arthur, Texas; Shreveport, Louisiana; Fort Smith, Little Rock and Monroe-El Dorado, Arkansas; Springfield and Joplin, Missouri; and Pittsburg, Kansas. Under this agreement, Cox has agreed to compensate us and Mission for the right to carry the Company s stations in these markets. As a result, Cox now carries our television stations KLST (San Angelo) and KTAL (Shreveport) and Mission s television station KRBC (Abilene). These stations had previously been off of Cox s cable systems when retransmission consent agreements expired on December 31, 2004 and February 1, 2005. In connection with the agreement, Cox has withdrawn a complaint it had submitted to the FCC against us and Mission.

On December 19, 2005, we and Mission entered into a joint agreement with Cable ONE, Inc. (Cable ONE) for the retransmission of our stations signals on the Cable ONE cable systems in Texarkana, Arkansas; Texarkana, Texas; Shreveport, Louisiana; Joplin, Missouri; Pittsburg, Kansas; and Amarillo, Texas. Under this agreement, Cable ONE has agreed to compensate us and Mission for the right to carry the Company s stations in these markets. As a result, Cable ONE now carries our television stations KTAL (Shreveport) and KSNF (Joplin-Pittsburg) and Mission s television station KODE (Joplin-Pittsburg). These stations had previously been off of Cable ONE s cable systems when retransmission consent agreements expired on December 31, 2004.

In October 2005, we amended our senior secured credit facility agreement to adjust certain financial covenant ratios for periods ended after September 30, 2005. The amended financial covenant ratios are less restrictive than the previously effective ratios. For a discussion of the amended financial covenant ratios, we refer you to Note 8 of our consolidated financial statements in Part IV, Item 15(a) of this Annual Report on Form 10-K.

On January 24, 2006, the owners of UPN and WB announced that the two television networks will merge to form a new network called The CW. We and Mission operate 3 UPN affiliated stations located in Wichita Falls, Texas; Champaign, Illinois; and Utica, New York. We and Mission are currently evaluating the impact the merger will have on the Company s consolidated financial position and results of operations.

On February 1, 2006, Nexstar announced that it had reached multi-year retransmission consent agreements with approximately 150 cable operators within the 27 markets in which the Company broadcasts, which in aggregate have approximately 4 million subscribers. Our retransmission agreements with both cable operators and direct broadcast satellite providers are expected to generate approximately $48 million in revenue to the

Table of Contents

Company over the life of the agreements which range in length from three to five years, with the majority of the agreements having terms of three to four years.

Historical Performance

Revenue

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

	Year Ended December 31,					
	2005		2004		2003	
	Amount	%	Amount	%	Amount	%
	(in thousands, except percentages)					
Local	$ 151,894	64.3	$ 149,647	57.6	$ 138,289	62.2
National	69,608	29.4	70,042	27.0	65,481	29.4
Political	2,249	1.0	26,666	10.3	4,372	2.0
Network compensation	6,629	2.8	8,508	3.3	8,329	3.7
Other	6,001	2.5	4,801	1.8	5,956	2.7
Total gross revenue	236,381	100.0	259,664	100.0	222,427	100.0
Less: Certain commissions	30,686	13.0	35,005	13.5	28,884	13.0
Net broadcast revenue	205,695	87.0	224,659	86.5	193,543	87.0
Trade and barter revenue	20,358		21,081		20,789	
Net revenue	$ 226,053		$ 245,740		$ 214,332	

Results of Operations

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

	Year Ended December 31,					
	2005		2004		2003	
	Amount	%	Amount	%	Amount	%
	(in thousands, except percentages)					
Net revenue	$ 226,053	100.0	$ 245,740	100.0	$ 214,332	100.0
Operating expenses (income):						
Corporate expenses	11,667	5.2	10,941	4.5	12,607	5.9
Station direct operating expenses, net of trade	60,798	26.9	58,426	23.8	54,310	25.3
Selling, general and administrative expenses	61,310	27.1	61,378	25.0	61,832	28.8
Merger related expenses			456	0.2	11,754	5.5
Loss on property held for sale	616	0.3				
Loss (gain) on asset disposal, net	232	0.1	146	0.1	(495)	(0.2)
Trade and barter expense	19,766	8.7	20,965	8.5	20,576	9.6
Depreciation and amortization	43,244	19.1	44,412	18.1	45,401	21.2
Amortization of broadcast rights, excluding barter	9,810	4.3	11,458	4.7	11,816	5.5
Income (loss) from operations	$ 18,610		$ 37,558		$ (3,469)	

42

Table of Contents

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004.

Revenue

Local revenue was $151.9 million for the year ended December 31, 2005, compared to $149.6 million for the same period in 2004, an increase of $2.3 million, or 1.5%. Acquisitions that occurred in 2004 and 2005 and stations for which a local service arrangement was entered into after January 1, 2004 had an increase of $3.3 million. On a same station basis, local revenue for the year ended December 31, 2005 was $130.0 million, compared to $131.0 million for the year ended December 31, 2004, a decrease of $1.0 million, or 0.8%. The decrease in local revenue was primarily the result of a decline in demand for advertising from the automotive and telecommunications business categories during 2005 compared to 2004.

National revenue was $69.6 million for the year ended December 31, 2005, compared to $70.0 million for the same period in 2004, a decrease of $0.4 million, or 0.6%. Acquisitions that occurred in 2004 and 2005 and stations for which a local service arrangement was entered into after January 1, 2004 had an increase of $0.4 million. On a same station basis, national revenue for the year ended December 31, 2005 was $62.2 million, compared to $63.0 million for the year ended December 31, 2004, a decrease of $0.8 million, or 1.3%. The decrease in national revenue was primarily the result of a decline in demand for advertising from the automotive, telecommunications, department and retail stores, fast food/restaurants and medical/healthcare business categories during 2005 compared to 2004.

Political revenue was $2.2 million for the year ended December 31, 2005, compared to $26.7 million for the same period in 2004, a decrease of $24.5 million, or 91.6%. Acquisitions that occurred in 2004 and 2005 and stations for which a local service arrangement was entered into after January 1, 2004 had a decrease of $1.4 million. On a same station basis, political revenue for the year ended December 31, 2005 was $2.0 million, compared to $25.1 million for the year ended December 31, 2004, a decrease of $23.1 million, or 92.0%. The decrease in political revenue was attributed to presidential and/or statewide races in Pennsylvania, Illinois, Indiana and Missouri that occurred during 2004 as compared to nominal political advertising during 2005.

Operating Expenses

Corporate expenses, related to costs associated with the centralized management of Nexstar s and Mission s stations, were $11.7 million for the year ended December 31, 2005, compared to $10.9 million for the same period in 2004, an increase of $0.8 million, or 6.6%. The increase during 2005 was primarily attributed to higher payroll related costs associated with an increase in corporate personnel necessary to effectively support our growing television station portfolio, along with an increase in regulatory compliance and financial reporting costs, partially offset by a lower amount of bonuses accrued in 2005.

Station direct operating expenses, consisting primarily of news, engineering and programming, net of trade, and selling, general and administrative expenses were $122.1 million for year ended December 31, 2005, compared to $119.8 million for the same period in 2004, an increase of $2.3 million, or 1.9%. Acquisitions that occurred in 2004 and 2005 and stations for which a local service arrangement was entered into after January 1, 2004 had an increase of $2.3 million. On a same station basis, station direct operating expenses, net of trade, and selling, general and administrative expenses were $103.4 million for each of the years ended December 31, 2005 and 2004.

Merger related expenses were $0.5 million for the year ended December 31, 2004. Merger related expenses included costs to acquire the Quorum stations (accounted for as a merger under common control in a manner similar to pooling of interests) such as severance costs and termination of contracts, among others, for Quorum s traffic systems, Nielsen rating services and website management.

Loss on property held for sale, which represented a write-down of vacated buildings at two of our television stations during the second quarter of 2005, was $0.6 million for the year ended December 31, 2005.

Table of Contents

Amortization of broadcast rights, excluding barter, was $9.8 million for the year ended December 31, 2005, compared to $11.5 million for the same period in 2004, a decrease of $1.7 million, or 14.4%. The decrease was primarily attributed to negotiated lower cost of broadcast programming, partially offset by the amortization of broadcast rights from newly acquired or initially consolidated television stations WUTR, KLST and WTVO.

Amortization of intangible assets was $26.5 million for each of the years ended December 31, 2005 and 2004.

Depreciation of property and equipment was $16.7 million for the year ended December 31, 2005, compared to $17.9 million for the same period in 2004, a decrease of $1.2 million, or 6.8%. The decrease was primarily attributed to assets at certain stations becoming fully depreciated during the fourth quarter of 2004.

Income from Operations

Income from operations was $18.6 million for the year ended December 31, 2005, compared to $37.6 million for the same period in 2004, a decrease of $19.0 million, or 50.4%. Acquisitions that occurred in 2004 and 2005 and stations for which a local service arrangement was entered into after January 1, 2004 had a decrease of $3.0 million. On a same station basis, income from operations for the year ended December 31, 2005 was $20.3 million, compared to $36.3 million for the year ended December 31, 2004, a decrease of $16.0 million, or 44.2%. The decrease in income from operations for 2005 was primarily attributable to the decrease in total net revenue, particularly in political advertising revenue and to a lesser extent automotive-related advertising revenue.

Interest Expense

Interest expense, including amortization of debt financing costs, was $47.3 million for the year ended December 31, 2005, compared to $52.3 million for the same period in 2004, a decrease of $5.0 million, or 9.6%. The decrease in interest expense was primarily attributed to the redemption of our 12% Notes in April 2005, partially offset by the issuance of the 7% Notes in April 2005, and higher interest rates and a greater amount of debt outstanding in 2005 on our and Mission s senior credit facilities.

Loss on Extinguishment of Debt

Loss on extinguishment of debt of $15.7 million for the year ended December 31, 2005 consisted of $9.6 million in call premium related to the redemption of the 12% Notes in April 2005, accelerated amortization of $3.4 million of unamortized discount on the 12% Notes, the write off of approximately $3.6 million of certain debt financing costs previously capitalized on the 12% Notes, the write off of $0.4 million of previously capitalized debt financing costs and $1.0 million of transaction costs related to the refinancing of the senior secured credit facilities for Nexstar and Mission in April 2005, net of a gain of $2.3 million during the second quarter of 2005 from the derecognition of a SFAS No. 133 fair value hedge adjustment of the carrying amount of the 12% Notes.

Loss on extinguishment of debt of $8.7 million for the year ended December 31, 2004 consisted of $5.9 million in call premium and accelerated amortization related to the January 2004 redemption of $37.0 million principal amount at maturity of senior discount notes (16% Notes) of Nexstar Finance Holdings, Inc. (Nexstar Finance Holdings), a wholly owned subsidiary of Nexstar, the write off of $0.9 million of certain debt financing costs previously capitalized on the 16% Notes and the write off of $1.4 million of previously capitalized debt financing costs and $0.5 million of transaction costs related to the amending of the senior secured credit facilities for Nexstar and Mission in August 2004.

Table of Contents

Other Income, Net

Other income was $0.4 million for the year ended December 31, 2005 as compared to $5.1 million for the same period in 2004. During 2004, we had an interest rate swap agreement that was terminated on December 31, 2004. The marking-to-market of the interest rate swap agreement resulted in recognition of $2.6 million in other income for the year ended December 31, 2004. The change in market values was due to a fluctuation in market interest rates. The termination of the swap agreement on December 31, 2004 resulted in the recognition of $0.7 million in other income for the year ended December 31, 2004. Other income for the year ended December 31, 2004 included a $1.8 million gain related to a settlement concerning the terminated sale of our television station WTVW, the Fox affiliate in Evansville, Indiana.

Income Taxes

Income taxes for the year ended December 31, 2005 were $5.0 million as compared to $4.4 million for the same period in 2004, an increase of $0.6 million, or 13.1%. Our provision for income taxes is primarily created by an increase in the deferred tax liabilities position during the year arising from the amortizing of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. This expense has no impact on our cash flows. Based primarily on our recent history of net operating losses, we do not consider the realization of our net deferred tax assets to be more likely than not. Accordingly, we have provided a full valuation allowance for net deferred tax assets excluding deferred tax liabilities attributable to goodwill and indefinite-lived intangible assets. No tax benefit was recorded with respect to the losses for 2005 and 2004, as the utilization of such losses is not likely to be realized in the foreseeable future.

Minority Interest in Consolidated Entity

The minority interest in consolidated entity of $2.1 million for the year ended December 31, 2004 related to the recognition of $2.1 million of expenses in the stations WFXW, KFTA/KNWA, KLST and WTVO prior to the consummation of their acquisitions as a result of the application of FIN No. 46R.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003.

Revenue

Local revenue was $149.6 million for the year ended December 31, 2004, compared to $138.3 million for the same period in 2003, an increase of $11.3 million, or 8.2%. Acquisitions that occurred in 2003 and 2004 and stations for which a local service arrangement was entered into after January 1, 2003 had an increase of $7.2 million. On a same station basis, local revenue for the year ended December 31, 2004 was $113.4 million, compared to $109.3 million for the year ended December 31, 2003, an increase of $4.1 million, or 3.8%. The increase in local revenue was attributed to stronger emphasis on sales initiatives at our and Mission s stations and to lower revenue in 2003 as a result of the war in Iraq, which began in the first quarter of 2003.

National revenue was $70.0 million for the year ended December 31, 2004, compared to $65.5 million for the same period in 2003, an increase of $4.5 million, or 7.0%. Acquisitions that occurred in 2003 and 2004 and stations for which a local service arrangement was entered into after January 1, 2003 had an increase of $3.7 million. On a same station basis, national revenue for the year ended December 31, 2004 was $53.6 million, compared to $52.8 million for the year ended December 31, 2003, an increase of $0.8 million, or 1.5%.

Political revenue was $26.7 million for the year ended December 31, 2004, compared to $4.4 million for the same period in 2003, an increase of $22.3 million, or 509.9%. Acquisitions that occurred in 2003 and 2004 and stations for which a local service arrangement was entered into after January 1, 2003 had an increase of $3.5 million. On a same station basis, political revenue for the year ended December 31, 2004 was $22.9 million, compared to $4.1 million for the year ended December 31, 2003, an increase of $18.8 million, or 460.3%. The increase in political revenue was attributed to presidential and/or statewide races held in 2004 in Pennsylvania, Illinois, Indiana and Missouri.

Table of Contents

Operating Expenses

Corporate expenses, related to costs associated with the centralized management of Nexstar s and Mission s stations, were $10.9 million for the year ended December 31, 2004, compared to $12.6 million for the same period in 2003, a decrease of $1.7 million, or 13.2%. The decrease was primarily attributed to the elimination of certain costs, such as personnel related costs and professional fees, associated with separate corporate overhead from Quorum Broadcast Holdings, LLC, which we merged with in 2003, offset by an increase in regulatory compliance and financial reporting costs.

Station direct operating expenses, consisting primarily of news, engineering and programming, net of trade, and selling, general and administrative expenses were $119.8 million for year ended December 31, 2004, compared to $116.1 million for the same period in 2003, an increase of $3.7 million, or 3.2%. Acquisitions that occurred in 2003 and 2004 and stations for which a local service arrangement was entered into after January 1, 2003 had an increase of $6.9 million. On a same station basis, station direct operating expenses, net of trade, and selling, general and administrative expenses for the year ended December 31, 2004 was $89.7 million, compared to $92.9 million for the year ended December 31, 2003, a decrease of $3.2 million, or 3.5%. The decrease was attributed to cost reductions incurred at various station locations, including reductions in personnel and the termination of non-strategic contractual commitments. The year ended December 31, 2003 included a payment and related taxes of $4.1 million paid to Perry A. Sook, our President and Chief Executive Officer, which was used by Mr. Sook to repay a loan guaranteed by Nexstar.

Merger related expenses were $0.5 million for the year ended December 31, 2004, compared to $11.8 million for the same period in 2003, a decrease of $11.3 million, or 96.1%. Merger related expenses included costs to acquire the Quorum stations (accounted for as a merger under common control in a manner similar to pooling of interests) such as severance costs (including $7.8 million paid to Quorum s former management team) and termination of contracts, among others, for Quorum s traffic systems, Nielsen rating services and website management.

Amortization of broadcast rights, excluding barter, was $11.5 million for the year ended December 31, 2004, compared to $11.8 million for the same period in 2003, a decrease of $0.3 million, or 3.0%. The decrease was primarily attributed to negotiated lower cost of broadcast programming, partially offset by the amortization of broadcast rights from newly acquired or initially consolidated television stations WUTR, WFXW, KLST, KFTA/KNWA and WTVO.

Amortization of intangible assets was $26.5 million for the year ended December 31, 2004, compared to $24.9 million for the same period in 2003, an increase of $1.6 million, or 6.1%. The increase was primarily attributed to the amortization of intangible assets from newly acquired or initially consolidated television stations WUTR, WFXW, KLST, KFTA/KNWA and WTVO, partially offset by assets at certain stations becoming fully amortized during 2004.

Depreciation of property and equipment was $17.9 million for the year ended December 31, 2004, compared to $20.5 million for the same period in 2003, a decrease of $2.6 million, or 12.3%. The decrease was primarily attributed to assets at certain stations becoming fully depreciated during the first quarter of 2004.

Income from Operations

Income from operations was $37.6 million for the year ended December 31, 2004, compared to a loss from operations of $3.5 million for the same period in 2003, an increase of $41.1 million. Acquisitions that occurred in 2003 and 2004 and stations for which a local service arrangement was entered into after January 1, 2003 had an increase of $0.2 million. On a same station basis, income from operations for the year ended December 31, 2004 was $33.2 million, compared to a loss from operations of $7.7 million for the year ended December 31, 2003, an increase of $40.9 million. The increase in income from operations in 2004 was primarily attributable to the increase in total net revenue and decrease in merger related expenses as described above.

Table of Contents

Interest Expense

Interest expense decreased by $16.1 million, or 23.5%, for the year ended December 31, 2004, compared to the same period in 2003. The decrease in interest expense was partially attributed to lower interest rates on our and Mission s senior credit facilities and the redemption of the 16% Notes in January 2004. The year ended December 31, 2003 included the redemption of Quorum s senior discount notes including the associated call premium and acceleration of amortization which added an additional $6.7 million to interest expense. Upon our adoption of the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS No. 150) on July 1, 2003, we reclassified certain redeemable preferred and common units as a liability and for the fourth quarter of 2003, we were required to record the change in fair value of the liability as interest, which resulted in an adjustment to interest expense of $3.9 million for 2003.

Loss on Extinguishment of Debt

Loss on extinguishment of debt of $8.7 million for the year ended December 31, 2004 consisted of $5.9 million in call premium and accelerated amortization related to the redemption of the 16% Notes, the write off of $0.9 million of certain debt financing costs previously capitalized on the 16% Notes and the write off of $1.4 million of previously capitalized debt financing costs and $0.5 million of transaction costs related to the amending of the senior secured credit facilities for Nexstar and Mission in August 2004. Loss on extinguishment of debt of $10.8 million for the year ended December 31, 2003 represented the write off of $5.8 million of certain debt financing costs related to the refinancing of the senior secured credit facilities for Nexstar and Mission in February 2003, the amending of the senior credit facilities which resulted in the write off of $3.1 million of debt financing costs during the fourth quarter of 2003 and the repayment of the Quorum credit facilities on December 30, 2003 which resulted in the write off of $1.8 million of capitalized debt financing costs.

Other Income

Other income was $5.1 million for the year ended December 31, 2004 as compared to $3.4 million for the same period in 2003. During 2003 and 2004, we had an interest rate swap agreement that was terminated on December 31, 2004. The marking-to-market of the interest rate swap agreement resulted in recognition of $2.6 million and $3.7 million in other income for the years ended December 31, 2004 and 2003, respectively. The change in market values was due to a fluctuation in market interest rates. The termination of the interest rate swap agreement on December 31, 2004 resulted in the recognition of $0.7 million in other income for the year ended December 31, 2004. Other income for the year ended December 31, 2004 includes a $1.8 million gain related to a settlement concerning the terminated sale of our television station WTVW, the Fox affiliate in Evansville, Indiana.

Income Taxes

Income tax expense for the year ended December 31, 2004 was $4.4 million as compared to an income tax benefit of $14.9 million for the same period in 2003. Our provision for income taxes is primarily created by an increase in the deferred tax liabilities position during the year arising from the amortizing of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. This expense has no impact on our cash flows. Based primarily on our recent history of net operating losses, we do not consider the realization of our net deferred tax assets to be more likely than not. Accordingly, we have provided a full valuation allowance for net deferred tax assets excluding deferred tax liabilities attributable to goodwill and indefinite-lived intangible assets. No tax benefit was recorded with respect to the losses for 2004, as the utilization of such loss is not likely to be realized in the foreseeable future.

Prior to its reorganization, Nexstar s predecessor and most of its subsidiaries were taxed as separate taxable entities or as a partnership. Subsidiaries purchased in stock transactions prior to the reorganization remained separate taxable entities with these purchases creating tax liabilities due to the temporary differences between the carrying amounts and tax basis of assets and liabilities. As a result of the reorganization, all of the subsidiaries now reside in a single taxable entity, allowing the assets and liabilities giving rise to deferred taxes the ability to offset. The offset allowed Nexstar to reduce the valuation allowance in 2003. The tax benefit exceeded the deferred tax expense resulting in a $14.9 million benefit.

Cumulative Effect of Change in Accounting Principle

During the third quarter of 2003, Nexstar recorded a cumulative effect of a change in accounting principle of $8.9 million as a result of the net change in the fair value of units subject to mandatory redemption pursuant to the adoption of SFAS No. 150.

Minority Interest in Consolidated Entity

The minority interest in consolidated entity of $2.1 million for the year ended December 31, 2004 related to the recognition of $2.1 million of expenses in the stations WFXW, KFTA/KNWA, KLST and WTVO prior to the consummation of their acquisitions as a result of the application of FIN No. 46R. The minority interest in consolidated entity of $0.8 million for the year ended December 31, 2003 related to the recognition of $0.8 million of expenses due to the application of FIN No. 46 as it pertains to stations KFTA/KNWA prior to the consummation of its acquisition and to the local service agreements Mission had with WFXW from May 9, 2003 to April 6, 2004.

Liquidity and Capital Resources

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

Table of Contents

Overview

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

	Year Ended December 31, 2005	Year Ended December 31, 2004
	(in thousands)	
Net cash provided by operating activities	$ 14,350	$ 31,911
Net cash used for investing activities	(26,358)	(44,605)
Net cash provided by financing activities	6,990	20,351
Net increase (decrease) in cash and cash equivalents	$ (5,018)	$ 7,657
Cash paid for interest, net	$ 44,947	$ 36,422
Cash paid (refunded) for income taxes, net	$ (59)	$ 818

	December 31, 2005	December 31, 2004
	(in thousands)	
Cash and cash equivalents	$ 13,487	$ 18,505
Long-term debt including current portion(1)	$ 646,505	$ 629,898
Unused commitments under senior credit facilities(2)	$ 97,500	$ 58,500

(1) Long-term debt at December 31, 2004 included a $2.5 million SFAS No. 133 fair value hedge adjustment of the carrying amount of Nexstar s 12% senior subordinated notes. The SFAS No. 133 adjustment was derecognized on April 1, 2005.

(2) Based on covenant calculations, as of December 31, 2005, there was approximately $15 million of total available borrowings that could be drawn under the Nexstar and Mission senior secured credit facilities.

On April 1, 2005, we and Mission refinanced borrowings outstanding under various long-term debt obligations. In connection with the refinancing, we redeemed $160.0 million in aggregate principal amount of outstanding 12% Notes, increased the borrowings under the term loan to our senior secured credit facility by $99.9 million and issued $75.0 million in the aggregate principal amount of 7% Notes. Under our new senior secured credit facility agreement, the applicable margin component of the revolving loan was decreased by 100 basis points, representing one percent. Our new credit facility agreement also extended the maturity dates of the term and revolving loan to 2012. A combination of proceeds obtained from borrowings under our senior credit facility and the issuance of the 7% Notes were used to fund the redemption of the 12% Notes. Additionally, on April 1, 2005, Mission increased the borrowings under the term loan to its senior secured credit facility by $21.8 million, reduced the applicable margin component of its revolving loan and extended the maturity dates of its term and revolving loan. Terms of Mission s new senior secured credit facility are the same as Nexstar s new credit facility.

Cash Flows Operating Activities

The comparative net cash flows from operating activities decreased by $17.6 million during the year ended December 31, 2005 compared to the same period in 2004. The decrease was primarily due to a further decline in operating results as reflected in the $28.2 million increase in net loss and a decrease of $6.3 million in cash flows from interest payable, partially offset by an increase of $4.8 million in cash flows from accounts receivable and an increase of $8.9 million in cash flows from accounts payable and accrued expenses. Also contributing to the decline was the increase in cash payments associated with debt extinguishments, which were $16.0 million for the year ended December 31, 2005, compared to the $5.9 million for the same period in 2004.

Cash paid for interest increased by $8.5 million during the year ended December 31, 2005 compared to the same period in 2004. Cash payments of interest for the year ended December 31, 2005 included $9.6 million for our 12% Notes and $11.4 million for our 7% Notes, along with the original $6.4 million discount related to the 12% Notes. Cash payments for interest for the year ended December 31, 2004 included $19.2 million for our

12% Notes and $4.7 million for our 7% Notes. Cash payments of interest on our and Mission s senior credit facilities increased from $12.5 million for the year ended December 31, 2004 to $17.6 million for the year ended December 31, 2005 due to higher interest rates and a greater amount of debt outstanding in 2005 on the respective credit facilities.

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

Cash Flows Investing Activities

The comparative net cash used for investing activities increased by $18.2 million during the year ended December 31, 2005 compared to the same period in 2004. Cash flows from investing activities consist primarily of cash used for capital additions and station acquisitions. The increase was due to increases in purchases of property and equipment and acquisition related payments.

Capital expenditures were $14.0 million for the year ended December 31, 2005, compared to $10.6 million for the year ended December 31, 2004. The increase was primarily attributable to digital conversion expenditures, which increased from $0.3 million for the year ended December 31, 2004 to $5.5 million for the same period in 2005. We project that 2006 full-year capital expenditures will be approximately $22.0 million.

Cash used for station acquisitions was $12.5 million for the year ended December 31, 2005, compared to $35.1 million for the year ended December 31, 2004. Acquisition related payments for the year ended December 31, 2005 included the remaining payments of $5.75 million and $6.0 million, exclusive of transaction costs, for Mission s acquisition of WTVO and our acquisition of KFTA/KNWA, respectively. Acquisition related payments for the year ended December 31, 2004 included the $3.7 million purchase price, exclusive of transaction costs, of Mission s acquisition of WUTR, the remaining $1.5 million payment, exclusive of transaction costs, for Mission s acquisition of WFXW, the $12.0 million purchase price, exclusive of transaction costs, of our acquisition of KLST, the initial $15.0 million payment, exclusive of transaction costs, for Mission s acquisition of WTVO and the payment of $0.9 million by Mission for the accounts receivable of WTVO as of November 1, 2004.

Cash Flows Financing Activities

The comparative net cash provided by financing activities decreased by $13.4 million during the year ended December 31, 2005 compared to the same period in 2004. The decrease was primarily due to a decrease in the amount of net proceeds received from our and Mission s long-term debt financing activities in the current year as compared to the net amounts received from the prior year s financing activities. The decrease was partially offset by an increase in payments of debt financing costs of $3.0 million made in connection with the April 1, 2005 refinancing of our and Mission s long-term debt obligations and the October 2005 amendment of our senior secured credit facility agreement as compared to the payments made in connection with the August 2004 amending of our and Mission s senior secured credit facilities.

The April 1, 2005 refinancing of our and Mission s long-term debt obligations provided the Company net cash proceeds of $19.0 million, before the payment of transaction fees and expenses, consisting of gross proceeds obtained under senior credit facility term loans and our issuance of 7% Notes of $427.4 million and the repayments of previous senior credit facility term and revolving borrowings and our 12% Notes of $408.4 million. The August 2004 amending of our and Mission s senior secured credit facilities provided the Company

Table of Contents

net cash proceeds of $1.0 million, before the payment of transaction fees and expenses, consisting of gross proceeds obtained under senior credit facility term loans of $235.0 million and the repayments of previous senior credit facility term and revolving borrowings of $234.0 million. The net amount of cash received from financing activities for the year ended December 31, 2004 was primarily the result of net borrowings of $51.5 million under senior credit facility revolving loans, the repayments of our 16% senior discount notes of $28.9 million and senior credit facility term loan repayments of $2.2 million.

During the year ended December 31, 2005, there were $8.0 million of other repayments under our and Mission s senior secured credit facilities, consisting of scheduled term loan maturities of $1.5 million and a voluntary repayment of $6.5 million.

Although the Nexstar and Mission senior credit facilities now allow for the payment of cash dividends to common stockholders, we and Mission do not currently intend to declare or pay a cash dividend.

Future Sources of Financing and Debt Service Requirements

As of December 31, 2005, Nexstar and Mission had total combined debt of $646.5 million, which represented 111.4% of Nexstar and Mission s combined capitalization. Our and Mission s high level of debt requires that a substantial portion of cash flow be dedicated to pay principal and interest on debt which will reduce the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes.

The following table summarizes the approximate aggregate amount of principal indebtedness scheduled to mature for the periods referenced as of December 31, 2005:

	Total	2006	2007-2008 (in thousands)	2009-2010	Thereafter
Nexstar senior credit facility(1)	$ 175,361	$ 1,758	$ 3,516	$ 3,516	$ 166,571
Mission senior credit facility(1)	172,268	1,727	3,454	3,454	163,633
7% senior subordinated notes due 2014	200,000				200,000
11.375% senior discount notes due 2013(2)	130,000		46,906		83,094
	$ 677,629	$ 3,485	$ 53,876	$ 6,970	$ 613,298

(1) Quarterly principal payments under the Nexstar and Mission senior credit facility term loans commenced on December 31, 2005.
(2) On April 1, 2008, Nexstar is required to redeem a principal amount of notes outstanding sufficient to ensure that the notes will not be applicable high yield discount obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986.

We make semiannual interest payments on our 7% Notes of $7.0 million on January 15th and July 15th. The 11.375% senior discount notes (11.375% Notes) will not begin to accrue cash interest until April 1, 2008. Commencing October 1, 2008 we will make semiannual interest payments on our 11.375% Notes on April 1st and October 1st. Interest payments on our and Mission s senior credit facilities are generally paid every one to three months and are payable based on the type of interest rate selected.

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

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

Table of Contents

Debt Covenants

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

As of December 31, 2005, we were in compliance with all covenants contained in the credit agreements governing our senior secured credit facility and the indentures governing the publicly-held notes. We anticipate compliance with all the covenants through December 31, 2006. In October 2005, we amended our credit facility agreement to adjust the total and senior leverage ratios for periods after September 30, 2005. The amended financial covenant ratios are less restrictive than the previously effective ratios. For a discussion of the financial ratio requirements of these covenants, we refer you to Note 8 of our consolidated financial statements in Part IV, Item 15(a) of this Annual Report on Form 10-K.

Use of Derivative Financial Instruments

Interest Rate Swap and Collar Agreements

In the past, we had used interest rate swap and collar agreements to reduce our exposure to fluctuations in interest rates on our variable rate debt or to hedge fair value changes in the bench mark interest rate on our fixed rate senior notes. As of December 31, 2005, all of our interest rate swap and collar agreements had either been terminated or expired, and we currently hold no derivative financial instruments.

Until December 31, 2004, we had in effect an interest rate swap agreement to pay a fixed interest rate and receive a variable interest rate as required by our bank credit facility agreement, with a notional amount of $93.3 million. This interest rate swap agreement expired on December 31, 2004.

As the successor to Quorum, we had entered into an interest rate collar agreement for a notional amount of $60.0 million through September 13, 2003 and $40.0 million from September 13, 2003 through December 13, 2004. Under the agreement the ceiling and floor interest rates were 2.5% and 0.88%, respectively. This agreement was terminated on April 5, 2004 with no gain or loss being recognized.

Cash Requirements for Digital Television (DTV) Conversion

It will be expensive to convert our and Mission s stations from the current analog format to the digital broadcast format. This conversion required an average initial capital expenditure of approximately $0.2 million per station for low-power transmission of digital signal programming. Except for KNWA, all of the television stations we and Mission own and operate are broadcasting at least a low-power digital television signal. Digital conversion expenditures were $5.5 million and $0.3 million for the years ended December 31, 2005 and 2004, respectively.

We estimate that it will require an average capital expenditure of approximately $1.5 million per station (for 38 stations) to modify our and Mission s stations DTV transmitters for full-power digital signal transmission, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. We anticipate these expenditures will be funded through available cash on hand and cash generated from operations as incurred in future years. Stations that fail to meet the FCC s build-out deadlines, and that have not requested an extension of time from the FCC, will lose interference protection for their signals outside their low-power coverage areas. As of December 31, 2005, Mission s stations WUTR, WTVO and WYOU are transmitting full-power digital signals and Nexstar s station WBRE is transmitting a full- power digital signal. We and Mission filed requests for extension of time to construct full-power DTV facilities for our top four network affiliates in the top one hundred market stations. The FCC has not yet acted on these requests for extension of time.

The FCC also adopted additional Program System and Information Protocol (PSIP) requirements. The equipment and related installation necessary to meet the PSIP requirements cost approximately $1.3 million in total for our stations and the stations to which we provide services. These expenditures were funded in 2005 through available cash on hand and cash generated from operations.

No Off-Balance Sheet Arrangements

At December 31, 2005, 2004 and 2003, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. All of our arrangements with Mission are on-balance sheet arrangements. We are, therefore, not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Contractual Obligations

The following summarizes Nexstar s and Mission s contractual obligations at December 31, 2005, and the effect such obligations are expected to have on the Company s liquidity and cash flow in future periods:

	Total	2006	2007-2008	2009-2010	Thereafter
		(dollars in thousands)			
Nexstar senior credit facility	$ 175,361	$ 1,758	$ 3,516	$ 3,516	$ 166,571
Mission senior credit facility	172,268	1,727	3,454	3,454	163,633
7% senior subordinated notes due 2014	200,000				200,000
11.375% senior discount notes due 2013	130,000		46,906		83,094
Cash interest on debt	345,797	36,914	89,971	97,859	121,053
Broadcast rights current commitments	8,527	5,945	2,156	424	2
Broadcast rights future commitments	20,699	2,218	9,594	7,651	1,236
Executive employee contracts (1)	19,001	6,031	10,409	2,561	
Capital commitments	33,034	9,339	19,376	4,319	
Operating lease obligations	63,975	3,732	7,371	7,027	45,845
Total contractual cash obligations	$ 1,168,662	$ 67,664	$ 192,753	$ 126,811	$ 781,434

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

Critical Accounting Policies and Estimates

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

For an overview of our significant accounting policies, we refer you to Note 2 of our consolidated financial statements in Part IV, Item 15(a) of this Annual Report on Form 10-K. We believe the following critical accounting policies are those that are the most important to the presentation of our consolidated financial statements, affect our more significant estimates and assumptions, and require the most subjective or complex judgments by management.

Consolidation of Mission and Variable Interest Entities

Our consolidated financial statements include the accounts of independently-owned Mission and certain other entities where it has been determined that the Company is the primary beneficiary of a variable interest entity (VIE) in accordance with FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation on Accounting Research Bulletin No. 51 (FIN No. 46) as revised in December 2003 (FIN No. 46R). Under U.S. GAAP, a company must consolidate an entity when it has a controlling financial interest resulting from ownership of a majority of the entity s voting rights. FIN No. 46R expands the definition of controlling financial interest to include factors other than equity ownership and voting rights.

In applying FIN No. 46R, we must base our decision to consolidate an entity on quantitative and qualitative factors that indicate whether or not we are absorbing a majority of the entity s economic risks or receiving a majority of the entity s economic rewards. Our evaluation of the risks and rewards model must be an ongoing process and may alter as facts and circumstances change.

Mission is included in our consolidated financial statements because we believe we have a controlling financial interest in Mission as a result of local service agreements we have with each of Mission s stations, our guarantee of the obligations incurred under Mission s senior credit facility and purchase options granted by Mission s sole shareholder which will permit us to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent.

In addition, generally in connection with acquisitions, the Company enters into time brokerage agreements (TBA) and begins operating a station before receiving FCC consent to the transfer of the station s ownership and broadcast license. We include a station operated under a TBA in our consolidated financial statements because we believe that we have a controlling financial interest in the station as a result of the Company assuming the credit risk of advertising revenue it sold on the station and the Company paying for substantially all the station s reasonable operating expenses, as required under the agreement. Additionally, in connection with acquisitions, upon entering into the TBA it is considered probable that the FCC will consent to the sale of the station and transfer of the station s broadcast license within a reasonable period of time.

Valuation of Intangible Assets

The process of establishing the value of intangible assets and performing our annual impairment testing of goodwill and broadcast licenses (FCC licenses), requires us to make a significant number of assumptions and estimates in determining a fair value based on the present value of projected future cash flows (discounted cash flows analysis). To assist in this process, we utilize the services of independent appraisal and valuation consulting firms. The assumptions and estimates required for the discounted cash flows analysis included market revenue share, future market revenue growth, operating profit margins, cash flow multiples, weighted-average cost of capital, our ability to renew affiliation contracts, among others.

The value of FCC licenses is determined assuming a hypothetical independent start-up station whose only intangible asset is the FCC license. The value of network affiliation agreements is determined as the difference between the value derived for the hypothetical independent start-up station and the value derived assuming that the start-up station has a network affiliation.

We test the impairment of goodwill and FCC licenses annually or whenever events or changes in circumstances indicate that such assets might be impaired. The impairment tests consist of a comparison of the assets fair value, based on a discounted cash flows analysis, to their carrying amount on a market-by-market basis. The projected future cash flows used to test FCC licenses excludes network compensation payments. Our

Table of Contents

estimate of future cash flows may be significantly impacted due to an adverse change in the advertising marketplace or other economic factors affecting our industry at the time the impairment tests are performed. Nexstar and Mission completed the annual test of impairment for goodwill and FCC licenses as of December 31, 2005, 2004 and 2003, which resulted in no impairment being recognized in 2005, 2004 and 2003.

We test network affiliation agreements for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. The process we use for determining the recoverability of network affiliation agreements is subjective and requires us to make estimates and judgments about the cash flows attributable to the network affiliation agreements over their estimated remaining useful lives. An impairment in the carrying amount of a network affiliation agreement is recognized when the expected future operating cash flow derived from the asset is less than its carrying value.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer s inability to meet its financial obligations, we record a specific reserve to reduce the amounts recorded to what we believe will be collected. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Allowance for doubtful accounts were $0.9 million and $1.1 million at December 31, 2005 and 2004, respectively.

Broadcast Rights Assets Carrying Amount

Broadcast rights assets are stated at the lower of unamortized cost or net realizable value. Cash broadcast rights are initially recorded at the amount paid or payable to program distributors for the limited right to broadcast the distributors programming. Barter broadcast rights are recorded at our estimate of the value of the advertising time exchanged, which approximates the fair value of the programming received. The value of the advertising time exchanged is estimated by applying average historical rates for specific time periods. Amortization of broadcast rights assets is computed using the straight-line method based on the license period or programming usage, whichever yields the greater expense. The current portion of broadcast rights assets represents those rights available for broadcast which will be amortized in the succeeding year. When projected future net revenue associated with a program is less than the current carrying amount of the program broadcast rights due to; for example; poor ratings, we write-down the unamortized cost of the broadcast rights asset to equal the amount of projected future net revenue. If the expected broadcast period was shortened or cancelled due, for example, to poor ratings, we would be required to write-off the remaining value of the related broadcast rights to operations on an accelerated basis or possibly immediately. As of December 31, 2005, the amounts of current broadcast rights and non-current broadcast rights were $12.6 million and $3.7 million, respectively.

Trade and Barter Transactions

We trade certain advertising time for various goods and services. These transactions are recorded at the estimated fair value of the goods or services received. We barter advertising time for certain program material. These transactions, except those involving exchange of advertising time for network programming, are recorded at management s estimate of the value of the advertising time exchanged, which approximates the fair value of the program material received. The value of advertising time exchanged is estimated by applying average historical advertising rates for specific time periods. We recorded barter revenue of $12.4 million, $13.4 million and $14.1 million for the years ended December 31, 2005, 2004 and 2003, respectively. Trade revenue of $7.9 million, $7.7 million and $6.7 million was recorded for the years ended December 31, 2005, 2004 and 2003, respectively. We incurred trade and barter expense of $19.8 million, $21.0 million and $20.6 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Valuation Allowance for Deferred Tax Assets

We record a valuation allowance to reduce our deferred tax assets to the amount that is likely to be realized. While we have considered future taxable income and feasible tax planning strategies in assessing the need for a valuation allowance, in the event that we were to determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the valuation allowance would be charged to income in the period such a determination was made.

Derivatives

All of Nexstar s interest rate swap and collar agreements were terminated or expired through 2004. As of December 31, 2005 and 2004, we held no derivative financial instruments.

We may use derivative financial instruments for purposes other than trading, such as for hedging long-term variable rate debt to reduce our exposure to fluctuations in interest rates, as dictated by our credit agreement and for hedging fair value changes attributable to changes in the benchmark interest rate on fixed rate debt. All derivatives are recognized on our balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction, based on criteria established by FASB Statement of Financial Accounting Standards No. 133, Accounting for Derivative and Hedging Activities (SFAS No. 133), as amended. We assess, both at its inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in cash flows of hedged items. We assess hedge ineffectiveness on a quarterly basis and record the gain or loss related to the ineffective portion to current earnings. If we determine that a cash flow hedge is no longer probable of occurring, we discontinue hedge accounting for the affected portion of the forecasted transaction, and any unrealized gain or loss on the contract is recognized in current earnings. The change in market values of derivative instruments and the marking-to-market of those interest rate swap agreements resulted in recognition of $2.6 million and $3.7 million in other income for the years ended December 31, 2004 and 2003, respectively. The change in market values was due to a fluctuation in market interest rates. The termination of the swap agreement on December 31, 2004 resulted in the recognition of $0.7 million in other income for the year ended December 31, 2004.

Claims and Loss Contingencies

In the normal course of business, we are party to various claims and legal proceedings. We record a liability for these matters when an adverse outcome is probable and the amount of loss is reasonably estimated. We consider a combination of factors when estimating probable losses, including judgments about potential actions by counter parties.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)) which replaces SFAS No. 123 and supercedes APB No. 25. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123 as originally issued. However, SFAS No. 123(R) eliminates the use of the alternative APB No. 25 intrinsic value method of accounting that was provided in SFAS No. 123 and requires companies to expense the fair value of employee stock options and other forms of stock-based employee compensation in the financial statements over the period that an employee provides service in exchange for the award. The pro forma footnote disclosure previously permitted under SFAS No. 123 will no longer be an alternative to financial statement recognition. Under SFAS No. 123(R), compensation cost related to stock options is measured at the grant date based on the fair value of the award using an option-pricing model and will be recognized as expense ratably over the vesting period. SFAS No. 123(R) is effective as of the beginning of the first interim reporting period that begins after June 15, 2005; however, on April 14, 2005, the Securities and Exchange Commission issued a ruling that changed the effective date for public companies to fiscal years that begin after June 15, 2005 which for the Company is January 1,

2006. Nexstar has elected to adopt this new Standard as of the beginning of the 2006 fiscal year. Using the modified prospective transition method, beginning January 1, 2006 Nexstar will recognize compensation expense for all newly granted or modified stock options based on the requirements of SFAS No. 123(R) and will begin recognizing compensation expense over the remaining vesting period for the unvested portion of all stock options granted prior to adoption based on the fair values previously calculated for pro forma disclosure purposes. The Black-Scholes option-pricing model has been used to value Nexstar s employee stock options for disclosure purposes and this option-pricing model will be used under SFAS No. 123(R).

As permitted by SFAS No. 123, Nexstar currently accounts for stock-based compensation to employees using the intrinsic value method of APB No. 25 and, as such, has not recognized compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123(R) s expense recognition provision will have a significant impact on the Nexstar s results of operations. At December 31, 2005, the aggregate value of the unvested portion of previously issued stock options was approximately $6.1 million. Compensation cost related to these stock options will be recognized as expense ratably over the remaining vesting period of the awards which become fully-vested in 2010. The actual impact of adopting SFAS No. 123(R) will depend on, among other factors, the market price of Nexstar s common stock, the terms, number and timing of future stock option award grants. However, based on the awards currently known to be outstanding, Nexstar anticipates that the impact of adopting SFAS 123(R) will result in annual expense in 2006 of approximately $1.5 million ($0.05 per basic and diluted share). This estimate does not include the impact of additional awards, which may be granted, or forfeitures, which may occur, but are not presently known.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29 (SFAS No. 153). The amendments made by SFAS No. 153 require that exchanges of nonmonetary assets be accounted for at fair value of the assets exchanged, unless the exchange lacks commercial substance. A nonmonetary exchange has commercial substance when the future cash flows of the entity are expected to change significantly as a result of the exchange. This new Standard eliminates a provision in APB Opinion No. 29 that exempted nonmonetary exchanges of similar productive assets from fair value accounting. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Therefore, SFAS No. 153 was effective for the Company on July 1, 2005. The adoption of this new Standard did not have a material impact on the Company s financial position or results of operations.

In March 2005, the FASB issued Financial Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143 (FIN No. 47). FIN No. 47 clarifies that an entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. A conditional asset retirement obligation is a term used in Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations , that refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005, which is the Company s current fiscal year ending December 31, 2005. The adoption of FIN No. 47 did not have any material impact on the Company s financial position or results of operations.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections a replacement of APB No. 20 and FASB Statement No. 3 (SFAS No. 154). SFAS No. 154 requires entities that voluntarily make a change in accounting principle to apply that change retrospectively to all prior period financial statements as if the principle had always been used, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Previously under APB Opinion No. 20, Accounting Changes , most voluntary changes in accounting principle were recognized by including in net income of the period of change the cumulative effect of changing to the new accounting principle. In addition to voluntary changes, this new Standard establishes retrospective application as the required method for adopting a newly issued accounting pronouncement when the pronouncement does not include specific transition provisions. SFAS No. 154 also requires that a change in method of depreciation, amortization, or depletion for long-lived, nonfinancial assets, be accounted for as a change in accounting estimate affected by a change in accounting principle, the effects of which are to be applied prospectively in the period of change and future periods. This Statement also makes a distinction between retrospective application of an accounting principle and the restatement of financial statements to reflect the correction of an error. SFAS No. 154 applies to accounting changes and error corrections that are made in fiscal years beginning after December 15, 2005. The Company will adopt the provisions of SFAS No. 154, as applicable, beginning in fiscal 2006.

In June 2005, the FASB EITF reached a consensus on EITF Issue No. 04-10, Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds (EITF No. 04-10). EITF 04-10 provides guidance on FAS 131, Disclosures about Segments of an Enterprise and Related Information and how to determine whether operating segments which do not meet certain quantitative thresholds may be aggregated and reported as a single operating segment. EITF 04-10 is effective for fiscal years ending after September 15, 2005, and corresponding information for earlier periods, including interim periods, should be restated unless it is impractical to do so. The Company has adopted the guidance as of the year ending December 31, 2005 and the adoption did not have a material impact on our financial position or results of operations.

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, Accounting for Hybrid Financial Instruments an amendment to of FASB Statements No. 133 and 140 (SFAS No. 155). SFAS No. 155 provides a fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Under SFAS No. 155, an entity must irrevocably elect, on an instrument-by-instrument basis, to apply fair value accounting to a hybrid financial instrument in its entirety in lieu of separately accounting for the instrument as a host contract and derivative instrument. Additionally, SFAS No. 155 clarifies that both interest-only and principal-only strips are not subject to the provision of SFAS No. 133 and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding versus those that are embedded derivatives. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006, which for the Company is January 1, 2007. Earlier adoption is permitted as of the beginning of an entity s fiscal year. The Company will adopt the provisions of SFAS No. 155 beginning in fiscal 2007. Management is currently evaluating the impact the adoption of this Statement will have on the Company s consolidated financial statements, which will primarily depend on the types of hybrid financial instruments the Company issues or acquires in the future.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our long-term debt obligations.

All borrowings at December 31, 2005 under the senior credit facilities bear interest at 6.28%, which represented the base rate, or LIBOR, plus the applicable margin, as defined. Interest is payable in accordance with the credit agreements.

Table of Contents

The following table estimates the changes to cash flow from operations as of December 31, 2005 if interest rates were to fluctuate by 100 or 50 basis points, or BPS (where 100 basis points represents one percentage point), for a twelve-month period:

	Interest rate decrease		No change to	Interest rate increase	
	100 BPS	50 BPS	interest rate	50 BPS	100 BPS
			(in thousands)		
Senior credit facilities	$ 18,355	$ 20,093	$ 21,831	$ 23,569	$ 25,307
7% senior subordinated notes due 2014(1)	14,000	14,000	14,000	14,000	14,000
11.375% senior discount notes due 2013(1)	11,883	11,883	11,883	11,883	11,883
Total	$ 44,238	$ 45,976	$ 47,714	$ 49,452	$ 51,190

(1) There is no change to our cash flow from operations associated with our senior subordinated and senior discount notes because these are fixed rate debt obligations. As of December 31, 2005, we have no financial instruments in place to hedge against changes in the benchmark interest rates on this fixed rate debt.

The fair value of long-term fixed interest rate debt is also subject to interest rate risk. Generally, the fair value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company s total long-term debt at December 31, 2005 was approximately $646.5 million, which was approximately $18.4 million less than its carrying value. Fair values are determined from quoted market prices where available or based on estimates made by investment banking firms.

In the past, Nexstar has used derivative instruments to manage our exposures to interest rate risks. As of December 31, 2005, we had no derivative financial instruments. Our objective for holding derivatives is to minimize these risks using the most effective methods to eliminate or reduce the impacts of these exposures. We used interest rate swap arrangements, not designated as hedging instruments under SFAS No. 133, in connection with our variable rate senior credit facilities. We do not use derivative financial instruments for speculative or trading purposes.

Given the interest rates that were in effect at December 31, 2004, as of that date, we estimated that our cash flows from operations would have increased by approximately $2.6 million and $1.3 million, respectively, for a 100 BPS and 50 BPS interest rate decrease, and decreased by approximately $1.3 million and $2.6 million, respectively, for a 50 BPS and 100 BPS interest rate increase. The estimated fair value of the Company s total long-term debt at December 31, 2004 (excluding SFAS No. 133 hedge accounting adjustment) was approximately $627.4 million, which was approximately $25.8 million greater than its carrying value.

Impact of Inflation

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

Item 8. Consolidated Financial Statements and Supplementary Data

Our Financial Statements are filed with this report. The Financial Statements and Supplementary Data are included in Part IV, Item 15(a) of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer along with our Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report of the effectiveness of the design and operation of Nexstar s disclosure controls and procedures.

Table of Contents

Based upon that evaluation, our President and Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (i) were effective in recording, processing, summarizing and reporting material information required to be included in our periodic filings under the Securities and Exchange Act of 1934 within the time periods specified in the SEC s rules and forms; and (ii) include controls and other procedures designed to ensure that information required to be disclosed in our reports filed with the SEC was accumulated and communicated to management, including our President and Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarterly period as of the end of the period covered by this report, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Nexstar s internal control over financial reporting.

Management s Report on Internal Controls over Financial Reporting

Nexstar s management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Nexstar s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of Nexstar s internal control over financial reporting as of December 31, 2005 based upon the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on management s assessment, we have concluded that, as of December 31, 2005, Nexstar s internal control over financial reporting was effective based on those criteria.

Management s assessment of the effectiveness of Nexstar s internal control over financial reporting as of December 31, 2005, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on pages F-2 and F-3 included in Part IV, Item 15(a) of this Annual Report on Form 10-K.

Item 9B. Other Information

None.

Table of Contents

PART III

Item 10. Directors and Executive Officers of the Registrant

Information concerning directors that is required by this Item 10 will be set forth in the Proxy Statement to be provided to stockholders in connection with our 2006 Annual Meeting of Stockholders (the Proxy Statement) under the headings Directors and Nominees for Directors and Section 16(a) Beneficial Ownership Reporting Compliance, which information is incorporated herein by reference.

Item 11. Executive Compensation

Information required by the Item 11 will be set forth in the Proxy Statement under the headings Compensation of Executive Officers and Director Compensation, which information is incorporated herein by reference. Information specified in Items 402(k) and 402(l) of Regulation S-K and set forth in the Proxy Statement is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information required by this Item 12 will be set forth in the Proxy Statement under the heading Security Ownership of Certain Beneficial Owners and Management, and Compensation of Executive Officers, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information required by this Item 13 will be set forth in the Proxy Statement under the heading Certain Relationships and Related Transactions, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by this Item 14 will be set forth in the Proxy Statement under the heading Ratification of the Selection of Independent Registered Public Accounting Firm, which information is incorporated herein by reference.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules
(a) Documents filed as part of this report:

(1) *Financial Statements.* The following financial statements of Nexstar Broadcasting Group, Inc. have been included on pages F-1 through F-69 of this Annual Report on Form 10-K:

See the Index to Consolidated Financial Statements on page F-1 for a list of financial statements filed with this report.
The audited financial statements of Mission Broadcasting, Inc. as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005 as filed in Mission Broadcasting, Inc. s Annual Report on Form 10-K are incorporated by reference in this report.

(2) *Financial Statement Schedules*. The schedule of Valuation and Qualifying Accounts appears in Note 19 to the financial statements filed as part of this report.

(3) *Exhibits*. The exhibits filed in response to Item 601 of Regulation S-K are listed in the Exhibit Index beginning on page E-1 of this Annual Report on Form 10-K.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEXSTAR BROADCASTING GROUP, INC.

By:	/s/ PERRY A. SOOK **Perry A. Sook**
Its:	**President and Chief Executive Officer**
By:	/s/ MATTHEW E. DEVINE **Matthew E. Devine**
Its:	**Chief Financial Officer**

Dated: March 16, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on March 16, 2006.

Name	Title
/s/ PERRY A. SOOK **Perry A. Sook**	President, Chief Executive Officer and Director
/s/ JAY M. GROSSMAN **Jay M. Grossman**	Director
/s/ ROYCE YUDKOFF **Royce Yudkoff**	Director
/s/ BLAKE R. BATTAGLIA **Blake R. Battaglia**	Director
/s/ ERIK BROOKS **Erik Brooks**	Director
/s/ BRENT STONE **Brent Stone**	Director
/s/ GEOFF ARMSTRONG **Geoff Armstrong**	Director
/s/ I. MARTIN POMPADUR	Director

I. Martin Pompadur

/s/ MICHAEL DONOVAN	Director

Michael Donovan

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the board of directors and shareholders of Nexstar Broadcasting Group, Inc.:

We have completed integrated audits of Nexstar Broadcasting Group Inc. s 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in redeemable preferred and common units and stockholders equity (deficit)/members interest (deficit) and cash flows present fairly, in all material respects, the financial position of Nexstar Broadcasting Group, Inc. and its subsidiaries (the Company) at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, effective July 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity .

Internal control over financial reporting

Also, in our opinion, management s assessment, included in Management s Report on Internal Controls over Financial Reporting appearing under Part II, Item 9A of the Company s Annual Report on Form 10-K, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control Integrated Framework* issued by the COSO. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in

Table of Contents

accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Dallas, Texas

March 16, 2006

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2005 and 2004

(in thousands, except per share information)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,487	$ 18,505
Accounts receivable, net of allowance for doubtful accounts of $863 and $1,119, respectively	46,706	48,391
Current portion of broadcast rights	12,574	17,292
Prepaid expenses and other current assets	1,980	2,580
Property held for sale	516	
Total current assets	75,263	86,768
Property and equipment, net	98,156	101,068
Broadcast rights	3,704	6,423
Goodwill	146,258	145,576
FCC licenses	138,437	138,437
Other intangible assets, net	209,536	235,613
Other noncurrent assets	8,727	21,080
Total assets	$ 680,081	$ 734,965
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Current portion of debt	$ 3,485	$ 2,350
Current portion of broadcast rights payable	13,169	17,561
Accounts payable	9,176	8,092
Accrued expenses	12,463	12,561
Taxes payable	249	89
Interest payable	6,556	8,866
Deferred revenue	4,369	2,000
Total current liabilities	49,467	51,519
Debt	643,020	627,548
Broadcast rights payable	4,639	7,153
Deferred tax liabilities	34,256	29,369
Deferred revenue	3,207	4,286
Deferred gain on sale of assets	6,240	6,676
Other liabilities	5,277	4,159
Total liabilities	746,106	730,710
Commitments and contingencies		
Minority interest in consolidated entity		21,550
Stockholders deficit:		
Preferred stock $0.01 par value, authorized 200,000 shares; no shares issued and outstanding at December 31, 2005 and 2004, respectively		
Common stock:		
Class A Common $0.01 par value, authorized 100,000,000 shares; issued and outstanding 14,289,310 at both December 31, 2005 and 2004, respectively .	143	143
Class B Common $0.01 par value, authorized 20,000,000 shares; issued and outstanding 13,411,588 at both December 31, 2005 and 2004, respectively	134	134

Class C Common $0.01 par value, authorized 5,000,000 shares; issued and outstanding 662,529 at both December 31, 2005 and 2004, respectively	7	7
Additional paid-in capital	392,393	392,393
Accumulated deficit	(458,702)	(409,972)
Total stockholders deficit	(66,025)	(17,295)
Total liabilities and stockholders deficit	$ 680,081	$ 734,965

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

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2005, 2004 and 2003

(in thousands, except per share amounts)

	2005	2004	2003
Net revenue	$ 226,053	$ 245,740	$ 214,332
Operating expenses (income):			
Direct operating expenses (exclusive of depreciation and amortization shown separately below)	68,117	66,044	60,808
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	72,977	72,319	74,439
Merger related expenses		456	11,754
Loss on property held for sale	616		
Loss (gain) on asset disposal, net	232	146	(495)
Amortization of broadcast rights	22,257	24,805	25,894
Amortization of intangible assets	26,511	26,463	24,934
Depreciation	16,733	17,949	20,467
Total operating expenses	207,443	208,182	217,801
Income (loss) from operations	18,610	37,558	(3,469)
Interest expense, including amortization of debt financing costs	(47,260)	(52,265)	(68,342)
Loss on extinguishment of debt	(15,715)	(8,704)	(10,767)
Interest income	213	113	606
Other income, net	380	5,077	3,365
Loss from operations before income taxes	(43,772)	(18,221)	(78,607)
Income tax benefit (expense)	(4,958)	(4,385)	14,920
Loss before cumulative effect of change in accounting principle and minority interest in consolidated entity	(48,730)	(22,606)	(63,687)
Cumulative effect of change in accounting principle, net of tax			(8,898)
Minority interest in consolidated entity		2,106	786
Net loss	$ (48,730)	$ (20,500)	$ (71,799)
Accretion of preferred interests			(15,319)
Net loss attributable to common shareholders	$ (48,730)	$ (20,500)	$ (87,118)
Basic and diluted net loss per share:			
Net loss attributable to common shareholders	$ (1.72)	$ (0.72)	$ (5.59)
Cumulative effect of change in accounting principle	$	$	$ (0.57)
Weighted average number of shares outstanding:			
Basic and diluted	28,363	28,363	15,576

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

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE PREFERRED AND COMMON UNITS AND STOCKHOLDERS EQUITY (DEFICIT)/MEMBERS INTEREST (DEFICIT)

For the Years Ended December 31, 2005, 2004 and 2003

(in thousands, except share and unit information)

	Redeemable Preferred		Redeemable Class D-2 Common		Redeemable Class E Common		Total Redeemable Preferred & Common Units
	Units	**Amount**	**Units**	**Amount**	**Units**	**Amount**	
Balance at January 1, 2003	131,057	$ 149,408	563,898	$ 8,299	20,549	$ 7,905	$ 165,612
Dividend declared		3,710					3,710
Conversions of redeemable preferred interest into common units .	(15,000)	(18,710)					(18,710)
Distribution to member							
Accretion of redeemable preferred		11,609					11,609
Reclassification to liabilities	(116,057)	(146,017)			(20,549)	(7,905)	(153,922)
Balance at November 28, 2003 before reorganization			563,898	8,299			8,299
Reorganization of Nexstar Broadcasting Group, Inc. and issuance of common shares in connection with the reorganization			(563,898)	(8,299)			(8,299)
Issuance of common shares in connection with the initial public offering, less issuance cost of $14,811							
Balance at November 28, 2003 after reorganization							
Reorganization of Quorum and issuance of common shares in connection with acquisition of Quorum							
Reclassification of Quorum liabilities and conversion into common shares							
Net loss							
Balance at December 31, 2003							
Issuance of common shares in connection with acquisition of Quorum							
Exchange of Class C common shares for Class A common shares							
Net loss							
Balance at December 31, 2004							
Net loss							
Balance at December 31, 2005		$		$		$	$

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

F-6

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE PREFERRED AND COMMON UNITS AND STOCKHOLDERS EQUITY (DEFICIT)/MEMBERS INTEREST (DEFICIT)

For the Years Ended December 31, 2005, 2004 and 2003

(in thousands, except share and unit information)

	Other		Common Stock					
	Common Units		Class A		Class B		Class C	
	Units	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance at January 1, 2003	5,813,928	$ 199,988		$		$		$
Dividend declared								
Conversion of redeemable preferred interest into common units	906,072	18,710						
Distribution to member								
Accretion of redeemable preferred								
Reclassification to liabilities								
Balance at November 28, 2003 before reorganization	6,720,000	218,698						
Reorganization of Nexstar Broadcasting Group, Inc. and issuance of common shares in connection with the reorganization	(6,622,958)	(121,773)	98,406	1	13,331,358	133	1,362,529	14
Issuance of common shares in connection with the initial public offering, less issuance cost of $14,811			10,000,000	100				
Balance at November 28, 2003 after reorganization	97,042	96,925	10,098,406	101	13,331,358	133	1,362,529	14
Reorganization of Quorum and issuance of common shares in connection with the acquisition of Quorum	(97,042)	(96,925)	457,753	5				
Reclassification of Quorum liabilities and conversion into common shares			3,033,130	30	80,230	1		
Net loss								
Balance at December 31, 2003			13,589,289	136	13,411,588	134	1,362,529	14
Issuance of common shares in connection with acquisition of Quorum			21					
Exchange of Class C common shares for Class A common shares			700,000	7			(700,000)	(7)
Net loss								
Balance at December 31, 2004			14,289,310	143	13,411,588	134	662,529	7
Net loss								
Balance at December 31, 2005		$	14,289,310	$ 143	13,411,588	$ 134	662,529	$ 7

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

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE PREFERRED AND COMMON UNITS AND STOCKHOLDERS EQUITY (DEFICIT)/MEMBERS INTEREST (DEFICIT)

For the Years Ended December 31, 2005, 2004 and 2003

(in thousands, except share and unit information)

	Distributions	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders Equity (Deficit)/ Members Interest (Deficit)
Balance at January 1, 2003	$ (1,566)	$	$ (302,354)	$ (103,932)
Dividend declared			(3,710)	(3,710)
Conversions of redeemable preferred interest into common units				18,710
Distribution to member	(1,522)			(1,522)
Accretion of redeemable preferred			(11,609)	(11,609)
Reclassification to liabilities				
Balance at November 28, 2003 before reorganization	(3,088)		(317,673)	(102,063)
Reorganization of Nexstar Broadcasting Group, Inc. and issuance of common shares in connection with the reorganization	3,088	126,835		8,298
Issuance of common shares in connection with the initial public offering, less issuance cost of $14,811		125,089		125,189
Balance at November 28, 2003 after reorganization		251,924	(317,673)	31,424
Reorganization of Quorum and issuance of common shares in connection with acquisition of Quorum		96,920		
Reclassification of Quorum liabilities and conversion into common shares		43,549		43,580
Net loss			(71,799)	(71,799)
Balance at December 31, 2003		392,393	(389,472)	3,205
Issuance of common shares in connection with acquisition of Quorum				
Exchange of Class C common shares for Class A common shares				
Net loss			(20,500)	(20,500)
Balance at December 31, 2004		392,393	(409,972)	(17,295)
Net loss			(48,730)	(48,730)
Balance at December 31, 2005	$	$ 392,393	$ (458,702)	$ (66,025)

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

F-8

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2005, 2004 and 2003

(in thousands)

	2005	2004	2003
Cash flows from operating activities:			
Net loss	$ (48,730)	$ (20,500)	$ (71,799)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Deferred income taxes	4,887	3,651	(17,157)
Provision for bad debts	1,151	1,751	1,273
Depreciation of property and equipment	16,733	17,949	20,467
Amortization of intangible assets	26,511	26,463	24,934
Amortization of debt financing costs	1,320	2,363	2,513
Amortization of broadcast rights, excluding barter	9,810	11,458	11,816
Payments for broadcast rights	(9,704)	(10,520)	(12,395)
Loss (gain) on asset disposal, net	232	146	(495)
Loss on property held for sale	616		
Loss on extinguishment of debt	15,715	8,704	10,767
Cumulative effect of change in accounting principle, net of tax			8,898
Amortization of debt discount	11,028	10,283	11,690
Effect of accounting for derivative instruments	(197)	(4,055)	(4,488)
Call premium and interest paid in connection with repayments of senior discount and senior subordinated notes	(15,981)	(5,934)	
Minority interest in consolidated entity		(2,106)	(786)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	567	(4,243)	(3,141)
Prepaid expenses and other current assets	603	(605)	45
Prepaid income taxes			330
Other noncurrent assets	(455)	(763)	3,061
Accounts payable and accrued expenses	736	(8,130)	13,877
Taxes payable	160	(103)	147
Interest payable	(2,310)	4,026	(510)
Deferred revenue	1,290	1,291	3,295
Other noncurrent liabilities	368	785	1,344
Net cash provided by operating activities	14,350	31,911	3,686
Cash flows from investing activities:			
Additions to property and equipment	(14,016)	(10,552)	(10,311)
Proceeds from sale of assets	125	254	17
Acquisition of broadcast properties and related transaction costs	(12,467)	(35,107)	(101,817)
Down payment on acquisition of stations			(11,500)
Change in restricted cash		800	(800)
Net cash used for investing activities	(26,358)	(44,605)	(124,411)
Cash flows from financing activities:			
Proceeds from stock offering			140,000
Proceeds from debt issuance	427,375	235,000	579,675
Repayment of long-term debt	(263,696)	(248,175)	(483,121)
Proceeds from revolver draws	1,000	63,500	48,150
Repayment of senior discount notes		(28,862)	(27,948)
Repayment of senior subordinated notes	(153,619)		
Repayment of note payable to related party			(2,000)
Payment of preferred membership interests and common units			(123,520)
Payments for debt financing costs	(4,070)	(1,112)	(12,531)

Payments of stock issuance costs			(14,811)
Distributions			(1,522)
Net cash provided by financing activities	6,990	20,351	102,372
Net increase (decrease) in cash and cash equivalents	(5,018)	7,657	(18,353)
Cash and cash equivalents at beginning of year	18,505	10,848	29,201
Cash and cash equivalents at end of year	$ 13,487	$ 18,505	$ 10,848
Supplemental schedule of cash flow information:			
Cash paid for interest, net	$ 44,947	$ 36,422	$ 53,337
Cash paid (refunded) for income taxes, net	$ (59)	$ 818	$ 210
Supplemental schedule of non-cash financing activities:			
Conversion of preferred units to common units	$	$	$ 18,710

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

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business Operations

As of December 31, 2005, Nexstar Broadcasting Group, Inc. (Nexstar) owned, operated, programmed or provided sales and other services to 46 television stations, 45 of which were affiliated with the NBC, ABC, CBS, Fox or UPN television networks and one was an independent television station, in markets located in New York, Pennsylvania, Illinois, Indiana, Missouri, Texas, Louisiana, Arkansas, Alabama, Montana and Maryland. Through various local service agreements, Nexstar provided sales, programming and other services to stations owned and/or operated by independent third parties. Nexstar operates in one reportable television broadcasting segment. The economic characteristics, services, production process, customer type and distribution methods for Nexstar s operations are substantially similar and are therefore aggregated as a single reportable segment.

Nexstar was organized as a corporation on May 17, 2001 in the State of Delaware.

Nexstar s predecessor, Nexstar Broadcasting Group, L.L.C. (Nexstar Group LLC) was organized as a Limited Liability Corporation (L.L.C.) on December 12, 1996 in the State of Delaware and commenced operations on April 15, 1997.

On November 28, 2003, Nexstar completed an initial public offering of 10,000,000 shares of its Class A common stock. Concurrent with its initial public offering, Nexstar completed a corporate reorganization whereby Nexstar Group LLC and certain direct and indirect subsidiaries of Nexstar Group LLC merged with and into Nexstar.

On December 30, 2003, Nexstar completed the acquisition of all of the direct and indirect subsidiaries of Quorum Broadcast Holdings, LLC (Quorum). Quorum owned and operated 11 television stations and provided sales or other services to an additional 5 television stations. The Quorum acquisition was structured as a merger of Quorum s direct subsidiaries with and into Nexstar.

Additionally, on December 30, 2003, Mission Broadcasting, Inc. (discussed below) completed a merger with VHR Broadcasting, Inc. and its subsidiaries (VHR) and with Mission Broadcasting of Amarillo, Inc. (Mission of Amarillo). Prior to December 30, 2003, Quorum provided sales or other services under local service agreements with VHR and Mission of Amarillo that were substantially similar to Nexstar s local service agreements with Mission. Upon completion of the Quorum acquisition and the Mission mergers, Nexstar became a party to these local service agreements as successor to the Quorum subsidiaries and Mission became a party to such agreements as the successor to VHR and Mission of Amarillo.

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Nexstar and its subsidiaries. Also included in the financial statements are the accounts of independently-owned Mission Broadcasting, Inc. (Mission) (Nexstar and Mission are collectively referred to as the Company) and certain other entities where it is determined that the Company is the primary beneficiary of a variable interest entity (VIE) in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation on Accounting Research Bulletin No. 51 (FIN No. 46) as revised in December 2003 (FIN No. 46R).

All intercompany account balances and transactions have been eliminated in consolidation.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Mission

Mission is included in these consolidated financial statements because Nexstar is deemed to have a controlling financial interest in Mission for financial reporting purposes in accordance with FIN No. 46R as a result of (a) local service agreements Nexstar has with the Mission stations, (b) Nexstar s guarantee of the obligations incurred under Mission s senior credit facility and (c) purchase options granted by Mission s sole shareholder which will permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to Federal Communications Commission (FCC) consent. As of December 31, 2005, the assets of Mission consisted of current assets of $1.9 million (excluding broadcast rights), broadcast rights of $3.2 million, FCC licenses of $28.7 million, goodwill and other intangible assets of $64.2 million, property and equipment of $21.1 million and other noncurrent assets of $0.6 million. Substantially all of Mission s assets, except for its FCC licenses, collateralize its secured debt obligation.

Nexstar has entered into local service agreements with Mission to provide sales and/or operating services to the Mission stations. The following table summarizes the various local service agreements Nexstar had in effect with Mission as of December 31, 2005:

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

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

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

Nexstar s ability to receive cash from Mission is governed by these agreements. The arrangements under the SSAs and JSAs have had the effect of Nexstar receiving substantially all of the available cash, after debt service costs, generated by the stations listed above. The arrangements under the TBAs have also had the effect of Nexstar receiving substantially all of the available cash generated by the TBA stations listed above. Nexstar anticipates that it will continue to receive substantially all of the available cash, after payments for debt service costs, generated by the stations listed above.

Nexstar also guarantees the obligations incurred under Mission s senior secured credit facility (see Note 8). Mission is a guarantor of Nexstar s senior secured credit facility and the senior subordinated notes issued by Nexstar (see Note 8). In consideration of Nexstar s guarantee of Mission s senior credit facility, the sole shareholder of Mission has granted Nexstar a purchase option to acquire the assets and assume the liabilities of each Mission station, subject to FCC consent, for consideration equal to the greater of (1) seven times the station s broadcast cash flow, as defined in the option agreement, less the amount of its indebtedness as defined in the option agreement, or (2) the amount of its indebtedness. These option agreements are freely exercisable or assignable by Nexstar without consent or approval by the sole shareholder of Mission.

Nexstar does not own Mission or Mission s television stations; however, Nexstar is deemed to have a controlling financial interest in them under accounting principles generally accepted in the United States of America (U.S. GAAP) while complying with the FCC s rules regarding ownership limits in television markets.

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

In order for both Nexstar and Mission to comply with FCC regulations, Mission maintains complete responsibility for and control over programming, finances, personnel and operations of its stations.

Variable Interest Entities

The Company, generally in connection with pending acquisitions subject to FCC consent, will enter into TBAs with non-owned stations. As a result of the TBA, the Company may determine that the station is a VIE and that the Company is the primary beneficiary of the variable interest. Under the terms of these agreements, the Company makes specific periodic payments to the station s owner-operator in exchange for the right to provide programming and sell advertising on a portion of the station s broadcast time. Nevertheless, the owner-operator retains control and responsibility for the operation of the station, including responsibility over all programming broadcast on the station. The Company will continue to provide programming and sell advertising under a TBA until the termination of such agreement, which typically occurs on consummation of the acquisition of the station. The Company also may determine that a station is a VIE, in connection with other types of local service agreements entered into with stations in markets in which the Company owns and operates a station.

VIEs included in the accompanying consolidated financial statements as a result of TBAs entered into in connection with station acquisitions are discussed below. The Company discontinued its consolidation of these stations as VIEs upon consummation of each acquisition.

On May 9, 2003, Mission entered into a purchase agreement to acquire substantially all the assets of WFXW (formerly WBAK), the Fox affiliate in Terre Haute, Indiana, and simultaneously entered into a TBA with Bahakel Communications and certain of its subsidiaries relating to WFXW. As a result of the TBA, Mission determined that it was the primary beneficiary of WFXW. Mission consummated the acquisition of WFXW on April 6, 2004. Mission consolidated the financial statements of WFXW from May 9, 2003 to April 6, 2004, when operations under the TBA were terminated upon Mission s purchase of the station. The net revenue of WFXW derived from operations during the TBA period and included in the consolidated statements of operations was $0.3 million and $0.9 million for the years ended December 31, 2004 and 2003, respectively.

On October 13, 2003, Nexstar entered into a purchase agreement to acquire substantially all of the assets of KFTA/KNWA, the NBC affiliate in Fort Smith-Fayetteville-Springdale-Rogers, Arkansas, from JDG Television, Inc. (JDG TV). Operations under a TBA between Nexstar and JDG TV commenced on October 16, 2003. As a result of the TBA, Nexstar determined that it was the primary beneficiary of KFTA/KNWA. Nexstar consummated the acquisition of KFTA/KNWA on January 7, 2005. Nexstar consolidated the financial statements of KFTA/KNWA from October 16, 2003 to January 7, 2005, when operations under the TBA were terminated upon Nexstar s purchase of the station. The net revenue of KFTA/KNWA derived from operations during the TBA period and included in the consolidated statements of operations was $5.8 million and $1.2 million for the years ended December 31, 2004 and 2003, respectively.

On May 21, 2004, Nexstar entered into a purchase agreement to acquire substantially all of the assets of KLST, the CBS affiliate in San Angelo, Texas, from Jewell Television Corporation (Jewell). Operations under a TBA between Nexstar and Jewell commenced on June 1, 2004. As a result of the TBA, Nexstar determined that it was the primary beneficiary of KLST. Nexstar consummated the acquisition of KLST on November 30, 2004. Nexstar consolidated the financial statements of KLST from June 1, 2004 to November 30, 2004, when operations under the TBA were terminated upon Nexstar s purchase of the station. The net revenue of KLST derived from operations during the TBA period and included in the consolidated statements of operations was $2.7 million for the year ended December 31, 2004.

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

On October 4, 2004, Mission entered into a purchase agreement to acquire substantially all of the assets of WTVO, the ABC affiliate in Rockford, Illinois, from Young Broadcasting, Inc. (Young) and Winnebago Television Corporation (Winnebego). Operations under a TBA between Mission and Young and Winnebago commenced on November 1, 2004. As a result of the TBA, Mission determined that it was the primary beneficiary of WTVO. Mission consummated the acquisition of WTVO on January 4, 2005. Mission consolidated the financial statements of WTVO from November 1, 2004 to January 4, 2005, when operations under the TBA were terminated upon Mission s purchase of the station. The net revenue of WTVO derived from operations during the TBA period and included in the consolidated statement of operations was $1.1 million for the year ended December 31, 2004.

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

Nexstar has determined that it has a variable interest in KTVE, the NBC affiliate in El Dorado, Arkansas, owned by Piedmont Television of Monroe/El Dorado LLC (Piedmont) as a result of local service agreements Nexstar has with Piedmont. As successor to a JSA and SSA entered into effective March 21, 2001 by Quorum Broadcasting of Louisiana, Inc., Nexstar, (a) under the JSA, permits Piedmont to sell to advertisers all of the time available for commercial advertisements on KARD, the Nexstar television station in the related market in return for a monthly fee paid to Nexstar and (b) under the SSA, shares with Piedmont the costs of certain services and procurements, which they individually require in connection with the ownership and operation of their respective television stations. The terms of the JSA and SSA with Piedmont are 10 years and may be extended automatically for two additional 10-year terms unless the agreements are otherwise terminated. Nexstar has evaluated its arrangement with Piedmont and has determined that it is not the primary beneficiary of the variable interest, and therefore, has not consolidated KTVE under FIN No. 46R. Nexstar received payments from Piedmont under the JSA of approximately $1.0 million, $1.4 million and $1.5 million for the years ended December 31, 2005. 2004 and 2003, respectively.

Nexstar has determined that it has a variable interest in WYZZ, the Fox affiliate in Peoria, Illinois, owned by a subsidiary of Sinclair Broadcasting Group, Inc. (Sinclair), as a result of an outsourcing agreement it entered into effective December 1, 2001 with a subsidiary of Sinclair to provide certain non-programming related engineering, production, sales and administrative services for WYZZ. The outsourcing agreement expires in December 2008, but at any time it may be canceled by either party upon 180 days written notice. Nexstar has evaluated its arrangement with Sinclair and has determined that it is not the primary beneficiary of the variable interest, and therefore, has not consolidated WYZZ under FIN No. 46R. Nexstar made payments to Sinclair under the outsourcing agreement of $1.3 million, $1.6 million and $1.0 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Nexstar has determined that it has a variable interest in WUHF, the Fox affiliate in Rochester, New York, owned by a subsidiary of Sinclair as a result of an outsourcing agreement it entered into effective September 1, 2005 with Sinclair to provide certain non-programming related engineering, production, sales and administrative services for WUHF. The outsourcing agreement expires in December 2012, but at any time it may be canceled by either party upon 180 days written notice. Nexstar has evaluated its arrangement with Sinclair and has determined that it is not the primary beneficiary of the variable interest, and therefore, has not consolidated WUHF under FIN No. 46R. Nexstar made payments to Sinclair under the outsourcing agreement of $0.8 million for the year ended December 31, 2005, respectively.

Under the outsourcing agreements with Sinclair, Nexstar pays for certain operating expenses of WYZZ and WUHF, and therefore may have unlimited exposure to any potential operating losses. Nexstar s management

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

believes that Nexstar s minimum exposure to loss under the Sinclair service agreements consist of the fees paid to Sinclair. Additionally, Nexstar indemnifies the owners of KTVE, WYZZ and WUHF from and against all liability and claims arising out of or resulting from its activities, acts or omissions in connection with the agreements. The maximum potential amount of future payments Nexstar could be required to make for such indemnification is undeterminable at this time.

Basis of Presentation

The consolidated financial statements for the year ended December 31, 2003 have been restated to include the financial results of the acquired entities discussed below.

On December 30, 2003, Nexstar completed the acquisition of all the direct and indirect subsidiaries of Quorum. Due to Nexstar s principal stockholder, ABRY Partners, LLC (ABRY), having held more than 50% of the voting ownership of both Nexstar and Quorum through its various funds both before and after the merger, the acquisition was accounted for as a merger of entities under common control in a manner similar to the pooling of interests.

Additionally, on December 30, 2003, Mission completed a merger with VHR and with Mission of Amarillo. Mission also entered into option agreements with Nexstar for the purchase of the VHR and Mission of Amarillo stations. Nexstar and Quorum were deemed to have controlling financial interests under U.S. GAAP in VHR, Mission and Mission of Amarillo due to (a) service agreements with VHR, Mission and Mission of Amarillo, (b) their guarantees of VHR s, Mission s and Mission of Amarillo s debt, and (c) the purchase option agreements Nexstar entered into with Mission. Due to these relationships, Mission s acquisition of VHR and Mission of Amarillo was accounted for as a merger of entities under common control in a manner similar to the pooling of interests.

The conclusion to account for these acquisitions as a merger of entities under common control in a manner similar to the pooling of interests was based on the guidance in Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 141 Business Combinations (SFAS No. 141) and FASB Emerging Issues Task Force Issue 02-05 Definition of Common Control in relation to SFAS No. 141 .

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation.

Local Service Agreements

The Company enters into local service agreements with stations generally in connection with pending acquisitions subject to FCC approval and in markets in which the Company owns and operates a station. Local service agreement is a general term used to refer to a contract between two separately-owned television stations serving the same market, whereby the owner-operator of one station contracts with the owner-operator of the other station to provide it with administrative, sales and other services required for the operation of its station. Nevertheless, the owner-operator of each station retains control and responsibility for the operation of its station, including ultimate responsibility over all programming broadcast on the station. Local service agreements include time brokerage agreements (TBA), shared service agreements (SSA), joint sales agreements (JSA) and outsourcing agreements.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Under the terms of a TBA, the Company makes specific periodic payments to the other station s owner-operator in exchange for the right to provide programming and sell advertising on a portion of the other station s broadcast time. Under the terms of an SSA, the Company s station in the market bears the costs of certain services and procurements performed on behalf of another station, in exchange for the Company s right to receive specific periodic payments. Under the terms of a JSA, the Company makes specific periodic payments to the station s owner-operator in exchange for the right to sell advertising during a portion of the station s broadcast time. Under TBAs, the Company retains all of the advertising revenue it generates, and under JSAs it retains a percentage of the advertising revenue it generates.

Under an outsourcing agreement, the Company s station provides or is provided various non-programming related services to or by another station.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosure for contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The more significant estimates made by management include those relating to the allowance for doubtful accounts, trade and barter transactions, the recoverability of broadcast rights and the carrying amounts and useful lives of intangible assets. Actual results may vary from estimates used.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

The Company s accounts receivable consist primarily of billings to its customers for advertising spots aired and also includes amounts billed for production and other similar activities. Trade receivables normally have terms of 30 days and the Company has no interest provision for customer accounts that are past due. The Company maintains an allowance for estimated losses resulting from the inability of customers to make required payments. Management evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances where management is aware of a specific customer s inability to meet its financial obligations, an allowance is recorded to reduce their receivable amount to an amount estimated to be collected. The Company recorded bad debt expense of $1.2 million, $1.8 million and $1.3 million for the years ended December 31, 2005, 2004 and 2003, respectively, which was included in selling, general and administrative expenses in the Company s consolidated statement of operations.

Concentration of Credit Risk

Financial instruments which potentially expose the Company to a concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash deposits are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits; however, the Company believes these deposits are maintained with financial institutions of reputable credit and are not subject to any unusual credit risk. A significant portion of the Company s accounts receivable are due from local and national advertising agencies. The Company does not require collateral from its customers, but

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

maintains reserves for potential credit losses. Management believes that the allowance for doubtful accounts is adequate, but if the financial condition of the Company s customers were to deteriorate, additional allowances may be required. The Company has not experienced significant losses related to receivables from individual customers or by geographical area.

Revenue Recognition

The Company s revenue is primarily derived from the sale of television advertising. Other sources include network compensation and other revenues.

Advertising revenue is recognized, net of certain commissions, in the period during which the time spots are aired.

Network compensation is either recognized when the Company s station broadcasts specific network programming based upon a negotiated hourly-rate, or on a straight-line basis based upon the total negotiated compensation to be received by the Company over the term of the agreement.

Other revenues, which may include revenue from the production of client advertising spots and other similar activities from time to time, are recognized in the period during which the services are provided.

The Company trades certain advertising time for various goods and services. These transactions are recorded at the estimated fair value of the goods or services received. Revenue from trade transactions is recognized when the related advertisement spots are broadcast. The Company recorded $7.9 million, $7.7 million and $6.7 million of trade revenue for the years ended December 31, 2005, 2004 and 2003, respectively.

The Company barters advertising time for certain program material. These transactions, except those involving exchange of advertising time for network programming, are recorded at management s estimate of the value of the advertising time exchanged, which approximates the fair value of the program material received. The value of advertising time exchanged is estimated by applying average historical advertising rates for specific time periods. Revenue from barter transactions is recognized as the related advertisement spots are broadcast. The Company recorded $12.4 million, $13.4 million and $14.1 million of barter revenue for the years ended December 31, 2005, 2004 and 2003, respectively.

Barter expense is recognized at the time program broadcast rights assets are used. The Company recorded $12.4 million, $13.4 million and $14.1 million of barter expense for the years ended December 31, 2005, 2004 and 2003, respectively, which was included in amortization of broadcast rights in the Company s consolidated statement of operations.

Trade expense is recognized when services or merchandise received are used. The Company recorded $7.3 million, $7.6 million and $6.5 million of trade expense for the years ended December 31, 2005, 2004 and 2003, respectively, which was included in direct operating expenses in the Company s consolidated statement of operations.

Broadcast Rights Assets and Broadcast Rights Payable

The Company records rights to programs, primarily in the form of syndicated programs and feature movie packages obtained under license agreements for the limited right to broadcast the suppliers programming when the following criteria are met: 1) the cost of each program is known or reasonably determinable, 2) the license period must have begun, 3) the program material has been accepted in accordance with the license agreement,

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

and 4) the programming is available for use. Cash broadcast rights are initially recorded at the amount paid or payable to program suppliers; or, in the case of barter transactions, at management s estimate of the value of the advertising time exchanged using historical advertising rates, which approximates the fair value of the program material received. The Company records the estimated fair value of the broadcast rights, including any advertising inventory given to program suppliers, as a broadcast rights asset and liability. Broadcast rights assets are stated at the lower of unamortized cost or net realizable value. The current portion of broadcast rights assets represents those rights available for broadcast which will be amortized in the succeeding year. Amortization of broadcast rights assets is computed using the straight-line method based on the license period or programming usage, whichever yields the greater expense. Broadcast rights liabilities are reduced by monthly payments to program suppliers; or, in the case of barter transactions, are amortized over the life of the associated programming license contract as a component of trade and barter revenue. When projected future net revenue associated with a program is less than the current carrying amount of the program broadcast rights due to; for example; poor ratings, the Company write-downs the unamortized cost of the broadcast rights asset to equal the amount of projected future net revenue. If the expected broadcast period was shortened or cancelled, the Company would be required to write-off the remaining value of the related broadcast rights asset on an accelerated basis or possibly immediately. Such reductions in unamortized costs is included in amortization of broadcast rights in the consolidated statement of operations.

Property and Equipment

Property and equipment is stated at cost or estimated fair value at the date of acquisition for trade transactions. The cost and related accumulated depreciation applicable to assets sold or retired are removed from the accounts and the gain or loss on disposition is recognized. Major renewals and betterments are capitalized and ordinary repairs and maintenance are charged to expense in the period incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years (see Note 5).

Network Affiliation Agreements

Network affiliation agreements are stated at estimated fair value at the date of acquisition using a discounted cash flow method. Amortization is computed on a straight-line basis over the estimated useful life of 15 years.

Each of the Company s stations, except for KCPN-LP, has a network affiliation agreement pursuant to which the broadcasting network provides programming to the station during specified time periods, including prime time. Under the affiliation agreements with NBC, CBS and ABC, most of the Company s stations receive compensation for distributing the network s programming over the air and for allowing the network to keep a portion of advertising inventory during those time periods. The affiliation agreements with Fox and UPN do not provide for compensation.

Intangible Assets

Intangible assets consist primarily of goodwill, broadcast licenses (FCC licenses) and network affiliation agreements that are stated at estimated fair value at the at the date of acquisition using a discounted cash flow method. The Company s goodwill and FCC licenses are considered to be indefinite-lived intangible assets and are not amortized but instead are tested for impairment annually or whenever events or changes in circumstances indicate that such assets might be impaired. Network affiliation agreements are subject to amortization computed on a straight-line basis over the estimated useful life of 15 years. An impairment assessment of the Company s intangible assets could be triggered by a significant reduction in operating results or cash flows at one or more of

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

the Company s television stations, or a forecast of such reductions, a significant adverse change in the advertising marketplaces in which the Company s television stations operate, the loss of network affiliations, or by adverse changes to FCC ownership rules, among others.

The impairment test for goodwill utilizes a two-step fair value approach. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the combined stations in a market (reporting unit) to its carrying amount. The fair value of a reporting unit is determined using a discounted cash flows analysis. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by performing an assumed purchase price allocation, using the reporting unit fair value (as determined in Step 1) as the purchase price. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

The impairment test for FCC licenses consists of a market-by-market comparison of the carrying amount of FCC licenses with their fair value, using a discounted cash flows analysis that excludes network compensation payments.

The Company completed the annual tests of impairment for goodwill and FCC licenses as of December 31, 2005, 2004 and 2003, which resulted in no impairment being recognized for the Company in 2005, 2004 and 2003.

The Company tests network affiliation agreements when ever events or changes in circumstances indicate that their carry amount may not be recoverable, relying on a number of factors including operating results, business plans, economic projections and anticipated future cash flows. An impairment in the carrying amount of a network affiliation agreement is recognized when the expected future operating cash flow derived from the asset is less than its carrying value.

Debt Financing Costs

Debt financing costs represent direct costs incurred to obtain long-term financing and are amortized to interest expense over the term of the related debt. Previously capitalized debt financing costs are expensed and included in loss on extinguishment of debt if the Company determines that there has been a substantial modification of the related debt in accordance with FASB Emerging Issues Task Force (EITF) Issue 96-19, Debtor s Accounting for a Modification or Exchange of Debt instruments. As of December 31, 2005 and 2004, debt financing costs of $8.2 million and $10.5 million, respectively, were included in other noncurrent assets.

Derivatives and Hedging Activities

The Company may use derivative financial instruments, including interest rate swaps and collateral agreements, as a means of reducing its exposure to fluctuations in interest rates. As of December 31, 2005, the Company held no derivative financial instruments.

In 2004 and 2003, Nexstar used interest rate swap and collar agreements to reduce its cash flow exposure to fluctuations in interest rates on its variable rate debt or to hedge fair value changes attributable to changes in the

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

benchmark interest rate on its fixed rate debt. All derivatives were recognized on the consolidated balance sheets at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction, based upon criteria established by FASB Statement of Financial Accounting Standards No. 133, Accounting for Derivative and Hedging Activities (SFAS No. 133), as amended. The gains and losses on derivative instruments classified as cash flow hedges that are reported in other comprehensive income are reclassified into earnings in the periods in which earnings are affected by movements in the variable rates on the debt agreements.

Comprehensive Income (Loss)

The Company reports comprehensive income or loss and its components in accordance with FASB Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, (SFAS No. 130). Comprehensive loss includes, in addition to net loss, items of other comprehensive income (loss) representing certain changes in equity that are excluded from net loss and instead are recorded as a separate component of stockholders equity (deficit). During the years ended December 31, 2005, 2004 and 2003, the Company had no items of other comprehensive income (loss) and, therefore, comprehensive income (loss) does not differ from reported net loss.

Advertising Expense

The cost of advertising is expensed as incurred. The Company incurred advertising costs in the amount of $2.5 million, $2.4 million and $2.1 million for the years ended December 31, 2005, 2004 and 2003, respectively, which were included in selling, general and administrative expenses in the Company s consolidated statement of operations.

Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, broadcast rights payable, accounts payable and accrued expenses approximates fair value due to their short-term nature. The fair value of derivative financial instruments is obtained from financial institution quotes. The interest rates on the Company s term loan and revolving credit facilities are adjusted regularly to reflect current market rates. Accordingly, the carrying amount of the Company s term loan and revolving credit facilities approximates fair value. See Note 8 for the fair value of the Company s debt.

Stock-Based Compensation

Nexstar has a stock-based employee compensation plan, which is described more fully in Note 11. The Company accounts for Nexstar s stock-based employee compensation plan under the alternative recognition and measurement principles of Accounting Principle Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and related interpretations rather than the fair value accounting method allowed by FASB Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation (SFAS No. 123). Under the intrinsic value method of accounting of APB No. 25, no compensation expense is recognized for stock options granted to employees when the exercise price of the options is greater than or equal to the fair market value of Nexstar s common stock on the date of the grant. Nexstar did not incur stock-based employee compensation costs for the years ended December 31, 2005, 2004 and 2003 as all options granted

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

under its stock-based employee compensation plan had an exercise price greater than or equal to the market price of the underlying common stock on the date of grant.

The Company has adopted the disclosure only provisions of SFAS No. 123 which requires companies following APB No. 25 to make pro forma disclosure using the measurement provisions of SFAS No. 123. The fair value of each option is estimated at the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for option grants during the years ended December 31, 2005, 2004 and 2003:

	2005	2004	2003
Volatility factors	43.46%	38.4%	35.0%
Risk-free interest rates	4.37%	3.41%	3.25%
Expected life	5 years	5 years	5 years
Dividend yields	0%	0%	0%

Refer to Note 11 for disclosure of the weighted-average fair value of options granted during the years ended December 31, 2005 and 2004.

The following table illustrates the pro forma effect on net loss attributable to common shareholders and net loss per share attributable to common shareholders if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

	Years ended December 31,		
	2005	2004	2003
	(in thousands, except per share amounts)		
Net loss attributable to common shareholders, as reported	$ (48,730)	$ (20,500)	$ (87,118)
Deduct:			
Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effect	(1,404)	(1,049)	(1,803)
Pro forma net loss attributable to common shareholders	$ (50,134)	$ (21,549)	$ (88,921)
Basic and diluted loss per common share, as reported	$ (1.72)	$ (0.72)	$ (5.59)
Basic and diluted loss per common share, pro forma	$ (1.77)	$ (0.76)	$ (5.71)

Beginning in fiscal 2006, the Company will no longer make this pro forma disclosure for stock-based employee compensation as it is required to adopt SFAS 123(R), Shared-Based Payment (see Recent Accounting Pronouncements), which replaces SFAS No. 123 and supercedes APB No. 25. SFAS 123(R) requires grants of employee stock options to be recognized as expense in the financial statements based on their fair values at the date of grant beginning on January 1, 2006.

Income Taxes

The Company accounts for income taxes under the asset and liability method which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. A valuation allowance is applied against net deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Prior to the corporate reorganization in 2003, Nexstar s predecessor and most of its subsidiaries were taxed as separate taxable entities or as a partnership. However, subsidiaries purchased in

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

stock transactions remained separate taxable entities. As a result of the reorganization on November 28, 2003, all of Nexstar s stations reside in one taxable entity, which allowed the assets and liabilities giving rise to deferred taxes the right to offset and thereby reduce the valuation allowance. Nexstar and its subsidiaries file a consolidated federal income tax return. Mission files its own separate federal income tax return.

Units Subject to Mandatory Redemption

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS No. 150). The statement addresses financial accounting and reporting for financial instruments with characteristics of both liabilities and equity and was effective at the beginning of the first interim period beginning after June 15, 2003. As of July 1, 2003, Nexstar adopted SFAS No. 150 and reclassified its mandatorily redeemable preferred and common units as a liability and recorded $8.9 million as a cumulative effect of change in accounting principle. Additionally, during the last six months of 2003, the Company recorded $3.9 million to interest expense to reflect the change in fair value of the liability. Nexstar redeemed all of its redeemable preferred and common units on December 30, 2003.

Loss Per Share

Basic loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted-average number of common shares and dilutive potential common shares outstanding during the period using the treasury stock method. Potential common shares consist of stock options granted to employees. There is no difference between basic and diluted net loss per share since the effect of stock options is not included in the computation of diluted net loss per share for the years ended December 31, 2005, 2004 and 2003, as the effect would be anti-dilutive. Stock options for 2,059,087, 1,349,399 and 118,301 weighted-average common shares were outstanding during the years ended December 31, 2005, 2004 and 2003, respectively, but were not included in the diluted per share computation because the option exercise prices were greater than the average market price of the common stock.

The attributable net loss used in the calculation of both basic and diluted loss per share for 2003 includes accretion of preferred interest and dividend declared of $15.3 million.

On November 28, 2003, Nexstar undertook a corporate reorganization whereby, Nexstar Group LLC, Nexstar s predecessor, merged with and into Nexstar and all of the remaining existing membership interests in Nexstar Group LLC were converted into common shares of Nexstar. See further discussion in Note 10.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)) which replaces SFAS No. 123 and supercedes APB No. 25. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123 as originally issued. However, SFAS No. 123(R) eliminates the use of the alternative APB No. 25 intrinsic value method of accounting that was provided in SFAS No. 123 and requires companies to expense the fair value of employee stock options and other forms of stock-based employee compensation in the financial statements over the period that an employee provides service in exchange for the award. The pro forma footnote disclosure previously permitted under SFAS No. 123 will no longer be an alternative to financial statement recognition. Under SFAS

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

No. 123(R), compensation cost related to stock options is measured at the grant date based on the fair value of the award using an option-pricing model and will be recognized as expense ratably over the vesting period. SFAS No. 123(R) is effective as of the beginning of the first interim reporting period that begins after June 15, 2005; however, on April 14, 2005, the Securities and Exchange Commission issued a ruling that changed the effective date for public companies to fiscal years that begin after June 15, 2005 which for the Company is January 1, 2006. Nexstar has elected to adopt this new Standard as of the beginning of the 2006 fiscal year. Using the modified prospective transition method, beginning January 1, 2006 Nexstar will recognize compensation expense for all newly granted or modified stock options based on the requirements of SFAS No. 123(R) and will begin recognizing compensation expense over the remaining vesting period for the unvested portion of all stock options granted prior to adoption based on the fair values previously calculated for pro forma disclosure purposes. The Black-Scholes option-pricing model has been used to value Nexstar s employee stock options for disclosure purposes and this option-pricing model will be used under SFAS No. 123(R).

As permitted by SFAS No. 123, Nexstar currently accounts for stock-based compensation to employees using the intrinsic value method of APB No. 25 and, as such, has not recognized compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123(R) s expense recognition provision will have a significant impact on the Nexstar s results of operations. At December 31, 2005, the aggregate value of the unvested portion of previously issued stock options was approximately $6.1 million. Compensation cost related to these stock options will be recognized as expense ratably over the remaining vesting period of the awards which become fully-vested in 2010. The actual impact of adopting SFAS No. 123(R) will depend on, among other factors, the market price of Nexstar s common stock, the terms, number and timing of future stock option award grants. However, based on the awards currently known to be outstanding, Nexstar anticipates that the impact of adopting SFAS 123(R) will result in annual expense in 2006 of approximately $1.5 million. This estimate does not include the impact of additional awards, which may be granted, or forfeitures, which may occur, but are not presently known.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29 (SFAS No. 153). The amendments made by SFAS No. 153 require that exchanges of nonmonetary assets be accounted for at fair value of the assets exchanged, unless the exchange lacks commercial substance. A nonmonetary exchange has commercial substance when the future cash flows of the entity are expected to change significantly as a result of the exchange. This new Standard eliminates a provision in APB Opinion No. 29 that exempted nonmonetary exchanges of similar productive assets from fair value accounting. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Therefore, SFAS No. 153 was effective for the Company on July 1, 2005. The adoption of this new Standard did not have a material impact on the Company s financial position or results of operations.

In March 2005, the FASB issued Financial Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143 (FIN No. 47). FIN No. 47 clarifies that an entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. A conditional asset retirement obligation is a term used in Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations , that refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005, which is the Company s current fiscal year ending December 31, 2005. The adoption of FIN No. 47 did not have any material impact on the Company s financial position or results of operations.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections a replacement of APB No. 20 and FASB Statement No. 3 (SFAS No. 154). SFAS No. 154 requires entities that voluntarily make a change in accounting principle to apply that change retrospectively to all prior period financial statements as if the principle had always been used, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Previously under APB Opinion No. 20, Accounting Changes , most voluntary changes in accounting principle were recognized by including in net income of the period of change the cumulative effect of changing to the new accounting principle. In addition to voluntary changes, this new Standard establishes retrospective application as the required method for adopting a newly issued accounting pronouncement when the pronouncement does not include specific transition provisions. SFAS No. 154 also requires that a change in method of depreciation, amortization, or depletion for long-lived, nonfinancial assets, be accounted for as a change in accounting estimate affected by a change in accounting principle, the effects of which are to be applied prospectively in the period of change and future periods. This Statement also makes a distinction between retrospective application of an accounting principle and the restatement of financial statements to reflect the correction of an error. SFAS No. 154 applies to accounting changes and error corrections that are made in fiscal years beginning after December 15, 2005. The Company will adopt the provisions of SFAS No. 154, as applicable, beginning in fiscal 2006.

In June 2005, the FASB EITF reached a consensus on EITF Issue No. 04-10, Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds (EITF No. 04-10). EITF 04-10 provides guidance on FAS 131, Disclosures about Segments of an Enterprise and Related Information and how to determine whether operating segments which do not meet certain quantitative thresholds may be aggregated and reported as a single operating segment. EITF 04-10 is effective for fiscal years ending after September 15, 2005, and corresponding information for earlier periods, including interim periods, should be restated unless it is impractical to do so. The Company has adopted the guidance as of the year ending December 31, 2005 and the adoption did not have a material impact on our financial position or results of operations.

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, Accounting for Hybrid Financial Instruments an amendment to of FASB Statements No. 133 and 140 (SFAS No. 155). SFAS No. 155 provides a fair value measurement option for certain hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Under SFAS No. 155, an entity must irrevocably elect, on an instrument-by-instrument basis, to apply fair value accounting to a hybrid financial instrument in its entirety in lieu of separately accounting for the instrument as a host contract and derivative instrument. Additionally, SFAS No. 155 clarifies that both interest-only and principal-only strips are not subject to the provision of SFAS No. 133 and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding versus those that are embedded derivatives. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006, which for the Company is January 1, 2007. Earlier adoption is permitted as of the beginning of an entity s fiscal year. The Company will adopt the provisions of SFAS No. 155 beginning in fiscal 2007. Management is currently evaluating the impact the adoption of this Statement will have on the Company s consolidated financial statements, which will primarily depend on the types of hybrid financial instruments the Company issues or acquires in the future.

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Acquisitions

Quorum Merger

On September 12, 2003, Nexstar Group LLC signed a definitive agreement to acquire all of the direct and indirect subsidiaries of Quorum. Quorum owned and operated 11 television stations and provided sales or other services to an additional 5 stations. On the same date, Nexstar Group LLC also entered into a management and consulting services agreement with Quorum pursuant to which Nexstar Group LLC performed certain management functions pending completion of the purchase. Nexstar Group LLC received no compensation under the management agreement. Nexstar Group LLC was, however, reimbursed for any expenses incurred. On December 30, 2003, Nexstar (Nexstar Group LLC merged into Nexstar on November 28, 2003) completed the acquisition of the Quorum subsidiaries. The Quorum acquisition was structured as a merger of Quorum s direct subsidiaries with and into Nexstar. The consideration for the merger consisted of a combination of cash, shares of common stock of Nexstar and the assumption of debt. On December 30, 2003, Nexstar repaid $40.6 million of outstanding borrowings and accrued interest under Quorum s revolving credit facility, $71.6 million of outstanding borrowings and accrued interest under Quorum s term loan and an aggregate amount of $39.5 million of outstanding principal, accrued interest and call premium on Quorum s 15% discount notes. The merger constituted a tax-free reorganization and has been accounted for as a merger of entities under common control in a manner similar to pooling of interests. Accordingly, the consolidated financial statements for 2003 have been restated to include the financial results of all the Quorum subsidiaries.

Purchase Acquisitions

During 2003, 2004 and 2005, the Company consummated the acquisitions listed below. These acquisitions have been accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair value on the acquisition date. The excess of the purchase price over the fair values assigned to the net assets acquired is recorded as goodwill. The consolidated financial statements include the operating results of each business from the earlier of the TBA commencement date or the date of acquisition.

Station	Network Affiliation	Market	Date Acquired	Acquired By
KRBC [1]	NBC	Abilene-Sweetwater, Texas	June 13, 2003	Mission
KSAN [1]	NBC	San Angelo, Texas	June 13, 2003	Mission
KARK [2]	NBC	Little Rock-Pine Bluff, Arkansas	August 1, 2003	Nexstar
WDHN [2]	ABC	Dothan, Alabama	August 1, 2003	Nexstar
WUTR	ABC	Utica, New York	April 1, 2004	Mission
WFXW (formerly WBAK) [3]	Fox	Terre Haute, Indiana	April 6, 2004	Mission
KLST [4]	CBS	San Angelo, Texas	November 30, 2004	Nexstar
WTVO [5]	ABC	Rockford, Illinois	January 4, 2005	Mission
KFTA/KNWA [6]	NBC	Fort Smith-Fayetteville-Springdale-Rogers, Arkansas	January 7, 2005	Nexstar

(1) Mission commenced operations under a TBA on January 1, 2003 which terminated on the date of acquisition.
(2) Nexstar commenced operations under a TBA on February 1, 2003 which terminated on the date of acquisition.
(3) Mission commenced operations under a TBA on May 9, 2003 which terminated on the date of acquisition.
(4) Nexstar commenced operations under a TBA on June 1, 2004 which terminated on the date of acquisition.
(5) Mission commenced operations under a TBA on November 1, 2004 which terminated on the date of acquisition.
(6) Nexstar commenced operations under a TBA on October 16, 2003 which terminated on the date of acquisition.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Acquisitions (Continued)

KRBC and KSAN

On December 13, 2002, Mission entered into a purchase agreement and a local marketing agreement with LIN Television Corporation and two of its subsidiaries, with regard to KRBC, the NBC affiliate in Abilene-Sweetwater, Texas, and KSAN, the NBC affiliate in San Angelo, Texas. Mission began providing programming and selling advertising under the local marketing agreement on January 1, 2003 which terminated upon the purchase of the stations. On June 13, 2003, Mission completed the acquisition of KRBC and KSAN for total consideration of $10.0 million, exclusive of transaction costs. Pursuant to the terms of the purchase agreement, Mission made a down payment of $1.5 million against the purchase price in December 2002 and paid the remaining $8.5 million upon the consummation of the acquisition on June 13, 2003, exclusive of transaction costs.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Mission obtained third-party valuations of certain acquired intangible assets (in thousands).

Accounts receivable	$ 862
Broadcast rights	291
Property and equipment	5,414
Intangible assets	3,942
Goodwill	281
Total assets acquired	10,790
Less: accounts payable	42
Less: broadcast rights payable	342
Net assets acquired	$ 10,406

Of the $4.0 million of acquired intangible assets, $2.1 million was assigned to FCC licenses that are not subject to amortization and $1.7 million was assigned to network affiliation agreements (estimated useful life of 15 years). The remaining $0.2 million of acquired intangible assets have an estimated useful life of approximately 1 year. Goodwill of $0.3 million is expected to be deductible for tax purposes.

KARK and WDHN

On December 30, 2002, Nexstar entered into a purchase agreement and TBAs with two subsidiaries of Morris Multimedia, Inc., which owned KARK, the NBC affiliate in Little Rock-Pine Bluff, Arkansas, and WDHN, the ABC affiliate in Dothan, Alabama. Nexstar began providing programming and selling advertising under the TBAs on February 1, 2003 which terminated upon the purchase of the stations. On August 1, 2003, Nexstar completed the acquisition of KARK and WDHN for total consideration of $91.5 million, exclusive of transaction costs of $0.8 million. Pursuant to terms of the purchase agreement, Nexstar made a down payment of $40.0 million against the purchase price on January 31, 2003 and paid the remaining $51.5 million upon the consummation of the acquisition on August 1, 2003, exclusive of transaction costs.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Acquisitions (Continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Nexstar obtained third-party valuations of certain acquired intangible assets (in thousands).

Accounts receivable	$ 3,119
Property and equipment	10,007
Intangible assets	68,470
Goodwill.	42,197
Total assets acquired	123,793
Less: accounts payable	743
Less: deferred tax liability	30,217
Less: deferred revenue	542
Net assets acquired	$ 92,291

Of the $68.5 million of acquired intangible assets, $27.3 million was assigned to FCC licenses that are not subject to amortization and $36.3 million was assigned to network affiliation agreements (estimated useful life of 15 years). The remaining $4.9 million of acquired intangible assets have an estimated useful life of approximately 1 year.

WUTR

On December 17, 2003, Mission entered into a purchase agreement with a subsidiary of Clear Channel Communications, which owned WUTR, the ABC affiliate in Utica, New York. On April 1, 2004, Mission completed the acquisition of WUTR for total consideration of $3.7 million, exclusive of transaction costs.

The following table summarizes the estimated fair values of the assets acquired at the date of acquisition. Mission obtained third-party valuations of certain acquired intangible assets (in thousands).

Property and equipment	$ 2,040
Intangible assets	1,685
Goodwill	363
Assets acquired	$ 4,088

Of the $1.7 million of acquired intangible assets, $0.5 million was assigned to FCC licenses that are not subject to amortization and $1.0 million was assigned to network affiliation agreements (estimated useful life of 15 years). The remaining $0.2 million of acquired intangible assets have an estimated useful life of approximately 1 year. Goodwill of $0.4 million is expected to be deductible for tax purposes.

WFXW (formerly WBAK)

On May 9, 2003, Mission entered into a purchase agreement and a TBA with Bahakel Communications and certain of its subsidiaries, which owned WFXW, the Fox affiliate in Terre Haute, Indiana. Mission began providing programming and selling advertising under the TBA on May 9, 2003 which terminated upon the purchase of the station. On April 6, 2004, Mission completed the acquisition of WFXW for total consideration of $3.0 million, exclusive of transaction costs. Pursuant to terms of the purchase agreement, Mission made a down

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Acquisitions (Continued)

payment of $1.5 million against the purchase price on May 9, 2003 and paid the remaining $1.5 million upon consummation of the acquisition on April 6, 2004, exclusive of transaction costs.

The following table summarizes the estimated fair values of the assets acquired at the date of acquisition. Mission obtained third-party valuations of certain acquired intangible assets (in thousands).

Property and equipment	$ 1,667
Intangible assets	1,333
Goodwill	1,239
Assets acquired	$ 4,239

Of the $1.3 million of acquired intangible assets, $0.5 million was assigned to FCC licenses that are not subject to amortization and $0.5 million was assigned to network affiliation agreements (estimated useful life of 15 years). The remaining $0.3 million of acquired intangible assets have an estimated useful life of approximately 1 year. Goodwill of $1.2 million is expected to be deductible for tax purposes.

KLST

On May 21, 2004, Nexstar entered into a purchase agreement and a TBA with Jewell Television Corporation, which owned KLST, the CBS affiliate in San Angelo, Texas. Nexstar began providing programming and selling advertising under the TBA on June 1, 2004 which terminated upon the purchase of the station. On November 30, 2004, Nexstar completed the acquisition of KLST for total consideration of $12.0 million, exclusive of transaction costs. Pursuant to terms of the purchase agreement, Nexstar made a down payment of $1.7 million against the purchase price on May 21, 2004 and paid the remaining $10.3 million upon consummation of the acquisition on November 30, 2004, exclusive of transaction costs.

The following table summarizes the estimated fair values of the assets acquired at the date of acquisition. Nexstar obtained third-party valuations of certain acquired intangible assets (in thousands).

Property and equipment	$ 5,605
Intangible assets .	2,016
Goodwill .	5,043
Assets acquired	$ 12,664

Of the $2.0 million of acquired intangible assets, $0.3 million was assigned to FCC licenses that are not subject to amortization and $1.0 million was assigned to network affiliation agreements (estimated useful life of 15 years). The remaining $0.7 million of acquired intangible assets have an estimated useful life of approximately 1 year. Goodwill of $5.1 million is expected to be deductible for tax purposes.

WTVO

On October 4, 2004, Mission entered into a purchase agreement and a TBA with Young Broadcasting, Inc. and Winnebago Television Corporation, which owned WTVO, the ABC affiliate in Rockford, Illinois. Mission began providing programming and selling advertising under the TBA on November 1, 2004 which terminated upon the purchase of the station. On January 4, 2005, Mission completed the acquisition of WTVO for total consideration of $20.75 million, exclusive of transaction costs. Pursuant to terms of the purchase agreement,

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Acquisitions (Continued)

Mission made an initial payment of $15.0 million against the purchase price on November 1, 2004, to acquire substantially all of the assets of WTVO, except for its FCC license and certain transmission equipment. Mission paid the remaining $5.75 million on January 4, 2005, exclusive of transaction costs, for the purchase of WTVO s FCC license and certain transmission equipment.

The following table summarizes the estimated fair values of the assets acquired. Mission obtained third-party valuations of certain acquired intangible assets (in thousands).

Property and equipment	$ 7,161
Intangible assets	10,279
Goodwill	3,644
Assets acquired	$ 21,084

Of the $10.3 million of acquired intangible assets, $2.9 million was assigned to FCC licenses that are not subject to amortization and $6.7 million was assigned to network affiliation agreements (estimated useful life of 15 years). The remaining $0.7 million of acquired intangible assets have an estimated useful life of approximately 1 year. Goodwill of $3.6 million is expected to be deductible for tax purposes.

KFTA/KNWA

On October 13, 2003, Nexstar entered into a purchase agreement and a TBA with J.D.G. Television, Inc., which owned KFTA/KNWA, the NBC affiliate in Fort Smith-Fayetteville-Springdale-Rogers, Arkansas. Nexstar began providing programming and selling advertising under the TBA on October 16, 2003 which terminated upon the purchase of the station. On January 7, 2005, Nexstar purchased substantially all of the assets of KFTA/KNWA for $17.0 million, exclusive of transaction costs. Pursuant to terms of the purchase agreement, Nexstar made a down payment of $10.0 million against the purchase price on October 16, 2003 and paid $6.0 million upon consummation of the acquisition on January 7, 2005, exclusive of transaction costs. The remaining $1.0 million relates to a non-compete agreement being paid to a principal of the seller over a four year period.

The following table summarizes the estimated fair values of the assets acquired at the date of acquisition. Nexstar obtained third-party valuations of certain acquired intangible assets (in thousands).

Property and equipment	$ 5,204
Intangible assets	11,121
Goodwill	1,013
Assets acquired	$ 17,338

Of the $11.1 million of acquired intangible assets, $3.6 million was assigned to FCC licenses that are not subject to amortization and $5.4 million was assigned to network affiliation agreements (estimated useful life of 15 years). The remaining $2.1 million of acquired intangible assets includes a $1.0 million non-compete agreement and $1.1 million of other intangible assets, which are being amortized over 1 to 4 years. Goodwill of $1.0 million is expected to be deductible for tax purposes.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Acquisitions (Continued)

Unaudited Pro Forma Information

The following unaudited pro forma information has been presented as if the acquisitions of KRBC, KSAN, KARK and WDHN had occurred on January 1, 2002; the acquisitions of WUTR, WFXW and KLST had occurred on January 1, 2003; and the acquisitions of WTVO and KFTA/KNWA had occurred on January 1, 2004:

	Year Ended December 31, 2004	2003
	(in thousands, except per share amounts)	
Net revenue	$ 252,219	$ 221,001
Income (loss) from operations	35,930	(10,738)
Net loss before cumulative effect of change in accounting principle	(23,122)	(70,997)
Cumulative effect of change in accounting principle, net of tax		(8,898)
Net loss	(23,122)	(79,895)
Net loss attributable to common shareholders .	$ (23,122)	$ (95,214)
Basic and diluted per share information:		
Net loss before cumulative effect of change in accounting principle	$ (0.82)	$ (4.56)
Cumulative effect of change in accounting principle, net of tax	$	$ (0.57)
Net loss	$ (0.82)	$ (5.13)
Net loss attributable to common shareholders	$ (0.82)	$ (6.11)

The above selected unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of results of operations in future periods or results that would have been achieved had the Company owned the acquired stations during the specified periods. There is no pro forma information presented for the comparable periods in fiscal year 2005 since the acquisitions in 2005 were consummated near the beginning of the year and the pro forma results would not be materially different from the Company s consolidated results of operations as reported.

4. Local Service Agreements

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

The various local service agreements entered into by the Company are discussed below.

Local Service Agreements with Mission

Nexstar has entered into various local service agreements with all of Mission s stations.

Nexstar has TBAs with two Mission stations. Under these agreements, Nexstar programs most of each station s broadcast time, sells each station s advertising time and retains the advertising revenue it generates in

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Local Service Agreements (Continued)

exchange for monthly payments, as defined in the agreement, to Mission. The arrangements under the TBAs have had the effect of Nexstar receiving substantially all of the available cash generated by the Mission stations.

Nexstar has SSAs and JSAs with the remaining Mission stations. Under the SSAs, the Nexstar station in the market bears the costs of certain services and procurements, in exchange for monthly payments from Mission, as defined in the agreement. Under the JSAs, Nexstar sells each Mission station s advertising time and retains a percentage of the net revenue from the station s advertising in exchange for monthly payments to Mission of the remaining percentage of net revenue, as defined in the agreement. The arrangements under these agreements have had the effect of Nexstar receiving substantially all of the available cash, after payment of debt service costs, generated by the Mission stations.

Local Service Agreements in Connection with Acquisitions

In connection with the acquisitions discussed in Note 3, except for WUTR, the Company entered into local service agreements to provide programming and sell advertising for the stations under a TBA until the acquisition could be consummated. Under these agreements, Nexstar or Mission made specific periodic payments in exchange for the right to provide programming and sell advertising during a portion of the stations broadcast time. The agreements also entitled Nexstar and Mission to all revenue attributable to commercial advertising they sold on these stations. The Company provided programming and sold advertising for the stations under the local service agreements until the acquisition of the stations was consummated, at which time the agreements were terminated.

Local service agreements that were entered into in connection with station acquisitions during 2003, 2004 and 2005 are discussed below.

On December 13, 2002, Mission entered into a local marketing agreement (LMA) and effective January 1, 2003 began programming and selling advertising for KRBC, the NBC affiliate in Abilene-Sweetwater, Texas, and KSAN, the NBC affiliate in San Angelo, Texas. The LMA was terminated on June 13, 2003 when Mission consummated the acquisition of KRBC and KSAN. There were no fees associated with this LMA.

On December 30, 2002, Nexstar entered into TBAs and effective February 1, 2003 began providing programming and selling advertising for KARK, the NBC affiliate in Little Rock-Pine Bluff, Arkansas, and WDHN, the ABC affiliate in Dothan, Alabama. The TBAs were terminated on August 1, 2003 when Nexstar consummated the acquisition of KARK and WDHN. Fees under these TBAs in the amount of $0.2 million were included in the consolidated statement of operations for the year ended December 31, 2003.

Effective May 9, 2003, Mission entered into a TBA and began providing programming and selling advertising for WFXW (formerly WBAK), the Fox affiliate in Terre Haute, Indiana. The TBA was terminated on April 6, 2004 when Mission consummated the acquisition of WFXW. Fees under the TBA were immaterial in amount.

Effective June 1, 2004, Nexstar entered into a TBA and began providing programming and selling advertising for KLST, the CBS affiliate in San Angelo, Texas. The TBA was terminated on November 30, 2004 when Nexstar consummated the acquisition of KLST. Fees under this TBA in the amount of $0.1 million was included in the consolidated statement of operations for the year ended December 31, 2004.

On October 13, 2003, Nexstar entered into a TBA and effective October 16, 2003 began providing programming and selling advertising for KFTA/KNWA, the NBC affiliate in Fort Smith-Fayetteville-Springdale-

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Local Service Agreements (Continued)

Rogers, Arkansas. Fees under this TBA in the amount of $0.6 million and $0.2 million were included in the consolidated statement of operations for the years ended December 31, 2004 and 2003, respectively. The TBA was terminated on January 7, 2005 when Nexstar consummated the acquisition of KFTA/KNWA.

On October 4, 2004, Mission entered into a TBA and effective November 1, 2004 began providing programming and selling advertising for WTVO, the ABC affiliate in Rockford, Illinois. There were no fees associated with this TBA. The TBA was terminated on January 4, 2005 when Mission consummated the acquisition of WTVO.

Other Local Service Agreements

Local service agreements entered into with independent third parties which impact the Company s 2003, 2004 and 2005 consolidated financial statements are discussed below.

As successor to agreements entered into effective March 21, 2001 by Quorum, Nexstar has a JSA and SSA with Piedmont Television of Monroe/El Dorado LLC (Piedmont), the licensee of KTVE, the NBC affiliate television station in El Dorado, Arkansas. Under the JSA, Nexstar permits Piedmont to sell to advertisers all of the time available for commercial advertisements on KARD, the Nexstar television station in the related market. The JSA also entitles Piedmont to all revenue attributable to commercial advertisements it sells on KARD. During the term of the JSA, Piedmont is obligated to pay Nexstar a monthly fee based on the combined operating cash flow of KTVE and KARD, as defined in the agreement. Under the SSA, Nexstar and Piedmont share the costs of certain services and procurements, which they individually require in connection with the ownership and operation of their respective station. The terms of the JSA and SSA with Piedmont are 10 years and may be extended automatically for two additional 10-year terms unless the agreements are otherwise terminated. Fees under the JSA with Piedmont in the amount of $1.0 million, $1.4 million and $1.5 million are included in the consolidated statement of operations for the years ended December 31, 2005, 2004 and 2003, respectively.

Also in connection with the Piedmont agreements, Nexstar has a right of first refusal agreement with Piedmont. In the event that either Nexstar or Piedmont receives a solicited or unsolicited bona fide offer for the acquisition of its station by a third party, the station owner shall abide by the mutually agreed upon terms and conditions as stated in the agreement. The exercise of this agreement will be permitted solely in accordance with the Communications Act and all applicable rules, regulations and policies of the FCC and is subject to prior FCC consent. The terms of this agreement shall continue and be in effect for as long as the JSA shall be in effect.

Effective December 1, 2001, Nexstar entered into an outsourcing agreement with a subsidiary of Sinclair Broadcast Group, Inc. (Sinclair), the licensee of WYZZ, the Fox affiliate in Peoria, Illinois. Under the outsourcing agreement, Nexstar provides certain non-programming related engineering, production, sales and administrative services for WYZZ through WMBD, the Nexstar television station in the market. During the term of the outsourcing agreement, Nexstar is obligated to pay Sinclair a monthly fee based on the combined operating cash flow of WMBD and WYZZ, as defined in the agreement. The outsourcing agreement expires in December 2008, but at any time it may be cancelled by either party upon 180 days written notice. Fees under the outsourcing agreement with Sinclair in the amount of $1.3 million, $1.6 million and $1.0 million were included in the consolidated statement of operations for the years ended December 31, 2005, 2004 and 2003, respectively.

Effective September 1, 2005, Nexstar entered into an outsourcing agreement with a subsidiary of Sinclair, the licensee of WUHF, the Fox affiliate in Rochester, New York. Under the outsourcing agreement, Nexstar provides certain non-programming related engineering, production, sales and administrative services for WUHF

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Local Service Agreements (Continued)

through WROC, the Nexstar television station in the market. During the term of the outsourcing agreement, Nexstar is obligated to pay Sinclair a monthly fee based on the combined operating cash flow of WROC and WUHF, as defined in the agreement. The outsourcing agreement expires in December 2012, but at any time it may be cancelled by either party upon 180 days written notice. Fees under the outsourcing agreement with Sinclair in the amount of $0.8 million were included in the consolidated statement of operations for the year ended December 31, 2005.

5. Property and Equipment

Property and equipment consisted of the following:

	Estimated useful life (years)	December 31, 2005	December 31, 2004
		(in thousands)	
Buildings and building improvements	39	$ 32,198	$ 32,200
Land and land improvements	N/A-39	5,930	6,272
Leasehold improvements	term of lease	2,785	2,923
Studio and transmission equipment	5-15	133,789	126,394
Office equipment and furniture	3-7	15,474	14,590
Vehicles	5	8,685	8,108
Construction in progress	N/A	4,529	2,716
		203,390	193,203
Less: accumulated depreciation		(105,234)	(92,135)
Property and equipment, net of accumulated depreciation		$ 98,156	$ 101,068

The Company recorded depreciation expense in the amounts of $16.7 million, $17.9 million and $20.5 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Property Held for Sale

During the second quarter of 2005, management committed to a plan to sell buildings in Abilene, Texas and Utica, New York, which were vacated after the Company finalized consolidation of its station operations in these markets. Accordingly, the buildings, building improvements and land have been recorded at their estimated fair value less costs to sell. Fair value is based on management s estimate of the amount that could be realized from the sale of the properties in a current transaction between willing parties. The estimate is derived from professional appraisals and quotes obtained from local real estate brokers. The carrying value of assets held for sale at December 31, 2005 was $0.5 million. During the second quarter of 2005, the Company recorded a loss of $0.6 million related to the write-down of these assets which comprises loss on property held for sale. On January 31, 2006, the Utica property was sold for cash proceeds of $0.1 million, which approximated the carrying value of the assets.

Sale of Towers

On May 11, 2001, Quorum sold certain of its telecommunications tower facilities for cash and entered into a noncancelable operating lease for tower space. In 2001, Quorum recorded a $9.1 million gain on the sale which has been deferred and is being recognized over the lease term which expires in May 2021. The proceeds from the

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Property and Equipment (Continued)

sale of the towers were applied to the outstanding amount owed under the Quorum credit facilities. The deferred gain at December 31, 2005 and 2004 was approximately $6.7 million and $7.2 million, respectively ($0.4 million was included in current liabilities at December 31, 2005 and 2004).

6. Intangible Assets and Goodwill

Intangible assets subject to amortization consisted of the following:

	Estimated useful life (years)	December 31, 2005 Gross	December 31, 2005 Accumulated Amortization	December 31, 2005 Net	December 31, 2004 Gross	December 31, 2004 Accumulated Amortization	December 31, 2004 Net
Network affiliation agreements	15	$ 335,588	$ (136,729)	$ 198,859	$ 335,153	$ (114,346)	$ 220,807
Other definite-lived intangible assets	1-15	23,132	(12,455)	10,677	24,581	(9,775)	14,806
Total intangible assets subject to amortization		$ 358,720	$ (149,184)	$ 209,536	$ 359,734	$ (124,121)	$ 235,613

The aggregate carrying value of indefinite-lived intangible assets, consisting of FCC licenses and goodwill, at December 31, 2005 and 2004 was $284.7 million and $284.0 million, respectively. Indefinite-lived intangible assets are not subject to amortization, but are tested for impairment annually or whenever events or changes in circumstances indicate that such assets might be impaired. The use of an indefinite life for FCC licenses contemplates the Company s historical ability to renew their licenses, that such renewals generally may be obtained indefinitely and at little cost, and that the technology used in broadcasting is not expected to be replaced in the foreseeable future. Therefore, cash flows derived from the FCC licenses are expected to continue indefinitely.

The change in the carrying amount of goodwill for the years ended December 31, 2005 and 2004 was as follows:

	December 31, 2005 (in thousands)	December 31, 2004 (in thousands)
Beginning balance	$ 145,576	$ 135,899
Acquisitions	682	6,598
Initial consolidation of VIEs and other adjustments		3,079
Ending balance	$ 146,258	$ 145,576

The consummation of the acquisitions of WTVO and KFTA/KNWA during 2005 increased goodwill by approximately $0.7 million. The acquisitions of WUTR, WFXW and KLST during 2004 increased goodwill by approximately $6.6 million. The application of FIN No. 46R for the consolidation of WTVO which occurred in the fourth quarter of 2004 increased goodwill by approximately $3.3 million.

Total amortization expense from definite-lived intangibles for the years ended December 31, 2005, 2004 and 2003 was $26.5 million, $26.5 million and $24.9 million, respectively.

The estimated useful life of network affiliation agreements contemplates renewals of the underlying agreements based on Nexstar s and Mission s historical ability to renew such agreements without significant cost or modifications to the conditions from which the value of the affiliation was derived. These renewals can result

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Intangible Assets and Goodwill (Continued)

in estimated useful lives of individual affiliations ranging from 12 to 20 years. Management has determined that 15 years is a reasonable estimate within the range of such estimated useful lives.

The following table presents the Company s estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangibles assets recorded on its books as of December 31, 2005 (in thousands):

Year ending December 31,	
2006	$ 24,969
2007	$ 24,834
2008	$ 24,369
2009	$ 24,339
2010	$ 23,352

7. Accrued Expenses

Accrued expenses consisted of the following:

	December 31, 2005	December 31, 2004
	(in thousands)	
Compensation and related taxes	$ 3,524	$ 3,448
Sales commissions	1,249	1,366
Employee benefits . . .	994	600
Property taxes	697	585
Other accruals related to operating expenses	5,999	6,562
	$ 12,463	$ 12,561

8. Debt

Long-term debt consisted of the following:

	December 31, 2005	December 31, 2004
	(in thousands)	
Term loans .	$ 347,629	$ 233,825
Revolving credit facilities .		21,500
12% senior subordinated notes due 2008, net of discount of $3,649		156,351
7% senior subordinated notes due 2014, net of discount of $2,460 and $0	197,540	125,000
11.375% senior discount notes due 2013, net of discount of $28,664 and $39,299	101,336	90,701

SFAS No. 133 hedge accounting adjustment		2,521
	646,505	629,898
Less: current portion	(3,485)	(2,350)
	$ 643,020	$ 627,548

On April 1, 2005, Nexstar Broadcasting, Inc. (Nexstar Broadcasting), an indirect subsidiary of Nexstar, and Mission refinanced borrowings outstanding under various long-term obligations. In connection with the

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

refinancing, Nexstar Broadcasting redeemed $160.0 million in aggregate principal amount of outstanding 12% senior subordinated notes, increased the borrowings under the term loan to its senior secured credit facility and issued $75.0 million in the aggregate principal amount of 7% senior subordinated notes. Under Nexstar s new senior secured credit facility agreement, the applicable margin component of the revolving loan was decreased by 100 basis points, representing one percent. Nexstar s new credit facility agreement also extended the maturity dates of the term and revolving loan to 2012. A combination of proceeds obtained from borrowings under its senior credit facility and the issuance of the 7% senior subordinated notes were used to fund the redemption of the 12% senior subordinated notes. Additionally, on April 1, 2005, Mission increased the borrowings under the term loan to its senior secured credit facility, reduced the applicable margin component of its revolving loan and extended the maturity dates of its term and revolving loan. Terms of Mission s new senior secured credit facility are the same as Nexstar s new credit facility.

On October 20, 2005, Nexstar Broadcasting amended its senior secured credit facility agreement to adjust certain financial covenant ratios for periods ended after September 30, 2005. The amended financial covenant ratios are less restrictive than the previously effective ratios. For a discussion of the amended financial covenant ratios, see Debt Covenants below.

The Nexstar Senior Secured Credit Facility

On April 1, 2005, Nexstar Broadcasting entered into an amended and restated senior secured credit facility agreement (the Nexstar Facility) with a group of commercial banks which replaced its previous credit facility that had provided for a $83.0 million Term Loan D and a $50.0 million revolving loan. As revised, the Nexstar Facility consists of a $182.3 million Term Loan B (before being reduced by a voluntary repayment of $6.5 million made on September 30, 2005) and a $50.0 million revolving loan. Proceeds obtained under the Term Loan B were partially used to repay Nexstar Broadcasting s existing Term Loan D in the amount of $82.4 million plus accrued interest.

As of December 31, 2005 and 2004, Nexstar Broadcasting had $175.4 million and $82.6 million, respectively, outstanding under its Term Loan B and Term Loan D and no borrowings were outstanding under its revolving loan.

The Term Loan B, which matures in October 2012, is payable in consecutive quarterly installments amortized at 0.25% quarterly, which commenced on December 31, 2005, with the remaining 93.25% due at maturity. The revolving loan, which is not subject to incremental reduction, matures in April 2012. Nexstar Broadcasting is required to prepay borrowings outstanding under the Nexstar Facility with certain net proceeds, recoveries and excess cash flows as defined in the credit facility agreement.

The Term Loan B bears interest at either the higher of the prevailing prime rate or the Federal Funds Rate plus 0.50% (the Base Rate), plus an applicable margin of 0.50%; or LIBOR plus 1.75%. The revolving loan bears interest at either the Base Rate plus an applicable margin ranging between 0.00% and 0.75%; or LIBOR plus an applicable margin ranging between 0.75% and 2.00%. Interest rates are selected at Nexstar Broadcasting s option and the applicable margin is adjusted quarterly as defined in the credit facility agreement. The total weighted average interest rate of the Nexstar Facility was 6.28% and 4.31% at December 31, 2005 and 2004, respectively. Interest is payable periodically based on the type of interest rate selected. Additionally, Nexstar Broadcasting is required to pay quarterly commitment fees on the unused portion of its revolving loan commitment ranging from 0.375% to 0.50% per annum, based on the consolidated senior leverage ratio of Nexstar and Mission for that particular quarter.

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

The Mission Senior Secured Credit Facility

On April 1, 2005, Mission entered into an amended and restated senior secured credit facility agreement (the Mission Facility) with a group of commercial banks which replaced its previous bank credit facility that had provided for a $152.0 million Term Loan D and a $30.0 million revolving loan. As revised, the Mission Facility consists of a $172.7 million Term Loan B and a $47.5 million revolving loan. Proceeds obtained under the Term Loan B were used to repay Mission s existing Term Loan D in the amount of $150.9 million plus accrued interest and repay outstanding borrowings under the revolving loan in the amount of $21.5 million plus accrued interest.

As of December 31, 2005 and 2004, Mission had $172.3 million and $151.2 million, respectively, outstanding under its Term Loan B and Term Loan D and no borrowings and $21.5 million, respectively, were outstanding under its revolving loan.

Terms of the Mission Facility, including repayment, maturity and interest rates, are the same as the terms of the Nexstar Facility described above. Interest rates are selected at Mission s option and the applicable margin is adjusted quarterly as defined in the credit facility agreement. The total weighted average interest rate of the Mission Facility was 6.28% and 4.43% at December 31, 2005 and 2004, respectively.

Unused Commitments and Borrowing Availability

As of December 31, 2005, there was approximately $97.5 million of total unused commitments under the Nexstar and Mission senior secured credit facilities. Based on covenant calculations, as of December 31, 2005, there was approximately $15 million of total available borrowings that could be drawn under the Nexstar and Mission senior secured credit facilities.

Collateralization and Guarantees of Debt

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

Debt Covenants

The Nexstar bank credit facility agreement described above contains covenants which require the Company to comply with certain financial covenant ratios, including (1) a maximum total combined leverage ratio of Nexstar Broadcasting and Mission of 8.50 times the last twelve months operating cash flow (as defined in the credit agreement) at December 31, 2005, with quarterly reductions starting in the period commencing January 1, 2006 through the period commencing October 1, 2006, at which time the maximum total combined leverage ratio remains constant at 7.00 through December 31, 2007 and (2) a maximum combined senior leverage ratio of Nexstar Broadcasting and Mission of 5.50 times the last twelve months operating cash flow at December 31, 2005, reducing to 5.25 for the period of January 1, 2006 through June 30, 2006 and 5.00 for the period of July 1, 2006 through December 30, 2007. Covenants also include a minimum combined interest coverage ratio of 1.50 to 1.00 through December 30, 2008 and a fixed charge coverage ratio of 1.15 to 1.00. Although the Nexstar and Mission senior credit facilities now allow for payment of cash dividends to common stockholders, Nexstar and Mission do not currently intend to declare or pay a cash dividend. The covenants, which are formally calculated on a quarterly basis, are based on the combined results of Nexstar Broadcasting and Mission. As of December 31, 2005, the Company was in compliance with all of the covenants included in the credit facility agreements

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

governing the senior secured credit facilities. Mission s bank credit facility agreement does not contain financial covenant ratio requirements, but does provide for default in the event Nexstar does not adequately comply with all covenants contained in its credit agreement.

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

Senior Subordinated Notes

On April 1, 2005, Nexstar Broadcasting redeemed all of the outstanding $160.0 million in aggregate principal amount of 12% senior subordinated notes (12% Notes) that were due to mature on April 1, 2008, at a price of $1,060 per $1,000 principal amount. Redemption of the 12% Notes was funded from proceeds obtained through a combination of an offering of senior subordinated notes (discussed below) and Nexstar Broadcasting s senior secured credit facility. The aggregate redemption payment of $169.6 million plus accrued interest made on April 1, 2005 included a $9.6 million call premium related to the retirement of the notes. The redemption of the 12% Notes resulted in the recognition of a loss in the second quarter of 2005 consisting of $9.6 million in call premium, the write-off of approximately $3.6 million of previously capitalized debt financing costs and accelerated amortization of $3.4 million of unamortized discount on the notes. In conjunction with the redemption, Nexstar recorded a gain during the second quarter of 2005 of approximately $2.3 million from the derecognition of a SFAS No. 133 fair value hedge adjustment of the carrying amount of the 12% Notes. Nexstar Broadcasting had issued the 12% Notes on March 16, 2001 at a price of 96.012%.

On December 30, 2003, Nexstar Broadcasting issued $125.0 million of 7% senior subordinated notes (the 7% Notes) at par. The 7% Notes mature on January 15, 2014. Interest is payable every six months in arrears on January 15 and July 15. The 7% Notes are guaranteed by all of the domestic existing and future restricted subsidiaries of Nexstar Broadcasting and by Mission. The 7% Notes are general unsecured senior subordinated obligations subordinated to all of the Company s senior secured credit facilities. The 7% Notes are redeemable on or after January 15, 2009, at declining premiums, and Nexstar Broadcasting may redeem, at a premium, up to 35.0% of the aggregate principal amount of the notes before January 15, 2007 with the net cash proceeds from qualified equity offerings. The proceeds of the offering were used to finance the Quorum acquisition.

On April 1, 2005, Nexstar Broadcasting issued $75.0 million in the aggregate principal amount of 7% senior subordinated notes at a price of 98.01% (7% Notes) due 2014. The 7% Notes were issued as an add-on to the $125.0 million aggregate principal amount of 7% Notes previously issued. Proceeds obtained under the offering were net of a $1.1 million payment provided to investors purchasing the notes which was included as a component of the discount. The net proceeds from the offering, together with proceeds from Nexstar Broadcasting s senior secured credit facility, were used to redeem the 12% Notes.

The 7% Notes discussed above have been registered under the Securities Act of 1933 in accordance with the terms of a registration rights agreement.

Senior Discount Notes

On March 27, 2003, Nexstar Finance Holdings, Inc. (Nexstar Finance Holdings), a wholly-owned subsidiary of Nexstar, issued $130.0 million principal amount at maturity of 11.375% senior discount notes (the 11.375% Notes) at a price of 57.442%. The 11.375% Notes mature on April 1, 2013. Each 11.375% Note will have an accreted value at maturity of $1,000. The 11.375% Notes will not begin to accrue cash interest until

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

April 1, 2008 with payments to be made every six months in arrears on April 1 and October 1. On April 1, 2008, Nexstar is required to redeem a principal amount of notes outstanding sufficient to ensure that the 11.375% Notes will not be Applicable High Yield Discount Obligations within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986. The 11.375% Notes are general unsecured senior obligations effectively subordinated to the Nexstar Facility and are structurally subordinated to the 7% Notes.

On January 5, 2004, Nexstar Finance Holdings redeemed approximately $37.0 million principal amount at maturity of 16% senior discount notes (the 16% Notes) for a total cash payment of $34.8 million, consisting of $28.9 million of principal and $5.9 million in call premium and accelerated amortization. Nexstar Finance Holdings had issued the 16% Notes on May 17, 2001 at a price of 54.0373%. The 16% Notes were due to mature on May 15, 2009.

The 11.375% Notes discussed above have been registered under the Securities Act of 1933 in accordance with the terms of a registration rights agreement.

Guarantee of Subordinated and Discount Notes

On September 29, 2004, Nexstar executed full and unconditional guarantees with respect to the 12% Notes and the 7% Notes, each issued by Nexstar Broadcasting, an indirect subsidiary of Nexstar, and the 11.375% Notes issued by Nexstar Finance Holdings, a wholly-owned subsidiary of Nexstar. Mission is a guarantor of the senior subordinated notes issued by Nexstar Broadcasting.

Fair Value of Debt

The aggregate carrying amounts and estimated fair value of Nexstar s and Mission s debt were as follows:

	December 31, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Term loans[(1)] . .	$ 347,629	$ 347,629	$ 233,825	$ 233,825
Revolving credit facilities[(1)]	$	$	$ 21,500	$ 21,500
Senior subordinated notes[(2)]	$ 197,540	$ 183,000	$ 281,351	$ 295,438
Senior discount notes[(2)]	$ 101,336	$ 97,500	$ 90,701	$ 102,375

(1) The fair value of bank credit facilities approximates their carrying amount based on borrowing rates currently available to Nexstar and Mission for bank loans with similar terms and average maturities.

(2) The fair value of Nexstar s fixed rate debt is estimated based on quoted December 31 bid prices obtained from an investment banking firm that regularly makes a market for these financial instruments.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

Debt Maturities

At December 31, 2005, scheduled maturities of Nexstar s and Mission s debt (undiscounted) are summarized as follows (in thousands):

Year ended December 31,	
2006 .	$ 3,485
2007 .	3,485
2008 .	50,391
2009 .	3,485
2010	3,485
Thereafter .	613,298
	$ 677,629

Loss on Extinguishment of Debt

The redemption, repayment, refinancing or amendment of the Company s debt obligations may result in the write-off of debt financing costs previously capitalized and certain other costs incurred in the transaction. The refinancing of the Nexstar Broadcasting and Mission senior secured credit facilities in April 2005 resulted in the write-off of $0.4 million of previously capitalized debt financing costs and $1.0 million of transaction costs during the second quarter of 2005. The redemption of the 12% Notes resulted in the recognition of a loss in the second quarter of 2005 consisting of $9.6 million in call premium, the write-off of $3.6 million of previously capitalized debt financing costs and accelerated amortization of $3.4 million of unamortized discount on the notes. In conjunction with the redemption, Nexstar recorded a gain during the second quarter of 2005 of approximately $2.3 million from the derecognition of a SFAS No. 133 fair value hedge adjustment of the carrying amount of the 12% Notes. The redemption of the 16% Notes in January 2004 resulted in the write-off of $0.9 million of previously capitalized debt financing costs and $5.9 million in call premium and accelerated amortization during the first quarter of 2004. The amendment of the senior secured credit facilities for Nexstar Broadcasting and Mission in August 2004 resulted in the write-off of $1.4 million of previously capitalized debt financing costs and $0.5 million of transaction costs during the third quarter of 2004. The refinancing of the Nexstar Broadcasting and Mission senior secured credit facilities in February 2003 resulted in the write-off of $5.8 million of previously capitalized debt financing costs during the first quarter of 2003. The amendment of the Nexstar Broadcasting and Mission senior secured credit facilities in December 2003 resulted in the write-off of $3.1 million of previously capitalized debt financing costs during the fourth quarter of 2003. The repayment of the Quorum credit facility in December 2003 resulted in the write-off of $1.8 million of previously capitalized debt financing costs during the fourth quarter of 2003. These amounts are included in loss on extinguishment of debt.

F-39

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

The following table summarizes the amounts included in loss on extinguishment of debt resulting from the transactions described above:

	Years ended December 31,		
	2005	2004	2003
		(in thousands)	
Redemption of 12% senior subordinated notes	$ 16,622	$	$
Redemption of 16% senior discount notes		6,824	
Refinancing Nexstar and Mission senior secured credit facilities .	1,417		5,814
Amendment of Nexstar and Mission senior secured credit facilities		1,880	3,117
Repayment of Quorum credit facilities .			1,836
Gain from derecognition of SFAS No. 133 fair value hedge adjustment .	(2,324)		
Total loss on extinguishment of debt .	$ 15,715	$ 8,704	$ 10,767

Interest Rate Swap and Collar Agreements

Nexstar had a $60.0 million notional interest rate swap contract to receive a fixed interest rate of 12.0% and pay a LIBOR-based variable rate. The interest rate swap contract, which Nexstar terminated in August 2002, had been designed as a fair value hedge of the benchmark interest rate of the 12% Notes and qualified for SFAS No. 133 hedge accounting resulting in an adjustment on the balance sheet of $4.3 million. The SFAS No. 133 adjustment was being amortized as an adjustment to interest expense over the period originally covered by the swap contract. In conjunction with the redemption of the 12% Notes, Nexstar recorded a gain during the second quarter of 2005 of approximately $2.3 million from the derecognition of a SFAS No. 133 fair hedge adjustment of the carrying amount of the 12% Notes.

Until December 31, 2004, Nexstar had in effect an interest rate swap agreement to pay a fixed interest rate and receive a variable interest rate as required by its credit facility agreement, with a notional amount of $93.3 million. The $93.3 million notional swap, while economically being used to hedge the variability of cash flows on a portion of Nexstar s variable rate debt, did not qualify for SFAS No. 133 hedge accounting and, thus, was being recorded on the balance sheet at fair value with changes in fair value each period reported in other income and expense. The marking-to-market of this derivative instrument resulted in the recognition of a gain of $2.6 million and $2.4 million in other income for the years ended December 31, 2004 and 2003, respectively. The differential paid or received on the swap was accrued as an adjustment to interest expense. The interest rate swap agreement terminated on December 31, 2004 and resulted in the recognition of $0.7 million in other income for the year ended December 31, 2004.

9. Mandatorily Redeemable Preferred and Common Units

As of January 1, 2003, redeemable preferred units consisted of the following:

(a) 40,000 Series A Redeemable Preferred Units, issued by Quorum;
(b) 36,057 Series B Redeemable Preferred Units, issued by Quorum;
(c) 40,000 Series AA Redeemable Preferred Units, issued by Nexstar Group LLC; and
(d) 15,000 Series BB Redeemable Preferred Units issued by Nexstar Group LLC.

F-40

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Mandatorily Redeemable Preferred and Common Units (Continued)

As of January 1, 2003, redeemable common units consisted of the following:

(a) 563,898 Class D-2 Redeemable Common Units, issued by Nexstar Group LLC; and
(b) 20,549 Class E Redeemable Common Units, issued by Quorum.

On May 14, 2003, Nexstar Group s Series BB redeemable preferred units and its accreted yield were converted to 906,072 A-2 common units (see Note 10).

Upon the adoption of SFAS No. 150 as of July 1, 2003, all outstanding redeemable preferred and common units were reclassified as a liability with the exception of Class D-2 common units since the Class D-2 common units were only redeemable at the option of the holder upon a change in control of Nexstar Group LLC at a redemption price equal to the fair market value of the units.

In connection with Nexstar s initial public offering of common stock on November 28, 2003 and upon the consummation of the merger with Quorum on December 30, 2003, Nexstar redeemed all outstanding preferred units and Class E units in the amount of $155.8 million and $7.9 million, respectively.

10. Preferred and Common Stock and Members Interest

As of January 1, 2003, other common units consisted of the following:

(a) 2,050,000 Class A-1 Common Units, issued by Nexstar Group LLC;
(b) 3,439,122 Class A-2 Common Units, issued by Nexstar Group LLC;
(c) 15,280 Class B-1 Common Units, issued by Nexstar Group LLC;
(d) 1,000 Class B-2 Common Units, issued by Nexstar Group LLC;
(e) 81,507 Class C-1 Common Units, issued by Nexstar Group LLC;
(f) 86,794 Class C-2 Common Units, issued by Nexstar Group LLC;
(g) 43,183 Class D-1 Common Units, issued by Nexstar Group LLC;
(h) 86,269 Class A Common Units, issued by Quorum;
(i) 10,461 Class B Common Units, issued by Quorum;
(j) 276 Class C Common Units, issued by Quorum;
(k) 36 Class D Common Units, issued by Quorum;

On May 14, 2003, Nexstar Group LLC issued 906,072 A-2 common units in connection with the conversion of all its then outstanding Series BB redeemable preferred units (see Note 9).

On November 28, 2003, in connection with the corporate reorganization of Nexstar, all 6,622,958 outstanding other common units of Nexstar Group LLC were exchanged for 98,406 Class A, 13,331,358 Class B and 133 Class C shares of Nexstar common stock.

Also, on November 28, 2003, in connection with its initial public offering of common stock, Nexstar received net proceeds of $125.2 million from the issuance of 10,000,000 shares of its Class A common stock.

On December 30, 2003, upon the consummation of the Quorum acquisition, all outstanding 97,042 other common units of Quorum were exchanged for 457,753 shares Nexstar Class A common stock.

Also on December 30, 2003, upon the consummation of the Quorum acquisition, 3,033,130 shares of Nexstar Class A common stock were issued in exchange for certain redeemable preferred units (see Note 9)

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Preferred and Common Stock and Members Interest (Continued)

issued by Quorum and 80,230 shares of Nexstar Class B common stock were issued as payment of an accrued management fee between Quorum and ABRY.

On June 24, 2004, Banc of America Capital Investors L.P. converted 700,000 non-voting shares of Nexstar Class C common stock to 700,000 voting shares of Class A common stock.

In March 2003, Nexstar Group LLC made a $1.5 million tax distribution to holders of preferred equity interests.

The holders of Class A common stock are entitled to one vote per share and the holders of Class B common stock are entitled to 10 votes per share. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters submitted to a vote of the stockholders. Holders of Class C common stock have no voting rights.

The shares of Class B common stock and Class C common stock are convertible as follows: (i) holders of shares of Class B common stock or Class C common stock may elect at any time to convert their shares into an equal number of shares of Class A common stock; or (ii) the Class B common stock will automatically convert into Class A common stock on a one-for-one basis if the holder transfers to anyone other than a certain group of shareholders; or (iii) if Class B common stock represents less than 10.0% of the total common stock outstanding, all of the Class B common stock will automatically convert into Class A common stock on a one-for-one basis.

The Common stockholders are entitled to receive cash dividends, subject to the rights of holders of any series of Preferred Stock, on an equal per share basis.

11. Stock Options

During 2003, Nexstar established the 2003 Long-Term Equity Incentive Plan (the 2003 Plan) which provides for the granting of stock-based awards to directors, officers and other key employees of Nexstar and consultants to purchase a maximum of 3,000,000 shares of Nexstar s Class A common stock. The 2003 Plan provides for awards to be granted in the form of incentive stock options, non-qualified stock options, stock appreciation rights, either alone or in tandem, restricted stock, performance awards, or any combination of the above. The 2003 Plan is administered by the compensation committee of Nexstar s Board of Directors.

As of December 31, 2005, options to purchase 2,783,000 shares of Nexstar s Class A common stock are outstanding under the 2003 Plan. No other form of award is outstanding as of December 31, 2005. Under the 2003 Plan, options are granted with an exercise price at least equal to the fair market value of the underlying shares of common stock on the date of the grant, vest over five years and expire ten years from the date of grant. Except as otherwise determined by the compensation committee or with respect to the termination of a participant s services in certain circumstances, including a change of control, no grant under the 2003 Plan may be exercised within six months of the date of the grant.

As of December 31, 2005, a total of 217,000 shares are available for future grant under the 2003 Plan and a total of 811,000 options are vested and exercisable.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Stock Options (Continued)

The following table summarizes information concerning option activity for the years ended December 31, 2005, 2004 and 2003:

	2005		2004		2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at January 1	2,123,000	$ 11.91	1,270,000	$ 14.00		
Granted	830,000	$ 4.44(1)	985,000	$ 9.47(1)	1,270,000	$ 14.00(2)
Exercised						
Forfeited/Cancelled	(170,000)	$ 11.82	(132,000)	$ 13.83		
Outstanding at December 31	2,783,000	$ 9.68	2,123,000	$ 11.91	1,270,000	$ 14.00
Options exercisable at year-end	811,000	$ 12.89	526,000	$ 13.80	350,000	$ 14.00

(1) All options granted during 2005 and 2004 had an exercise price equal to the grant-date market price.
(2) All options granted during 2003 had an exercise price greater than the grant-date market price.

The weighted-average fair value per option granted during the year ended December 31, 2005 and 2004, calculated using the Black-Scholes option-pricing model, is as follows:

	2005	2004	2003
Options with an exercise price equal to the grant-date market price .	$ 1.95	$ 3.66	
Options with an exercise price greater than the grant-date market price .			$ 4.79

The following table summarizes information about options outstanding as of December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/05	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable at 12/31/05	Weighted-Average Exercise Price
$ 4.37-$ 4.99	795,000	9.96	$ 4.37		$
$ 5.00-$ 6.99	35,000	9.66	$ 5.92		$
$ 7.00-$ 8.99	735,000	8.67	$ 8.63	163,000	$ 8.63
$ 9.00-$13.99	100,000	8.24	$ 12.71	20,000	$ 12.71
$14.00-$14.17	1,118,000	7.92	$ 14.01	628,000	$ 14.00
	2,783,000			811,000	

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Income Taxes

The provision (benefit) for income taxes consisted of the following components:

	Years Ended December 31, 2005	2004	2003
		(in thousands)	
Current tax expense (benefit):			
Federal	$	$ (215)	$ 1,719
State	71	967	562
	71	752	2,281
Deferred tax expense (benefit):			
Federal	4,344	3,229	(14,729)
State	543	404	(2,472)
	4,887	3,633	(17,201)
Income tax expense (benefit) .	$ 4,958	$ 4,385	$ (14,920)

The Company s provision for income taxes is primarily comprised of deferred income taxes created by an increase in the deferred tax liabilities position during the year resulting from the amortization of goodwill and other indefinite-lived intangible assets for income tax purposes which are not amortized for financial reporting purposes. These deferred tax liabilities do not reverse on a scheduled basis and are not used to support the realization of deferred tax assets. The Company s deferred tax assets primarily result from federal and state net operating loss carryforwards (NOLs).

The provision (benefit) for income taxes differs from the amount computed by applying the statutory federal income tax rate of 35% to loss from operations before income taxes. The sources and tax effects of the differences were as follows:

	Years Ended December 31, 2005	2004	2003
		(in thousands)	
Tax benefit at 35% statutory federal rate	$ (15,320)	$ (6,377)	$ (27,512)
Change in valuation allowance	21,404	11,445	6,583
Income earned by a partnership not subject to corporate income tax			5,020
Reserve for uncertain tax provisions			1,500
State and local taxes, net of federal benefit	(1,374)	(692)	(954)
Other, net	248	9	443
Income tax expense (benefit)	$ 4,958	$ 4,385	$ (14,920)

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Income Taxes (Continued)

The components of the net deferred tax liability were as follows:

	December 31, 2005	December 31, 2004
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 143,944	$ 120,755
Other intangible assets	3,760	5,622
Deferred revenue	2,352	1,699
Deferred gain on sale of assets	2,620	2,871
Other	2,419	3,023
Total deferred tax assets	155,095	133,970
Valuation allowance	(150,125)	(128,721)
Net deferred tax assets	4,970	5,249
Deferred tax liabilities:		
Property and equipment	(4,970)	(5,249)
Goodwill	(7,994)	(6,095)
FCC licenses	(26,262)	(23,274)
Total deferred tax liabilities	(39,226)	(34,618)
Net deferred tax liability	$ (34,256)	$ (29,369)

The Company has provided a valuation allowance for certain deferred tax assets as it believes they may not be realized through future taxable earnings. The valuation allowance increased for the year ended December 31, 2005 by $21.4 million related to the generation of net operating losses and other deferred tax assets, the benefit of which may not be realized**.** The valuation allowance increased for the year ended December 31, 2004 by $12.7 million related to the generation of net operating losses and other deferred tax assets, the benefit of which may not be realized. As a result of Nexstar s corporate reorganization in 2003, all of its subsidiaries became a single taxable entity, allowing the assets and liabilities giving rise to deferred taxes the right to offset.

The Company establishes reserves for tax contingencies when, despite the belief that its tax return positions are fully supported, certain positions are likely to be challenged and may not be fully sustained. The tax contingency reserves are analyzed on a quarterly basis and adjusted based on changes in facts and circumstances, such as the progress of federal and state audits, case law and emerging legislation, The Company establishes tax reserves based upon management s assessment of potential tax exposures. While the Company believes that the amount of the tax estimates is reasonable, it is possible that the ultimate outcome of current or future examinations may exceed current reserves or a favorable settlement of tax audits may result in a reduction of future tax provisions. The favorable or unfavorable outcome of tax examinations could have a material impact on our results of operations. Any tax benefit from favorable settlement of tax audits would be recorded upon final resolution of the audit or expiration of the statute of limitations. The Company s effective tax rate includes the impact of tax contingency reserves and changes to the reserves, including related interest, as considered appropriate by management.

At December 31, 2005, the Company has NOLs available of approximately $366.8 million, which are available to reduce future taxable income if utilized before their expiration. These NOLs begin to expire in 2006

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Income Taxes (Continued)

through 2025 if not utilized. Utilization of NOLs in the future may be limited if changes in the Company s ownership occurs.

13. FCC Regulatory Matters

Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the Communications Act). The Communications Act prohibits the operation of television broadcasting stations, except under a license issued by the FCC, and empowers the FCC, among other things, to issue, revoke, and modify broadcasting licenses, determine the location of television stations, regulate the equipment used by television stations, adopt regulations to carry out the provisions of the Communications Act and impose penalties for the violation of such regulations. The FCC s ongoing rule making proceedings could have a significant future impact on the television industry and on the operation of the Company s stations and the stations it provides services to. In addition, the U.S. Congress may act to amend the Communications Act in a manner that could impact the Company s stations, the stations it provides services to and the television broadcast industry in general.

Some of the more significant FCC regulatory matters impacting the Company s operations are discussed below.

Cable Retransmission Consent Rights

The Communications Act grants television broadcasters retransmission consent rights in connection with the carriage of their stations signal by cable companies. If a broadcaster chooses to exercise retransmission consent rights, a cable television system which is subject to that election may not carry a station s signal without the broadcaster s consent. This generally requires the cable system operator and the television broadcaster to negotiate the terms under which the broadcaster will consent to the cable system s carriage of its station s signal. Nexstar and Mission have elected to exercise retransmission consent rights for all of their stations where they have a legal right to do so. Nexstar and Mission have negotiated retransmission consent agreements with substantially all of the cable systems which carry the stations signals.

On October 20, 2005, Nexstar and Mission entered into a joint agreement with Cox Communications, Inc. (Cox) for the retransmission of their stations signals on the Cox cable systems in Abilene-Sweetwater, San Angelo, Lubbock, Amarillo, Odessa-Midland and Beaumont-Port Arthur, Texas; Shreveport, Louisiana; Fort Smith, Little Rock and Monroe-El Dorado, Arkansas; Springfield and Joplin, Missouri; and Pittsburg, Kansas. Under this agreement, Cox has agreed to compensate Nexstar and Mission for the right to carry the Company s stations in these markets. As a result, Cox now carries Nexstar s television stations KLST (San Angelo) and KTAL (Shreveport) and Mission s television station KRBC (Abilene). These stations had previously been off of Cox s cable systems when retransmission consent agreements expired on December 31, 2004 and February 1, 2005. In connection with the agreement, Cox has withdrawn a complaint it had submitted to the FCC against Nexstar and Mission.

On December 19, 2005, Nexstar and Mission entered into a joint agreement with Cable ONE, Inc. (Cable ONE) for the retransmission of their stations signals on the Cable ONE cable systems in Texarkana, Arkansas; Texarkana, Texas; Shreveport, Louisiana; Joplin, Missouri; Pittsburg, Kansas; and Amarillo, Texas. Under this agreement, Cable ONE has agreed to compensate Nexstar and Mission for the right to carry the Company s stations in these markets. As a result, Cable ONE now carries Nexstar s television stations KTAL (Shreveport) and KSNF (Joplin-Pittsburg) and Mission s television station KODE (Joplin-Pittsburg). These stations had

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. FCC Regulatory Matters (Continued)

previously been off of Cable ONE s cable systems when retransmission consent agreements expired on December 31, 2004.

Digital Television (DTV) Conversion

FCC regulations required all commercial television stations in the United States to commence digital operations on a schedule determined by the FCC and Congress, in addition to continuing their analog operations. All of the television stations Nexstar and Mission own and operate are broadcasting at least a low-power digital television signal, except for KNWA, for which Nexstar has filed a request for extension of time with the FCC. When the FCC acts on the extension request, Nexstar will have at least six months to complete construction of KNWA s DTV facilities. If KNWA is not broadcasting a digital signal by the end of this six-month period Nexstar could be subject to sanctions, including, eventually, loss of the DTV construction permit. The conversion to digital transmission required an average initial capital expenditure of $0.2 million per station for low-power transmission of a digital signal. Digital conversion expenditures were $5.5 million and $0.3 million, respectively, for the years ended December 31, 2005 and 2004.

On February 8, 2006, President Bush signed into law legislation that establishes a February 17, 2009 deadline for television broadcasters to complete their transition to digital transmission and return their analog spectrum to the FCC. See Note 20 for a discussion of the impact this new legislation is expected to have on the estimated useful lives of certain broadcasting equipment of the Company.

Full-Power DTV Facilities Construction

The FCC has released rules setting the dates by which all television stations must be broadcasting a full-power DTV signal. Under these rules, stations affiliated with the four largest networks (ABC, CBS, NBC and Fox) in the top-100 markets were required to construct full-power DTV facilities by July 1, 2005. All other stations are required to construct full-power DTV facilities by July 1, 2006. Stations that fail to meet these build-out deadlines, and that have not requested an extension of time from the FCC, will lose interference protection for their signals outside their low-power coverage areas. As of December 31, 2005, Mission s stations WUTR, WTVO and WYOU are transmitting full-power digital signals and Nexstar s station WBRE is transmitting a full-power digital signal. Nexstar and Mission have filed requests for extension of time to construct full-power DTV facilities for their top four network affiliates in the top one hundred market stations. The FCC has not yet acted on these requests for extension of time.

The Company will incur various capital expenditures to modify the remaining Nexstar and Mission stations DTV transmitters for full-power digital signal transmission, including costs for the transmitter, transmission line, antenna and installation, and estimated costs for tower upgrades and/or modifications. The Company anticipates these expenditures will be funded through available cash on hand and cash generated from operations as incurred in future years.

Additional DTV Requirements

The FCC also adopted additional Program System and Information Protocol (PSIP) requirements. The equipment and related installation necessary to meet the PSIP requirements cost approximately $1.3 million in total for all of the television stations the Company owns and operates. These expenditures were funded in 2005 through available cash on hand and cash generated from operations.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Commitments and Contingencies

Broadcast Rights Commitments

Broadcast rights acquired for cash and barter under license agreements are recorded as an asset and a corresponding liability at the inception of the license period. Future minimum payments arising from unavailable future broadcast license commitments outstanding are as follows at December 31, 2005 (in thousands):

Year ended December 31,	
2006	$ 2,218
2007	5,099
2008	4,495
2009	4,209
2010	3,442
Thereafter	1,236
Future minimum payments for unavailable cash broadcast rights	$ 20,699

Unavailable broadcast rights commitments represent obligations to acquire cash and barter program rights for which the license period has not commenced and, accordingly, for which no asset or liability has been recorded.

Operating Leases

The Company leases office space, vehicles, towers, antennae sites, studio and other operating equipment under noncancelable operating lease arrangements expiring through May 2027. Charges to operations for such leases aggregated approximately $5.1 million, $5.0 million and $3.7 million for the years ended December 31, 2005, 2004 and 2003, respectively. Future minimum lease payments under these operating leases are as follows at December 31, 2005 (in thousands):

Year ended December 31,	
2006	$ 3,732
2007	3,749
2008	3,622
2009	3,603
2010	3,424
Thereafter	45,845
Future minimum lease payments under operating leases	$ 63,975

Guarantee of Mission Debt

Nexstar and its subsidiaries guarantee full payment of all obligations incurred under Misson s senior credit facility agreement. In the event that Mission is unable to repay amounts due under its credit facility, Nexstar will be obligated to repay such amounts. The maximum potential amount of future payments that Nexstar would be required to make under this guarantee would be generally limited to the amount of borrowings outstanding under the Mission credit facility. At December 31, 2005, Mission had $172.3 million outstanding under its senior credit facility.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Commitments and Contingencies (Continued)

Indemnification Obligations

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

Collective Bargaining Agreements

As of December 31, 2005, certain technical, production and news employees at five of the Company s stations are covered by collective bargaining agreements. The Company believes that employee relations are satisfactory and has not experienced any work stoppages at any of its stations. However, there can be no assurance that the collective bargaining agreements will be renewed in the future or that the Company will not experience a prolonged labor dispute, which could have a material adverse effect on its business, financial condition, or results of operations.

Litigation

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

15. Condensed Consolidating Financial Information

Senior Discount Notes

On March 27, 2003, Nexstar Finance Holdings, Inc. (Nexstar Finance Holdings), a 100% owned subsidiary of Nexstar, issued 11.375% senior discount notes (11.375% Notes) due in 2013. The 11.375% Notes are fully and unconditionally guaranteed by Nexstar. The following summarized consolidating financial information is presented in lieu of separate financial statements and other related disclosures of Nexstar Finance Holdings pursuant to Regulation S-X Rule 3-10 of the Securities Exchange Act of 1934, as amended, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or being Registered . The following represents summarized condensed consolidating financial information as of December 31, 2005 and 2004 with respect to the financial position and for the years ended December 31, 2005, 2004 and 2003 for results of operations and for cash flows of the Company and its 100%, directly or indirectly, owned subsidiaries.

The Nexstar column presents the parent company s financial information. Nexstar is also the guarantor. The Nexstar Finance Holdings column presents the issuer s financial information. The Non-Guarantor Subsidiary column presents the financial information of Nexstar Broadcasting, a 100% owned subsidiary of Nexstar Finance Holdings.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

BALANCE SHEET

December 31, 2005

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
ASSETS					
Current assets:					
Cash and cash equivalents	$	$	$ 13,487	$	$ 13,487
Other current assets		7	61,769		61,776
Total current assets		7	75,256		75,263
Investments in subsidiaries eliminated upon consolidation	27,184	128,153		(155,337)	
Amounts due from parents eliminated upon consolidation			6,112	(6,112)	
Property and equipment, net			98,156		98,156
Goodwill			146,258		146,258
FCC licenses			138,437		138,437
Other intangible assets, net			209,536		209,536
Other noncurrent assets	1	2,335	10,105	(10)	12,431
Total assets	$ 27,185	$ 130,495	$ 683,860	$ (161,459)	$ 680,081
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)					
Current liabilities:					
Current portion of debt	$	$	$ 3,485	$	$ 3,485
Other current liabilities	24		45,958		45,982
Total current liabilities	24		49,443		49,467
Debt		101,336	541,684		643,020
Amounts due to subsidiary eliminated upon consolidation	4,139	1,973		(6,112)	
Other noncurrent liabilities		2	53,628	(11)	53,619
Total liabilities	4,163	103,311	644,755	(6,123)	746,106
Stockholders equity (deficit):					
Common stock	284				284
Other stockholders' equity (deficit)	22,738	27,184	39,105	(155,336)	(66,309)

Total stockholders equity (deficit)	23,022	27,184	39,105	(155,336)	(66,025)
Total liabilities and stockholders equity (deficit)	$ 27,185	$ 130,495	$ 683,860	$ (161,459)	$ 680,081

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

BALANCE SHEET

December 31, 2004

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
ASSETS					
Current assets:					
Cash and cash equivalents	$	$	$ 18,505	$	$ 18,505
Other current assets		6	68,257		68,263
Total current assets		6	86,762		86,768
Investments in subsidiaries eliminated upon consolidation	66,550	156,562		(223,112)	
Amounts due from parents eliminated upon consolidation			5,980	(5,980)	
Property and equipment, net			101,068		101,068
Goodwill			145,576		145,576
FCC licenses			138,437		138,437
Other intangible assets, net			235,613		235,613
Other noncurrent assets	1	2,658	24,856	(12)	27,503
Total assets	$ 66,551	$ 159,226	$ 738,292	$ (229,104)	$ 734,965
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)					
Current liabilities:					
Current portion of debt	$	$	$ 2,350	$	$ 2,350
Other current liabilities			49,169		49,169
Total current liabilities			51,519		51,519
Debt		90,701	536,847		627,548
Amounts due to subsidiary eliminated upon consolidation	4,007	1,973		(5,980)	
Other noncurrent liabilities		2	51,653	(12)	51,643
Total liabilities	4,007	92,676	640,019	(5,992)	730,710
Minority interest in consolidated entity			21,550		21,550
Stockholders equity (deficit):					

Common stock	284				284
Other stockholders equity (deficit)	62,260	66,550	76,723	(223,112)	(17,579)
Total stockholders equity (deficit)	62,544	66,550	76,723	(223,112)	(17,295)
Total liabilities and stockholders equity (deficit)	$ 66,551	$ 159,226	$ 738,292	$ (229,104)	$ 734,965

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2005

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net revenue	$	$	$ 226,053	$	$ 226,053
Operating expenses:					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			68,117		68,117
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	156		72,821		72,977
Loss on property and asset disposal, net			848		848
Amortization of broadcast rights			22,257		22,257
Amortization of intangible assets			26,511		26,511
Depreciation			16,733		16,733
Total operating expenses	156		207,287		207,443
Income (loss) from operations	(156)		18,766		18,610
Interest expense, including amortization of debt financing costs		(10,957)	(36,303)		(47,260)
Loss on extinguishment of debt			(15,715)		(15,715)
Equity in loss of subsidiaries	(39,366)	(28,409)		67,775	
Other income, net			592	1	593
Loss before income taxes	(39,522)	(39,366)	(32,660)	67,776	(43,772)
Income tax expense			(4,958)		(4,958)
Net loss	$ (39,522)	$ (39,366)	$ (37,618)	$ 67,776	$ (48,730)

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2004

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net revenue	$	$	$ 245,740	$	$ 245,740
Operating expenses:					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			66,044		66,044
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	5		72,314		72,319
Merger related expenses			456		456
Loss on asset disposal, net			146		146
Amortization of broadcast rights			24,805		24,805
Amortization of intangible assets			26,463		26,463
Depreciation			17,949		17,949
Total operating expenses	5		208,177		208,182
Income (loss) from operations	(5)		37,563		37,558
Interest expense, including amortization of debt financing costs		(9,769)	(42,496)		(52,265)
Loss on extinguishment of debt		(6,824)	(1,880)		(8,704)
Equity in earnings (loss) of subsidiaries	(14,749)	1,850		12,899	
Other income, net			5,190		5,190
Loss before income taxes	(14,754)	(14,743)	(1,623)	12,899	(18,221)
Income tax expense	(251)	(6)	(4,128)		(4,385)
Loss before minority interest in consolidated entity	(15,005)	(14,749)	(5,751)	12,899	(22,606)
Minority interest in consolidated entity			2,106		2,106
Net loss	$ (15,005)	$ (14,749)	$ (3,645)	$ 12,899	$ (20,500)

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2003

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net revenue	$	$	$ 214,332	$	$ 214,332
Operating expenses (income):					
Direct operating expenses (exclusive of depreciation and amortization shown separately below)			60,808		60,808
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	2	4	74,433		74,439
Merger related expenses			11,754		11,754
Gain on asset disposal, net			(495)		(495)
Amortization of broadcast rights			25,894		25,894
Amortization of intangible assets			24,934		24,934
Depreciation			20,467		20,467
Total operating expenses	2	4	217,795		217,801
Loss from operations	(2)	(4)	(3,463)		(3,469)
Interest expense, including amortization of debt financing costs	(3,473)	(11,345)	(53,524)		(68,342)
Loss on extinguishment of debt			(10,767)		(10,767)
Equity in loss of subsidiaries	(51,431)	(40,069)		91,500	
Other income, net	56		3,915		3,971
Loss before income taxes	(54,850)	(51,418)	(63,839)	91,500	(78,607)
Income tax benefit (expense)	2,559	(13)	12,374		14,920
Loss before cummulative effect of change in accounting principle and minority interest in consolidated entity	(52,291)	(51,431)	(51,465)	91,500	(63,687)
Cummulative effect of change in accounting principle, net of tax	(6,321)		(2,577)		(8,898)
Minority interest in consolidated entity			786		786
Net loss	(58,612)	(51,431)	(53,256)	91,500	(71,799)

Accretion of preferred interests	(7,939)		(7,380)		(15,319)
Net loss attributable to common shareholders	$ (66,551)	$ (51,431)	$ (60,636)	$ 91,500	$ (87,118)

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by operating activities	$	$	$ 14,350	$	$ 14,350
Cash flows from investing activities:					
Additions to property and equipment, net			(14,016)		(14,016)
Acquisition of broadcast properties and related transaction costs			(12,467)		(12,467)
Other investing activities			125		125
Net cash used for investing activities			(26,358)		(26,358)
Cash flows from financing activities:					
Proceeds from debt issuance			427,375		427,375
Repayment of long-term debt			(263,696)		(263,696)
Proceeds from revolver draws			1,000		1,000
Repayment of senior subordinated notes			(153,619)		(153,619)
Payments for debt financing costs			(4,070)		(4,070)
Net cash provided by financing activities			6,990		6,990
Net decrease in cash and cash equivalents			(5,018)		(5,018)
Cash and cash equivalents at beginning of year			18,505		18,505
Cash and cash equivalents at end of year	$	$	$ 13,487	$	$ 13,487

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2004

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by (used for) operating activities	$ (175)	$ (5,929)	$ 38,015	$	$ 31,911
Cash flows from investing activities:					
Additions to property and equipment, net			(10,552)		(10,552)
Acquisition of broadcast properties and related transaction costs			(35,107)		(35,107)
Other investing activites			1,054		1,054
Net cash used for investing activities			(44,605)		(44,605)
Cash flows from financing activities:					
Proceeds from debt issuance			235,000		235,000
Repayment of long-term debt			(248,175)		(248,175)
Proceeds from revolver draws			63,500		63,500
Repayment of senior discount notes		(28,862)			(28,862)
Payments for debt financing costs		(6)	(1,106)		(1,112)
Capital contributions/distributions	(52)	34,797	(34,745)		
Net cash provided by (used for) financing activities	(52)	5,929	14,474		20,351
Net increase (decrease) in cash and cash equivalents	(227)		7,884		7,657
Cash and cash equivalents at beginning of year	227		10,621		10,848
Cash and cash equivalents at end of year	$	$	$ 18,505	$	$ 18,505

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2003

(in thousands)

	Nexstar	Nexstar Finance Holdings	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by (used for) operating activities	$ 2,777	$ (109)	$ 1,018	$	$ 3,686
Cash flows from investing activities:					
Additions to property and equipment, net			(10,311)		(10,311)
Acquisition of broadcast properties and related transaction costs			(113,317)		(113,317)
Other investing activities			(783)		(783)
Net cash used for investing activities			(124,411)		(124,411)
Cash flows from financing activities:					
Proceeds from stock offering	140,000				140,000
Proceeds from debt issuance		74,675	505,000		579,675
Repayment of long-term debt			(483,121)		(483,121)
Proceeds from revolver draws			48,150		48,150
Repayment of senior discount notes			(27,948)		(27,948)
Repayment of note payable to related party			(2,000)		(2,000)
Repayment of preferred membership interests and common units	(54,960)		(68,560)		(123,520)
Payments for debt financing costs		(3,195)	(9,336)		(12,531)
Payments of stock issuance costs	(14,811)				(14,811)
Capital contributions/distributions	(72,847)	(71,371)	142,696		(1,522)
Net cash provided by (used for) financing activities	(2,618)	109	104,881		102,372
Net increase (decrease) in cash and cash equivalents	159		(18,512)		(18,353)
Cash and cash equivalents at beginning of year	68		29,133		29,201
Cash and cash equivalents at end of year	$ 227	$	$ 10,621	$	$ 10,848

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

Senior Subordinated Notes

On December 30, 2003 and April 1, 2005, Nexstar Broadcasting, a 100% owned subsidiary of Nexstar Finance Holdings, issued 7% senior subordinated notes (7% Notes) due in January 2014. The 7% Notes are fully and unconditionally guaranteed by Nexstar. The following summarized consolidating financial information is presented in lieu of separate financial statements and other related disclosures of Nexstar Broadcasting pursuant to Regulation S-X Rule 3-10 of the Securities Exchange Act of 1934, as amended, Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or being Registered . The following represents summarized condensed consolidating financial information as of December 31, 2005 and 2004 with respect to the financial position and for the years ended December 31, 2005, 2004 and 2003 for results of operations and for cash flows of Nexstar and its 100%, directly or indirectly, owned subsidiaries and independently-owned Mission Broadcasting, Inc.

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

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

BALANCE SHEET

December 31, 2005

(in thousands)

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
ASSETS						
Current assets:						
Cash and cash equivalents	$	$ 12,083	$ 1,404	$	$	$ 13,487
Due from Mission		22,215			(22,215)	
Other current assets		58,801	2,968	7		61,776
Total current assets		93,099	4,372	7	(22,215)	75,263
Investments in subsidiaries eliminated upon consolidation	27,184			128,153	(155,337)	
Amounts due from parents eliminated upon consolidation		6,112			(6,112)	
Property and equipment, net		77,091	21,102		(37)	98,156
Goodwill		129,607	16,651			146,258
FCC licenses		109,701	28,736			138,437
Other intangible assets, net		161,939	47,597			209,536
Other noncurrent assets	1	8,759	1,346	2,335	(10)	12,431
Total assets	$ 27,185	$ 586,308	$ 119,804	$ 130,495	$ (183,711)	$ 680,081
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)						
Current liabilities:						
Current portion of debt	$	$ 1,758	$ 1,727	$	$	$ 3,485
Due to Nexstar Broadcasting			22,215		(22,215)	
Other current liabilities	24	42,122	3,836			45,982
Total current liabilities	24	43,880	27,778		(22,215)	49,467
Debt		371,143	170,541	101,336		643,020
Amounts due to subsidiary eliminated upon consolidation	4,139			1,973	(6,112)	
Other noncurrent liabilities		43,132	10,496	2	(11)	53,619
Total liabilities	4,163	458,155	208,815	103,311	(28,338)	746,106
Stockholders equity (deficit):						

Common stock	284					284
Other stockholders equity (deficit)	22,738	128,153	(89,011)	27,184	(155,373)	(66,309)
Total stockholders equity (deficit)	23,022	128,153	(89,011)	27,184	(155,373)	(66,025)
Total liabilities and stockholders equity (deficit)	$ 27,185	$ 586,308	$ 119,804	$ 130,495	$ (183,711)	$ 680,081

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

BALANCE SHEET

December 31, 2004

(in thousands)

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
ASSETS						
Current assets:						
Cash and cash equivalents	$	$ 11,524	$ 6,981	$	$	$ 18,505
Due from Mission		20,922			(20,922)	
Other current assets		63,999	4,258	6		68,263
Total current assets		96,445	11,239	6	(20,922)	86,768
Investments in subsidiaries eliminated upon consolidation	66,550			156,562	(223,112)	
Amounts due from parents eliminated upon consolidation		5,980			(5,980)	
Property and equipment, net		78,546	22,574		(52)	101,068
Goodwill		129,269	16,307			145,576
FCC licenses		109,701	28,736			138,437
Other intangible assets, net		181,906	53,707			235,613
Other noncurrent assets	1	22,525	2,331	2,658	(12)	27,503
Total assets	$ 66,551	$ 624,372	$ 134,894	$ 159,226	$ (250,078)	$ 734,965
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)						
Current liabilities:						
Current portion of debt	$	$ 830	$ 1,520	$	$	$ 2,350
Due to Nexstar Broadcasting			20,922		(20,922)	
Other current liabilities		43,906	5,263			49,169
Total current liabilities		44,736	27,705		(20,922)	51,519
Debt		365,627	171,220	90,701		627,548
Amounts due to subsidiary eliminated upon consolidation	4,007			1,973	(5,980)	
Other noncurrent liabilities		41,616	10,037	2	(12)	51,643
Total liabilities	4,007	451,979	208,962	92,676	(26,914)	730,710
Minority interest in consolidated entity		15,831	5,719			21,550

Stockholders equity (deficit):						
Common stock	284		1		(1)	284
Other stockholders' equity (deficit)	62,260	156,562	(79,788)	66,550	(223,163)	(17,579)
Total stockholders equity (deficit)	62,544	156,562	(79,787)	66,550	(223,164)	(17,295)
Total liabilities and stockholders equity (deficit)	$ 66,551	$ 624,372	$ 134,894	$ 159,226	$ (250,078)	$ 734,965

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2005

(in thousands)

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net broadcast revenue (including trade and barter)	$	$ 221,094	$ 4,959	$	$	$ 226,053
Revenue between consolidated entities		11,400	28,141		(39,541)	
Net revenue		232,494	33,100		(39,541)	226,053
Operating expenses (income):						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		63,673	4,444			68,117
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	156	70,589	2,232			72,977
Selling, general, and administrative expenses between consolidated entities		28,141	11,400		(39,541)	
Loss (gain) on property and asset disposal, net		927	(79)			848
Amortization of broadcast rights		17,849	4,408			22,257
Amortization of intangible assets		20,402	6,109			26,511
Depreciation		13,939	2,809		(15)	16,733
Total operating expenses	156	215,520	31,323		(39,556)	207,443
Income (loss) from operations	(156)	16,974	1,777		15	18,610
Interest expense, including amortization of debt financing costs		(27,110)	(9,193)	(10,957)		(47,260)
Loss on extinguishment of debt		(15,207)	(508)			(15,715)
Equity in loss of subsidiaries	(39,366)			(28,409)	67,775	
Other income, net		562	30		1	593
Loss before income taxes	(39,522)	(24,781)	(7,894)	(39,366)	67,791	(43,772)
Income tax expense		(3,628)	(1,330)			(4,958)
Net loss	$ (39,522)	$ (28,409)	$ (9,224)	$ (39,366)	$ 67,791	$ (48,730)

F-61

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2004

(in thousands)

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net broadcast revenue (including trade and barter)	$	$ 230,417	$ 15,323	$	$	$ 245,740
Revenue between consolidated entities		13,167	21,186		(34,353)	
Net revenue		243,584	36,509		(34,353)	245,740
Operating expenses (income):						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		61,936	4,108			66,044
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	5	67,908	4,406			72,319
Selling, general, and administrative expenses between consolidated entities		21,186	13,167		(34,353)	
Merger related expenses		456				456
Loss (gain) on asset disposal, net		316	(170)			146
Amortization of broadcast rights		20,226	4,579			24,805
Amortization of intangible assets		20,971	5,492			26,463
Depreciation		15,400	2,572		(23)	17,949
Total operating expenses	5	208,399	34,154		(34,376)	208,182
Income (loss) from operations	(5)	35,185	2,355		23	37,558
Interest expense, including amortization of debt financing costs		(36,625)	(5,871)	(9,769)		(52,265)
Loss on extinguishment of debt		(786)	(1,094)	(6,824)		(8,704)
Equity in earnings (loss) of subsidiaries	(14,749)			1,850	12,899	
Other income, net		5,167	23			5,190
Income (loss) before income taxes	(14,754)	2,941	(4,587)	(14,743)	12,922	(18,221)
Income tax expense	(251)	(3,009)	(1,119)	(6)		(4,385)
Loss before minority interest in consolidated entity	(15,005)	(68)	(5,706)	(14,749)	12,922	(22,606)

Minority interest in consolidated entity		1,918	188			2,106
Net income (loss)	$ (15,005)	$ 1,850	$ (5,518)	$ (14,749)	$ 12,922	$ (20,500)

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2003

(in thousands)

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Net broadcast revenue (including trade and barter)	$	$ 196,090	$ 18,242	$	$	$ 214,332
Revenue between consolidated entities		5,909	10,204		(16,113)	
Net revenue		201,999	28,446		(16,113)	214,332
Operating expenses (income):						
Direct operating expenses (exclusive of depreciation and amortization shown separately below)		56,197	4,611			60,808
Selling, general, and administrative expenses (exclusive of depreciation and amortization shown separately below)	2	68,393	6,040	4		74,439
Selling, general, and administrative expenses between consolidated entities		10,204	5,909		(16,113)	
Merger related expenses		11,754				11,754
Gain on asset disposal, net		(226)	(269)			(495)
Amortization of broadcast rights		21,768	4,126			25,894
Amortization of intangible assets		19,005	5,929			24,934
Depreciation		16,897	3,570			20,467
Total operating expenses	2	203,992	29,916	4	(16,113)	217,801
Loss from operations	(2)	(1,993)	(1,470)	(4)		(3,469)
Interest expense, including amortization of debt financing costs	(3,473)	(45,950)	(7,574)	(11,345)		(68,342)
Loss on extinguishment of debt		(8,185)	(2,582)			(10,767)
Equity in loss of subsidiaries	(51,431)			(40,069)	91,500	
Other income, net	56	3,158	757			3,971
Loss before income taxes	(54,850)	(52,970)	(10,869)	(51,418)	91,500	(78,607)
Income tax benefit (expense)	2,559	15,112	(2,738)	(13)		14,920
Loss before cumulative effect of change in accounting principle and minority interest in consolidated entity	(52,291)	(37,858)	(13,607)	(51,431)	91,500	(63,687)
Cumulative effect of change in accounting principle, net of tax	(6,321)	(2,577)				(8,898)

Minority interest in consolidated entity		366	420			786
Net loss	(58,612)	(40,069)	(13,187)	(51,431)	91,500	(71,799)
Accretion of preferred interests	(7,939)	(7,380)				(15,319)
Net loss attributable to common shareholders	$ (66,551)	$ (47,449)	$ (13,187)	$ (51,431)	$ 91,500	$ (87,118)

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005

(in thousands)

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by operating activities	$	$ 11,130	$ 3,220	$	$	$ 14,350
Cash flows from investing activities:						
Additions to property and equipment, net		(12,615)	(1,401)			(14,016)
Acquisition of broadcast properties and related transaction costs		(6,338)	(6,129)			(12,467)
Other investing activities		124	1			125
Net cash used for investing activities		(18,829)	(7,529)			(26,358)
Cash flows from financing activities:						
Proceeds from debt issuance		254,675	172,700			427,375
Repayment of long-term debt		(90,524)	(173,172)			(263,696)
Proceeds from revolver draws		1,000				1,000
Repayment of senior subordinated notes		(153,619)				(153,619)
Payments for debt financing costs		(3,274)	(796)			(4,070)
Net cash provided by (used for) financing activities		8,258	(1,268)			6,990
Net increase (decrease) in cash and cash equivalents		559	(5,577)			(5,018)
Cash and cash equivalents at beginning of year		11,524	6,981			18,505
Cash and cash equivalents at end of year	$	$ 12,083	$ 1,404	$	$	$ 13,487

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2004

(in thousands)

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by (used for) operating activities	$ (175)	$ 40,123	$ (2,108)	$ (5,929)	$	$ 31,911
Cash flows from investing activities:						
Additions to property and equipment, net		(10,300)	(252)			(10,552)
Acquisition of broadcast properties and related transaction costs		(12,414)	(22,693)			(35,107)
Other investing activities		253	801			1,054
Net cash used for investing activities		(22,461)	(22,144)			(44,605)
Cash flows from financing activities:						
Proceeds from debt issuance		83,000	152,000			235,000
Repayment of long-term debt		(95,415)	(152,760)			(248,175)
Proceeds from revolver draws		33,000	30,500			63,500
Repayment of senior discount notes				(28,862)		(28,862)
Payments for debt financing costs		(742)	(364)	(6)		(1,112)
Capital contributions/distributions	(52)	(34,745)		34,797		
Net cash provided by (used for) financing activities	(52)	(14,902)	29,376	5,929		20,351
Net increase (decrease) in cash and cash equivalents	(227)	2,760	5,124			7,657
Cash and cash equivalents at beginning of year	227	8,764	1,857			10,848
Cash and cash equivalents at end of year	$	$ 11,524	$ 6,981	$	$	$ 18,505

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Condensed Consolidating Financial Information (Continued)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2003

(in thousands)

	Nexstar	Nexstar Broadcasting	Mission	Non-Guarantor Subsidiary	Eliminations	Consolidated Company
Cash flows provided by (used for) operating activities	$ 2,777	$ (8,698)	$ 9,716	$ (109)	$	$ 3,686
Cash flows from investing activities:						
Additions to property and equipment, net		(9,107)	(1,204)			(10,311)
Acquisition of broadcast properties and related transaction costs		(102,125)	(11,192)			(113,317)
Other investing activities		17	(800)			(783)
Net cash used for investing activities		(111,215)	(13,196)			(124,411)
Cash flows from financing activities:						
Proceeds from stock offering	140,000					140,000
Proceeds from debt issuance		310,000	195,000	74,675		579,675
Repayment of long-term debt		(281,116)	(202,005)			(483,121)
Proceeds from revolver draws		32,000	16,150			48,150
Repayment of senior discount notes		(27,948)				(27,948)
Repayment of note payable to related party			(2,000)			(2,000)
Repayment of preferred membership interests and common units	(54,960)	(68,560)				(123,520)
Payments for debt financing costs		(7,002)	(2,334)	(3,195)		(12,531)
Payments of stock issuance costs	(14,811)					(14,811)
Capital contributions/distributions	(72,847)	142,696		(71,371)		(1,522)
Net cash provided by (used for) financing activities	(2,618)	100,070	4,811	109		102,372
Net increase (decrease) in cash and cash equivalents	159	(19,843)	1,331			(18,353)
Cash and cash equivalents at beginning of year	68	28,607	526			29,201
Cash and cash equivalents at end of year	$ 227	$ 8,764	$ 1,857	$	$	$ 10,848

F-66

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Employee Benefits

Nexstar, Mission, Quorum and VHR have established retirement savings plans under Section 401(k) of the Internal Revenue Code (the Plans). The Plans cover substantially all employees of Nexstar and Mission and former employees of Quorum and VHR who meet minimum age and service requirements, and allow participants to defer a portion of their annual compensation on a pre-tax basis. Contributions to the Plans may be made at the discretion of Nexstar and Mission. Quorum and VHR recorded contributions of $0.1 million for the year ended December 31, 2003. The Quorum 401(k) plan was merged into the Nexstar 401(k) plan on March 15, 2004. The VHR 401(k) plan merged into the Mission 401(k) plan on March 29, 2004. Nexstar recorded contributions of $0.5 million for both the years ended December 31, 2005 and 2004. Nexstar did not provide for any contributions during the year ended December 31, 2003. Mission recorded contributions of $13 thousand and $16 thousand for the years ended December 31, 2005 and 2004, respectively. Mission did not provide for any contributions for the year ended December 31, 2003.

Under a collective bargaining agreement, the Company contributes three percent (3%) of the gross monthly payroll of certain covered employees toward their pension benefits. Employees must have completed 90 days of service to be eligible for the contribution. The Company s pension benefit contribution totaled $25 thousand for each of the years ended December 31, 2005, 2004 and 2003.

17. Related Party Transactions

Guaranty Chief Executive Officer

Pursuant to a continuing guaranty agreement dated June 16, 2001 with Nexstar s primary lender, Nexstar had guaranteed a $3.0 million non-revolving line of credit to its President and Chief Executive Officer to enable him, among other uses, to purchase equity interests of Nexstar. In December 2003, Nexstar paid compensation to the officer in the amount of $4.1 million, including related taxes, and the officer repaid the loan in full and the guaranty was terminated.

Transactions with ABRY

Quorum paid ABRY a management fee for financial and other advisory services. Management fees paid to ABRY approximated $0.3 million for the year ended December 31, 2003, which was included in selling, general and administrative expenses in the Company s consolidated statement of operations. Certain accrued management fees were settled by issuance of 80,230 shares of Nexstar s Class B common stock and the management agreements were terminated upon completion of the Quorum acquisition on December 30, 2003.

Other Transactions

For the year ended December 31, 2003, Nexstar recorded $7.8 million of severance related costs associated with payment to the former President and Chief Executive Officer of Quorum, as part of merger related expenses.

VHR paid compensation to the former principal stockholder and officer of VHR of $0.1 million for the year ended December 31, 2003, which was included in selling, general and administrative expenses in the Company s consolidated statement of operations.

On January 2, 2002, Quorum entered into a software sublicense agreement with VHR-ABS, LLC, an entity affiliated with the former principal stockholder and officer of VHR. Quorum was required to make payments of $60 thousand a year for use of the software. The partnership interest was purchased for $0.3 million on December 30, 2003 and the agreement was terminated.

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Related Party Transactions (Continued)

Pursuant to a management services agreement, Mission paid compensation to its sole shareholder in the amount of $0.4 million, $0.3 million, and $0.2 million for the years ended December 31, 2005, 2004, and 2003, respectively, which was included in selling, general and administrative expenses in the Company s consolidated statement of operations.

18. Unaudited Quarterly Data

	Quarter Ended			
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005
	(in thousands, except per share amounts)			
Net revenue	$ 52,663	$ 57,900	$ 53,965	$ 61,525
Income from operations	1,568(1)	6,889(1)	3,247(1)	6,906
Net loss attributable to common shareholders	(12,808)	(20,928)	(8,887)	(6,107)
Basic and diluted net loss per share:				
Net loss attributable to common shareholders	$ (0.45)	$ (0.74)	$ (0.31)	$ (0.22)
Basic and diluted weighted average shares outstanding	28,363	28,363	28,363	28,363

(1) Quarterly amounts have been reclassified to conform with subsequent period presentation.

	Quarter Ended			
	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004
	(in thousands, except per share amounts)			
Net revenue	$ 54,236	$ 61,157	$ 59,884	$ 70,463
Income from operations	2,757	11,671	8,869	14,261
Net income (loss) attributable to common shareholders	(16,714)	1,175	(5,702)	741
Basic and diluted net income (loss) per share:				
Net income (loss) attributable to common shareholders	$ (0.59)	$ 0.04	$ (0.20)	$ 0.03
Basic and diluted weighted average shares outstanding	28,363	28,363	28,363	28,363

19. Valuation and Qualifying Accounts

Allowance for Doubtful Accounts Rollforward

	Balance at Beginning	Additions Charged to Costs and Expenses	Increase Due to Acquisitions	Deductions[1]	Balance at End of Period

	of Period		(in thousands)		
Year ended December 31, 2003	$ 935	$ 1,273	$ 241	$ (1,355)	$ 1,094
Year ended December 31, 2004	1,094	1,751		(1,726)	1,119
Year ended December 31, 2005	1,119	1,151		(1,407)	863

(1) Uncollectable accounts written off, net of recoveries.

Table of Contents

NEXSTAR BROADCASTING GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Valuation and Qualifying Accounts (Continued)

Valuation Allowance for Deferred Tax Assets Rollforward

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts[1]	Deductions[2]	Balance at End of Period
			(in thousands)		
Year ended December 31, 2003	$ 109,472	$	$ 30,122	$ (23,539)	$ 116,055
Year ended December 31, 2004	116,055		12,666		128,721
Year ended December 31, 2005	128,721		21,404		150,125

(1) Increase in valuation allowance related to the generation of net operating losses and other deferred tax assets.
(2) Reduction in valuation allowance attributable to Nexstar s corporate reorganizaiton

20. Subsequent Events

On January 24, 2006, the owners of UPN and WB announced that the two television networks will merge to form a new network called The CW. The Company operates 3 UPN affiliated stations located in Wichita Falls, Texas; Champaign, Illinois; and Utica, New York. The Company is currently evaluating the impact the merger will have on the Company s consolidated financial position and results of operations.

On February 8, 2006, President Bush signed into law legislation that establishes a February 17, 2009 deadline for television broadcasters to complete their transition to digital transmission and return their analog spectrum to the FCC. As a result, the Company is currently reassessing the estimated useful lives of its analog transmission equipment, which will accelerate future depreciation expense. The Company estimates that the useful lives and depreciation expense with respect to equipment having a net book value of approximately $9.7 million as of December 31, 2005, is subject to change. Such equipment is presently being depreciated over various remaining useful lives which extend from 2010 to 2020. The Company intends to depreciate the affected analog equipment over a remaining useful life of three years and estimates this change will increase annual depreciation expense by approximately $2.3 million.

Table of Contents

Exhibit No.	Exhibit Index
3.1	Amended and Restated Certificate of Incorporation of Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 3.1 to Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
3.2	Amended and Restated By-Laws of Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 3.2 to Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
4.1	Specimen Class A Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
4.2	Form of Stockholders Agreement among Nexstar Broadcasting Group, Inc., ABRY Broadcast Partners II, L.P., ABRY Broadcast Partners III, L.P., Perry A. Sook and the other stockholders named therein. (Incorporated by reference to Exhibit 4.2 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.1	Indenture, among Nexstar Finance Holdings, L.L.C., Nexstar Finance Holdings, Inc., Bastet Broadcasting, Inc., Mission Broadcasting of Wichita Falls, Inc., Nexstar Broadcasting Group, L.L.C. and The Bank of New York, as successor to United States Trust Company of New York, dated as of May 17, 2001. (Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-4 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.2	Supplemental Indenture, among Nexstar Finance Holdings, L.L.C., Nexstar Finance Holdings, Inc., Nexstar Finance Holdings II, L.L.C. and The Bank of New York, dated August 6, 2001. (Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-4 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.3	Unit Agreement, among Nexstar Finance Holdings, L.L.C., Nexstar Finance Holdings, Inc., Nexstar Equity Corp., Nexstar Broadcasting Group, L.L.C. and The Bank of New York, as successor to United States Trust Company of New York, dated as of May 17, 2001. (Incorporated by reference to Exhibit 10.2 to Registration Statement on Form S-4 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.4	First Amendment to Amended and Restated Credit Agreement and Limited Consent dated as of November 14, 2001, among Nexstar Finance, L.L.C., Bank of America, N.A. and the other parties signatory thereto. (Incorporated by reference to Exhibit 10.4 to Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.5	Amended and Restated Credit Agreement, dated as of June 14, 2001, by and among Nexstar Finance, L.L.C., Nexstar Broadcasting Group, L.L.C. and certain of its Subsidiaries from time to time parties thereto, the several financial institutions from time to time parties thereto, Bank of America, N.A., Barclays Bank PLC and First Union National Bank. (Incorporated by reference to Exhibit 10.4 to Registration Statement on Form S-4 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.6	First Amendment to Credit Agreement and Limited Consent, among Nexstar Finance, L.L.C., Nexstar Broadcasting Group, L.L.C., the Parent Guarantors named therein, the several Banks named therein and Bank of America, N.A., dated as of May 17, 2001. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-4 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.7	Credit Agreement, by and among Nexstar Finance, L.L.C., the parent guarantors party thereto, Bank of America, N.A., CIBC Inc., Firstar Bank, N.A., Barclays Bank PLC and First Union National Bank, dated as of January 12, 2001. (Incorporated by reference to Exhibit 10.2 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)

Table of Contents

Exhibit No.	Exhibit Index
10.8	Third Amendment to Credit Agreement, Limited Consent and Assumption Agreement Consent, dated as of November 14, 2001, among Bastet Broadcasting, Inc., Mission Broadcasting of Wichita Falls, Inc. and Mission Broadcasting of Joplin, Inc., Bank of America, N.A. and the other parties signatories thereto. (Incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.9	Credit Agreement, by and among Bastet Broadcasting, Inc., Mission Broadcasting of Wichita Falls, Inc., Bank of America, N.A., Barclays Bank PLC and First Union National Bank, dated as of January 12, 2001. (Incorporated by reference to Exhibit 10.3 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.10	Guaranty Agreement, dated as of January 12, 2001, executed by Nexstar Broadcasting Group, L.L.C. and Nexstar Finance Holdings, L.L.C. in favor of the guaranteed parties defined therein. (Incorporated by reference to Exhibit 10.4 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.11	Guaranty Agreement, dated as of January 12, 2001, executed by the direct subsidiaries of Nexstar Broadcasting Group, L.L.C. in favor of the guaranteed parties defined therein. (Incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.12	Guaranty Agreement, dated as of January 12, 2001, executed by Nexstar Finance Holdings, Inc. in favor of the guaranteed parties defined therein. (Incorporated by reference to Exhibit 10.6 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.13	Guaranty Agreement, dated as of January 12, 2001, executed by the subsidiary guarantors defined therein in favor of the guaranteed parties defined therein. (Incorporated by reference to Exhibit 10.7 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.14	Guaranty Agreement, dated as of January 12, 2001, executed by Bastet Broadcasting, Inc. and Mission Broadcasting of Wichita Falls, Inc. (Incorporated by reference to Exhibit 10.8 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.15	Security Agreement, dated as of January 12, 2001, made by each of the Nexstar entities defined therein in favor of Bank of America, N.A., as collateral agent. (Incorporated by reference to Exhibit 10.9 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.16	Pledge and Security Agreement, dated as of January 12, 2001, made by each of the Nexstar entities defined therein in favor of Bank of America, N.A., as collateral agent. (Incorporated by reference to Exhibit 10.10 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.17	Executive Employment Agreement, dated as of January 5, 1998, by and between Perry A. Sook and Nexstar Broadcasting Group, Inc., as amended on January 5, 1999. (Incorporated by reference to Exhibit 10.11 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.18	Amendment to Employment Agreement, dated as of May 10, 2001, by and between Perry A. Sook and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.12 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)

Table of Contents

Exhibit No.	Exhibit Index
10.19	Executive Employment Agreement, dated as of January 5, 1998, by and between Duane Lammers and Nexstar Broadcasting Group, Inc., as amended on December 31, 1999. (Incorporated by reference to Exhibit 10.13 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.20	Addendum to Employment Agreement, dated February 9, 2001, by and between Duane Lammers and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.14 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.21	Executive Subscription Agreement, dated as of December 31, 1999, by and between Duane Lammers and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.15 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.22	Executive Employment Agreement, dated as of January 5, 1998, by and between Shirley Green and Nexstar Broadcasting Group, Inc., as amended on December 31, 1999. (Incorporated by reference to Exhibit 10.16 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.23	Second Addendum to Employment Agreement, dated as of February 6, 2002, by and between Shirley Green and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.20 to Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.24	Executive Subscription Agreement, dated as of December 31, 1999, by and between Shirley Green and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.17 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.25	Executive Employment Agreement, dated as of December 31, 1999, by and between Susana G. Willingham and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.18 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.26	Executive Employment Agreement, dated as of December 31, 1999, by and between Richard Stolpe and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.19 to Registration Statement on Form S-4 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.27	Purchase and Sale Agreement, dated as of December 31, 2001, by and among Mission Broadcasting of Joplin, Inc., GOCOM Broadcasting of Joplin, LLC and GOCOM of Joplin License Sub, LLC. (Incorporated by reference to Exhibit 10.24 to Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.28	Time Brokerage Agreement, dated as of December 31, 2001, by and between GOCOM of Joplin License Sub, LLC and Mission Broadcasting of Joplin, Inc. (Incorporated by reference to Exhibit 10.25 to Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.29	Outsourcing Agreement, dated as of December 1, 2001, by and among WYZZ, Inc., WYZZ License, Inc., and Nexstar Broadcasting of Peoria, L.L.C. (Incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)

Table of Contents

Exhibit No.	Exhibit Index
10.30	Second Amendment to Credit Agreement, Limited Consent and Limited Waiver, dated as of June 5, 2002, among Nexstar Finance, L.L.C., Nexstar Broadcasting Group, L.L.C., the Parent Guarantors named therein, the several banks named therein and Bank of America, N.A. (Incorporated by reference to Exhibit 10.5 to Quarterly Report on Form 10-Q for the period ended September 30, 2002 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.31	Fourth Amendment to Credit Agreement, Limited Consent and Limited Waiver, dated as of June 5, 2002, among Bastet Broadcasting, Inc., Mission Broadcasting of Wichita Falls, Inc., Mission Broadcasting of Joplin, Inc., the several banks named therein and Bank of America, N. A. (Incorporated by reference to Exhibit 10.10 to Quarterly Report on Form 10-Q for the period ended September 30, 2002 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.32	Fifth Amendment to Credit Agreement and Limited Consent, dated as of September 30, 2002, among Bastet Broadcasting, Inc., Mission Broadcasting of Wichita Falls, Inc., Mission Broadcasting of Joplin, Inc., the several banks named therein and Bank of America, N. A. (Incorporated by reference to Exhibit 10.37 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.33	Third Amendment to Individual Loan Agreement by and between Perry A. Sook and Bank of America, N.A. (Incorporated by reference to Exhibit 10.37 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.34	Form of Limited Guaranty. (Incorporated by reference to Exhibit 10.38 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.35	Securities Purchase Agreement between Nexstar Broadcasting Group, L.L.C., as Issuer, and Banc America Capital Investors I, L.P., as purchaser, dated as of August 7, 2001. (Incorporated by reference to Exhibit 10.37 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.36	Option Agreement, dated as of June 1, 1999, among Mission Broadcasting of Wichita Falls, Inc., David Smith and Nexstar Broadcasting of Wichita Falls, L.P. (Incorporated by reference to Exhibit 10.42 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.37	Shared Services Agreement, dated as of June 1, 1999, among Mission Broadcasting of Wichita Falls, Inc., David Smith and Nexstar Broadcasting of Wichita Falls, L.P. (Incorporated by reference to Exhibit 10.43 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.38	Agreement of the Sale of Commercial Time dated as of June 1, 1999, among Mission Broadcasting of Wichita Falls, Inc., David Smith and Nexstar Broadcasting of Wichita Falls, L.P. (Incorporated by reference to Exhibit 10.44 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.39	Option Agreement, dated as of May 19, 1998, among Bastet Broadcasting, Inc., David Smith and Nexstar Broadcasting of Northeastern Pennsylvania, L.P. (Incorporated by reference to Exhibit 10.45 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.40	Shared Services Agreement, dated as of January 5, 1998, between Nexstar Broadcasting Group, L.P. and Bastet Broadcasting, Inc. (Incorporated by reference to Exhibit 10.46 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)

Exhibit No.	Exhibit Index
10.41	Option Agreement, dated as of November 30, 1998, among Bastet Broadcasting, Inc., David Smith and Nexstar Broadcasting Group, L.L.C. (Incorporated by reference to Exhibit 10.47 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.42	Time Brokerage Agreement, dated as of April 1, 1996, by and between SJL Communications, L.P. and NV Acquisitions Co. (Incorporated by reference to Exhibit 10.48 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.43	Amendment, dated as of July 31, 1998, to Time Brokerage Agreement dated as of April 1, 1996, between SJL Communications, L.P. and NV Acquisitions Co. (Incorporated by reference to Exhibit 10.49 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.44	Option Agreement, dated as of April 1, 2002, by and between Mission Broadcasting of Joplin, Inc. and Nexstar Broadcasting of Joplin, L.L.C. (Incorporated by reference to Exhibit 10.50 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.45	Shared Services Agreement, dated as of April 1, 2002, by and between Mission Broadcasting of Joplin, Inc. and Nexstar Broadcasting of Joplin, L.L.C. (Incorporated by reference to Exhibit 10.51 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.46	Addendum to Employment Agreement, dated as of August 14, 2002, by and between Duane Lammers and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.52 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.47	Amendment to Option Agreements, dated as of October 18, 2002, among Mission Broadcasting, Inc., David Smith, Nexstar Broadcasting of Northeastern Pennsylvania, L.L.C., Nexstar Broadcasting Group, L.L.C., Nexstar Broadcasting of Wichita Falls, L.L.C., and Nexstar Broadcasting of Joplin, L.L.C. (Incorporated by reference to Exhibit 10.54 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.48	Modifications to Employment Agreement, dated as of September 26, 2002, by and between Perry A. Sook and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.55 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.49	Asset Purchase Agreement, dated as of December 13, 2002, by and among LIN Television Corporation, TVL Broadcasting of Abilene, Inc., Abilene Broadcasting, L.L.C. and Mission Broadcasting, Inc. (Incorporated by reference to Exhibit 10.47 to Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.50	Local Marketing Agreement, dated as of December 13, 2002, by and among LIN Television Corporation, TVL Broadcasting of Abilene, Inc., Abilene Broadcasting, L.L.C. and Mission Broadcasting, Inc. (Incorporated by reference to Exhibit 10.48 to Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.51	Stock Purchase Agreement, dated as of December 30, 2002, by and among Nexstar Broadcasting Group, L.L.C., Nexstar Broadcasting of Little Rock, L.L.C., Nexstar Broadcasting of Dothan, L.L.C., Morris Network, Inc., United Broadcasting Corporation, KARK-TV, Inc. and Morris Network of Alabama, Inc. (Incorporated by reference to Exhibit 10.49 to Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)

Table of Contents

Exhibit No.	Exhibit Index
10.52	Time Brokerage Agreement, dated as of December 30, 2002, by and between KARK-TV, Inc. and Nexstar Broadcasting of Little Rock, L.L.C. (Incorporated by reference to Exhibit 10.50 to Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.53	Time Brokerage Agreement, dated as of December 30, 2002, by and between Morris Network of Alabama, Inc. and Nexstar Broadcasting of Dothan, L.L.C. (Incorporated by reference to Exhibit 10.51 to Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.54	Second Amended and Restated Credit Agreement, dated as of February 13, 2003, among Nexstar Finance, L.L.C., Nexstar Broadcasting Group, L.L.C. and certain of its subsidiaries from time to time parties thereto, the several financial institutions from time to time parties thereto, Bank of America, N.A., as Administrative Agent, Bear Stearns Corporate Lending, Inc., as Syndication Agent, and Royal Bank of Canada, General Electric Capital Corporation and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc., as Co-Documentation Agents. (Incorporated by reference to Exhibit 10.52 to Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.55	Amended and Restated Credit Agreement, dated as of February 13, 2003, among Mission Broadcasting, Inc., the several financial institutions from time to time parties thereto, Bank of America, N.A., as Administrative Agent, Bear Stearns Corporate Lending, Inc., as Syndication Agent, and Royal Bank of Canada, General Electric Capital Corporation and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc., as Co-Documentation Agents. (Incorporated by reference to Exhibit 10.53 to Annual Report on Form 10-K for the year ended December 31, 2002 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.56	Shared Services Agreement, dated as of June 13, 2003, by and between Mission Broadcasting, Inc. and Nexstar Broadcasting of Abilene, L.L.C. (Incorporated by reference to Exhibit 10.63 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.57	Option Agreement, dated as of June 13, 2003, among Mission Broadcasting, Inc., David Smith and Nexstar Broadcasting of Abilene, L.L.C. (Incorporated by reference to Exhibit 10.64 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.58	Shared Services Agreement, dated as of May 9, 2003, by and between Mission Broadcasting, Inc. and Nexstar Broadcasting of the Midwest, Inc. (Incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the period ended June 30, 2003 (File No. 333-62916-02) filed by Mission Broadcasting, Inc.)
10.59	Agreement for the Sale of Commercial Time, dated as of May 9, 2003, by and between Mission Broadcasting, Inc. and Nexstar Broadcasting of the Midwest, Inc. (Incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the period ended June 30, 2003 (File No. 333-62916-02) filed by Mission Broadcasting, Inc.)
10.60	Option Agreement, dated as of May 9, 2003, among Mission Broadcasting, Inc., David Smith and Nexstar Broadcasting of the Midwest, Inc. (Incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the period ended June 30, 2003 (File No. 333-62916-02) filed by Mission Broadcasting, Inc.)
10.61	Executive Employment Agreement, dated as of September 11, 2000, by and between Timothy Busch and Nexstar Broadcasting of Rochester, L.L.C. (Incorporated by reference to Exhibit 10.68 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)

Exhibit No.	Exhibit Index
10.62	Addendum to Employment Agreement, dated as of August 14, 2002, by and between Timothy Busch and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.69 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.63	Executive Employment Agreement, dated as of May 1, 2003, by and between Brian Jones and Nexstar Broadcasting Group, L.L.C. (Incorporated by reference to Exhibit 10.70 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.64	Indenture, among Nexstar Finance Holdings, L.L.C., Nexstar Finance Holdings, Inc., Mission Broadcasting, Inc. and The Bank of New York, dated as of March 27, 2003. (Incorporated by reference to Exhibit 4.4 to Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.65	Registration Rights Agreement, by and among Nexstar Finance Holdings, L.L.C., Nexstar Finance Holdings, Inc., Banc of America Securities LLC and Bear, Stearns & Co. Inc., dated as of March 27, 2003. (Incorporated by reference to Exhibit 4.2 to Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.66	Reorganization Agreement, dated as of September 12, 2003, between Nexstar Broadcasting Group, L.L.C. and Quorum Broadcast Holdings, LLC (Incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the period ended September 30, 2003 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.67	Addendum to Employment Agreement, dated as of May 20, 2003, by and between Duane A. Lammers and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.74 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.68	Addendum to Employment Agreement, dated as of August 28, 2003, by and between Duane A. Lammers and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.75 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.69	Addendum to Employment Agreement, dated as of May 12, 2003, by and between Timothy C. Busch and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.76 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.70	Addendum to Employment Agreement, dated as of August 28, 2003, by and between Timothy C. Busch and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.77 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.71	Addendum to Employment Agreement, dated as of August 28, 2003, by and between Brian Jones and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.78 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.72	Limited Consent and Limited Waiver to Credit Agreement, dated as of September 5, 2003, among Nexstar Finance, L.L.C., Nexstar Broadcasting Group, L.L.C., the other Parent Guarantors parties thereto, the several Banks parties thereto and Bank of America, N.A. (Incorporated by reference to Exhibit 10.79 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.73	Limited Consent and Limited Waiver to Credit Agreement, dated as of September 5, 2003, among Mission Broadcasting, Inc., the several Banks parties thereto and Bank of America, N.A. (Incorporated by reference to Exhibit 10.80 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)

Table of Contents

Exhibit No.	Exhibit Index
10.74	Limited Consent, Waiver and Seventh Amendment to Credit Agreement, dated as of September 5, 2003, among Quorum Broadcasting Company, Inc., Quorum Broadcasting Company, LLC, VHR Broadcasting, Inc., Mission Broadcasting of Amarillo, Inc., Quorum Broadcast Holdings, LLC, Quorum Broadcast Holdings, Inc., the Lenders parties thereto and Bank of America, N.A. (Incorporated by reference to Exhibit 10.81 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.75	Employment Agreement, dated as of September 1, 2003, by and between G. Robert Thompson and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.82 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.76	Amendment No. 1 to the Reorganization Agreement, dated as of November 3, 2003, by and between Nexstar Broadcasting Group, L.L.C. and Quorum Broadcast Holdings, LLC. (Incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the period ended September 30, 2003 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.77	Purchase and Sale Agreement, dated as of October 13, 2003, by and between Nexstar Finance, L.L.C. and J.D.G. Television, Inc. (Incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the period ended September 30, 2003 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.78	Time Brokerage Agreement, dated as of October 13, 2003, by and between Nexstar Finance, L.L.C. and J.D.G. Television, Inc. (Incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the period ended September 30, 2003 (File No. 333-62916) filed by Nexstar Finance, L.L.C. and Nexstar Finance, Inc.)
10.79	Addendum to Employment Agreement, dated as of August 25, 2003, by and between Susana Willingham and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.86 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.80	Addendum to Employment Agreement, dated as of August 28, 2003, by and between Richard Stolpe and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.87 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.81	Addendum to Employment Agreement, dated as of August 25, 2003, by and between Perry A. Sook and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.20 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.82	Addendum to Employment Agreement, dated as of August 28, 2003, by and between Shirley Green and Nexstar Broadcasting Group, Inc. (Incorporated by reference to Exhibit 10.27 on Registration Statement on Form S-1 (File No. 333-86994) filed by Nexstar Broadcasting Group, Inc.)
10.83	Assignment and Assumption Agreement, dated as of August 6, 2001, by Nexstar Finance Holdings II, L.L.C. and Nexstar Finance Holdings, L.L.C. (Incorporated by reference to Exhibit 10.33 to Registration Statement on Form S-4 (File No. 333-68964) filed by Nexstar Finance Holdings, L.L.C. and Nexstar Finance Holdings, Inc.)
10.84	Third Amended and Restated Credit Agreement, dated as of December 30, 2003, among Nexstar Broadcasting, Inc., Nexstar Broadcasting Group, Inc. and certain of its subsidiaries from time to time parties thereto, the several financial institutions from time to time parties thereto, Bank of America, N.A., as Administrative Agent, Bear Stearns Corporate Lending, Inc., as Syndication Agent, and Royal Bank of Canada, General Electric Capital Corporation and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc., as Co-Documentation Agents. (Incorporated by reference to Exhibit 10.85 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)

Table of Contents

Exhibit No.	Exhibit Index
10.85	Second Amended and Restated Credit Agreement, dated as of December 30, 2003, among Mission Broadcasting, Inc., the several financial institutions from time to time parties thereto, Bank of America, N.A., as Administrative Agent, Bear Stearns Corporate Lending, Inc., as Syndication Agent, and Royal Bank of Canada, General Electric Capital Corporation and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc., as Co-Documentation Agents. (Incorporated by reference to Exhibit 10.86 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
10.86	First Restated Security Agreement, dated as of December 30, 2003 by Nexstar Broadcasting Group, Inc., Nexstar Finance Holdings, Inc. and Nexstar Broadcasting, Inc. in favor of Bank of America, N.A., as collateral agent. (Incorporated by reference to Exhibit 10.87 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
10.87	First Restated Pledge and Security Agreement, dated as of December 30, 2003, by Nexstar Broadcasting Group, Inc., Nexstar Finance Holdings, Inc. and Nexstar Broadcasting, Inc. in favor of Bank of America, N.A., as collateral agent. (Incorporated by reference to Exhibit 10.88 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
10.88	First Restated Guaranty, dated as of December 30, 2003, executed by Nexstar Broadcasting Group, Inc. and Nexstar Finance Holdings, Inc. for Nexstar Broadcasting, Inc. s Guaranteed Obligations in favor of the guaranteed parties defined therein. (Incorporated by reference to Exhibit 10.89 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
10.89	First Restated Guaranty, dated as of December 30, 2003, executed by Nexstar Broadcasting Group, Inc., Nexstar Finance Holdings, Inc. and Nexstar Broadcasting, Inc. for Mission Broadcasting, Inc. s Guaranteed Obligations in favor of the guaranteed parties defined therein. (Incorporated by reference to Exhibit 10.90 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
10.90	Indenture, among Nexstar Broadcasting, Inc., the guarantors defined therein and The Bank of New York, dated as of December 30, 2003. (Incorporated by reference to Exhibit 10.91 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
10.91	Registration Rights Agreement, by and among Nexstar Broadcasting, Inc. (f/k/a Nexstar Finance, Inc., Mission Broadcasting, Inc., Banc of America Securities LLC, Bear, Stearns & Co., Inc. and RBC Dominion Securities Corporation, dated as of December 30, 2003. (Incorporated by reference to Exhibit 10.92 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
10.92	Employment Agreement, dated as of January 15, 2004, by and between Paul Greeley and Nexstar Broadcasting, Inc. (Incorporated by reference to Exhibit 10.93 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
10.93	Amendment to Agreement for Sale of Commercial Time, dated December 30, 2003, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (KAMC-KLBK). (Incorporated by reference to Exhibit 10.91 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)

Table of Contents

Exhibit No.	Exhibit Index
10.94	Amendment to Shared Services Agreement, dated December 30, 2003, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (KAMC-KLBK). (Incorporated by reference to Exhibit 10.92 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.95	Amendment to Agreement for Sale of Commercial Time, dated December 30, 2003, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (KOLR-KSFX (formerly KDEB)). (Incorporated by reference to Exhibit 10.93 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.96	Amendment to Shared Services Agreement, dated December 30, 2003, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (KOLR-KSFX (formerly KDEB)). (Incorporated by reference to Exhibit 10.94 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.97	Amendment to Agreement for Sale of Commercial Time, dated January 1, 2004, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (KCIT-KAMR). (Incorporated by reference to Exhibit 10.95 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.98	Amendment to Shared Services Agreement, dated January 1, 2004, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (KCIT-KAMR). (Incorporated by reference to Exhibit 10.96 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.99	Amendment to Agreement for Sale of Commercial Time, dated January 13, 2004, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (WFXW (formerly WBAK)-WTWO). (Incorporated by reference to Exhibit 10.97 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.100	Amendment to Shared Services Agreement, dated January 13, 2004, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (WFXW (formerly WBAK)-WTWO). (Incorporated by reference to Exhibit 10.98 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.101	Agreement for Sale of Commercial Time, dated April 1, 2004, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (WUTR-WFXV). (Incorporated by reference to Exhibit 10.99 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.102	Shared Services Agreement, dated April 1, 2004, by and between Nexstar Broadcasting, Inc. and Mission Broadcasting, Inc. (WUTR-WFXV). (Incorporated by reference to Exhibit 10.100 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.103	Amendment to Agreement for Sale of Commercial Time, dated January 1, 2004, by and between Nexstar Broadcasting, Inc. (as successor to Nexstar Broadcasting of Wichita Falls, L.P.) and Mission Broadcasting, Inc. (f/k/a Mission Broadcasting of Wichita Falls, Inc.) (KJBO-KFDX). (Incorporated by reference to Exhibit 10.101 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)
10.104	Amendment to Shared Services Agreement, dated January 1, 2004, by and between Nexstar Broadcasting, Inc. (as successor to Nexstar Broadcasting of Wichita Falls, L.P.) and Mission Broadcasting, Inc. (f/k/a Mission Broadcasting of Wichita Falls, Inc.) (KJBO-KFDX). (Incorporated by reference to Exhibit 10.102 to Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-114963) filed by Nexstar Broadcasting, Inc.)

Table of Contents

Exhibit No.	Exhibit Index
10.105	Purchase Agreement, dated May 21, 2004, by and between Nexstar Broadcasting, Inc. and Jewell Television Corporation. (Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the period ended June 30, 2004 (File No. 333-62916-01) filed by Nexstar Broadcasting, Inc.)
10.106	Time Brokerage Agreement, dated May 21, 2004, by and between Nexstar Broadcasting, Inc. and Jewell Television Corporation. (Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the period ended June 30, 2004 (File No. 333-62916-01) filed by Nexstar Broadcasting, Inc.)
10.107	Consent and Second Amendment to the Nexstar Credit Agreement. (Incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on August 19, 2004)
10.108	Consent and First Amendment to the Mission Credit Agreement. (Incorporated by reference to Exhibit 99.2 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on August 19, 2004)
10.109	Guarantee issued by Nexstar Broadcasting Group, Inc. with respect to 7% Senior Subordinated Notes due 2014. (Incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on October 1, 2004)
10.110	Guarantee issued by Nexstar Broadcasting Group, Inc. with respect to 12% Senior Subordinated Notes due 2008. (Incorporated by reference to Exhibit 99.2 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on October 1, 2004)
10.111	Guarantee issued by Nexstar Broadcasting Group, Inc. with respect to 11.375% Senior Discount Notes due 2013. (Incorporated by reference to Exhibit 99.3 to Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on October 1, 2004)
10.112	Supplemental Indenture, dated as of April 1, 2005, among Nexstar Broadcasting, Inc., Nexstar Broadcasting Group, Inc., Mission Broadcasting, Inc., and The Bank of New York, as Trustee. (Incorporated by reference to Exhibit 99.4 to the Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on April 6, 2005)
10.113	Registration Rights Agreement, dated April 1, 2005, by and among Nexstar Broadcasting, Inc., Nexstar Broadcasting Group, Inc., Mission Broadcasting, Inc., Banc of America Securities LLC, UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated. (Incorporated by reference to Exhibit 4.7 to Registration Statement on Form S-4 (File No. 333-125847) filed by Nexstar Broadcasting, Inc. on April 6, 2005)
10.114	Fourth Amended and Restated Credit Agreement, dated as of April 1, 2005, among Nexstar Broadcasting, Inc., Nexstar Broadcasting Group, Inc., certain of its subsidiaries from time to time parties to the Credit Agreement, the several banks and other financial institutions or entities from time to time parties thereto, Bank of America, N.A., as the Administrative Agent for the Lenders, and UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Co-Syndication Agents. (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on April 6, 2005)
10.115	First Amendment and Confirmation (Guarantee Agreement), dated as of April 1, 2005, by and among Nexstar Broadcasting Group, Inc. and Nexstar Finance Holdings, Inc. as Guarantors and Bank of America, N.A. as Collateral Agent, on behalf of the Majority Lenders (as defined therein). (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on April 6, 2005)

Table of Contents

Exhibit No.	Exhibit Index
10.116	Nexstar First Amendment and Confirmation Agreement to Nexstar Guaranty of Mission Obligations, dated April 1, 2005, by and among Nexstar Broadcasting Group, Inc., Nexstar Finance Holdings, Inc. and Nexstar Broadcasting, Inc. (Incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on April 6, 2005)
10.117	Guarantee, dated as of April 1, 2005, of Nexstar Broadcasting Group, Inc. executed pursuant to the Indenture dated as of December 30, 2003, among Nexstar Broadcasting, Inc., Mission Broadcasting, Inc. and The Bank of New York, as Trustee, as amended and supplemented by the Supplemental Indenture (as defined therein). (Incorporated by reference to Exhibit 99.5 to the Current Report on Form 8-K (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc. on April 6, 2005)
10.118	Third Amended and Restated Credit Agreement, dated as of April 1, 2005, among Mission Broadcasting, Inc., the several banks and other financial institutions or entities from time to time parties thereto, Bank of America, N.A., as the Administrative Agent for the Lenders, and UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Co-Syndication Agents. (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 333-62916-02) filed by Mission Broadcasting, Inc. on April 7, 2005)
10.119	First Amendment and Confirmation Agreement to Mission Guarantee of Nexstar Obligations, dated as of April 1, 2005, by and among Mission Broadcasting, Inc. as Guarantor and Bank of America, N.A. as Collateral Agent, on behalf of the Majority Lenders (as defined therein). (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K (File No. 333-62916-02) filed by Mission Broadcasting, Inc. on April 7, 2005)
10.120	Confirmation Agreement for the Smith Pledge Agreement, dated as of April 1, 2005, by David S. Smith and Bank of America, N.A. as Collateral Agent. (Incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K (File No. 333-62916-02) filed by Mission Broadcasting, Inc. on April 7, 2005)
10.121	First Amendment, dated as of October 20, 2005, to the Fourth Amended and Restated Credit Agreement, among Nexstar Broadcasting Group, Inc., Nexstar Finance Holdings, Inc., Nexstar Broadcasting, Inc., Bank of America, N.A. (as Administrative Agent), UBS Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as Co-syndication Agents) and several Lenders named therein.*
10.122	Executive Employment Agreement, dated as of January 23, 2006, by and between Nexstar Broadcasting, Inc. and Matthew E. Devine.*
10.123	Stock Grant Agreement, dated as of January 23, 2006, by and between Nexstar Broadcasting Group, Inc. and Matthew E. Devine.*
14.1	Nexstar Broadcasting Group, Inc. Code of Ethics. (Incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50478) filed by Nexstar Broadcasting Group, Inc.)
21.1	Subsidiaries of the registrant.*
23.1	Consent Letter issued by PricewaterhouseCoopers LLP on March 16, 2006.*
31.1	Certification of Perry A. Sook pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Matthew E. Devine pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Perry A. Sook pursuant to 18 U.S.C. ss. 1350.*
32.2	Certification of Matthew E. Devine pursuant to 18 U.S.C. ss. 1350.*

* Filed herewith