NEXSTAR BROADCASTING GROUP INC
Form 10-Q
May 10, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from to .

Commission File Number: 000-50478

NEXSTAR BROADCASTING GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	23-3083125
(State of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5215 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

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

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

As of May 7, 2013, the registrant had 29,358,835 shares of Class A Common Stock and no shares of Class B Common Stock outstanding.

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PART I. FINANCIAL INFORMATION
ITEM I. Financial Statements

NEXSTAR BROADCASTING GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information, unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$22,625	$68,999
Accounts receivable, net of allowance for doubtful accounts of $2,187 and $1,965, respectively	92,623	74,553
Current portion of broadcast rights	7,770	8,477
Prepaid expenses and other current assets	11,027	11,297
Total current assets	134,045	163,326
Property and equipment, net	214,295	180,162
Broadcast rights	7,473	8,631
Goodwill	167,731	148,409
FCC licenses	222,757	198,257
FCC licenses of Mission	41,563	21,939
Other intangible assets, net	155,242	122,491
Deferred tax assets, net	72,984	72,090
Other noncurrent assets, net	19,620	30,510
Total assets	$1,035,710	$945,815
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$3,500	$2,175
Current portion of broadcast rights payable	7,022	9,094
Accounts payable	11,285	12,324
Accrued expenses	19,980	18,122
Taxes payable	199	983
Interest payable	20,959	8,703
Deferred revenue	2,395	2,276
Amount payable to seller for acquisition of station	6,500	-
Other liabilities of Mission	5,214	3,195
Other liabilities	1,747	1,131
Total current liabilities	78,801	58,003
Debt	924,467	855,467
Broadcast rights payable	6,655	8,674
Other liabilities of Mission	8,461	7,828
Other liabilities	14,772	13,604
Total liabilities	1,033,156	943,576
Commitments and contingencies		
Stockholders' equity:		
	-	-

Preferred stock - $0.01 par value, 200,000 shares authorized; none issued and outstanding at each of March 31, 2013 and December 31, 2012		
Class A Common stock - $0.01 par value, 100,000,000 shares authorized; 25,471,748 and 21,677,248 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	255	217
Class B Common stock - $0.01 par value, 20,000,000 shares authorized; 4,252,471 and 7,702,471 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	43	77
Class C Common stock - $0.01 par value, 5,000,000 shares authorized; none issued and outstanding at each of March 31, 2013 and December 31, 2012	-	-
Additional paid-in capital	410,120	410,514
Accumulated deficit	(407,864)	(408,569)
Total stockholders' equity	2,554	2,239
Total liabilities and stockholders' equity	$1,035,710	$945,815

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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NEXSTAR BROADCASTING GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share information, unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net revenue	$112,205	$83,642
Operating expenses (income):		
Direct operating expenses, excluding depreciation and amortization	34,104	22,128
Selling, general, and administrative expenses, excluding depreciation and amortization	35,493	27,128
Amortization of broadcast rights	8,813	5,548
Amortization of intangible assets	7,990	5,604
Depreciation	7,980	5,748
Loss (gain) on asset disposal, net	7	(19)
Total operating expenses	94,387	66,137
Income from operations	17,818	17,505
Interest expense, net	(16,549)	(12,909)
Other expense	(84)	-
Income before income taxes	1,185	4,596
Income tax expense	(480)	(1,580)
Net income	$705	$3,016
Net income per common share:		
Basic	$0.02	$0.10
Diluted	$0.02	$0.10
Weighted average number of common shares outstanding:		
Basic	29,461	28,807
Diluted	31,054	30,639

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

NEXSTAR BROADCASTING GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 2013
(in thousands, except share information, unaudited)

	Preferred Stock		Common Stock Class A		Class B		Class C		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of December 31, 2012	-	$ -	21,677,248	$ 217	7,702,471	$ 77	-	$ -	$ 410,514	$ (408,569)	$ 2,239
Stock-based compensation expense	-	-	-	-	-	-	-	-	495	-	495
Exercise of stock options	-	-	344,500	4	-	-	-	-	1,451	-	1,455
Conversion of Class B common stock to Class A common stock	-	-	3,450,000	34	(3,450,000)	(34)	-	-	-	-	-
Common stock dividends paid	-	-	-	-	-	-	-	-	(3,529)	-	(3,529)
Tax benefit from exercises of stock options	-	-	-	-	-	-	-	-	1,189	-	1,189
Net income	-	-	-	-	-	-	-	-	-	705	705
Balance as of March 31, 2013	-	$ -	25,471,748	$ 255	4,252,471	$ 43	-	$ -	$ 410,120	$ (407,864)	$ 2,554

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

NEXSTAR BROADCASTING GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Three Months Ended March 31, 2013	2012
Cash flows from operating activities:		
Net income	$705	$3,016
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(894)	1,417
Provision for bad debts and allowances	397	621
Depreciation of property and equipment	7,980	5,748
Amortization of intangible assets	7,990	5,604
Amortization of debt financing costs	506	425
Amortization of broadcast rights, excluding barter	2,969	2,111
Payments for broadcast rights	(3,700)	(2,313)
Loss (gain) on asset disposal, net	7	(19)
Deferred gain recognition	(109)	(109)
Amortization of debt discount	325	352
Amortization of deferred representation fee incentive	(205)	(155)
Stock-based compensation expense	495	217
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(18,214)	6,341
Prepaid expenses and other current assets	670	89
Other noncurrent assets	(5)	60
Accounts payable and accrued expenses	560	(2,437)
Taxes payable	(784)	98
Interest payable	12,256	4,574
Deferred revenue	92	576
Other liabilities of Mission	595	(19)
Other noncurrent liabilities	1,469	(155)
Net cash provided by operating activities	13,105	26,042
Cash flows from investing activities:		
Purchases of property and equipment	(6,786)	(4,076)
Payments for acquisitions	(121,114)	-
Proceeds from disposals of property and equipment	6	33
Net cash used in investing activities	(127,894)	(4,043)
Cash flows from financing activities:		
Repayments of long-term debt and capital lease obligations	(10)	(23,975)
Payments for debt financing costs	(690)	-
Proceeds from issuance of long-term debt	70,000	6,000
Proceeds from exercise of stock options	1,455	279
Common stock dividends paid	(3,529)	-
Excess tax benefit from stock-based compensation arrangements	1,189	-
Net cash provided by (used in) financing activities	68,415	(17,696)
Net (decrease) increase in cash and cash equivalents	(46,374)	4,303
Cash equivalents at beginning of period	68,999	7,546
Cash Equivalents at end of period	22,625	11,849

Supplemental information:		
Interest paid	$3,350	$7,508
Income taxes paid, net	$899	$43
Non-cash investing and financing activities:		
Accrued purchases of property and equipment	$4,214	$1,081
Accrued debt financing costs	$552	$-

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

NEXSTAR BROADCASTING GROUP, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business Operations

As of March 31, 2013, Nexstar Broadcasting Group, Inc. (“Nexstar”) owned, operated, programmed or provided sales and other services to 72 television stations and 17 digital multicast channels, including those owned by Mission Broadcasting, Inc. (“Mission”), in 41 markets in the states of Illinois, Indiana, Maryland, Missouri, Montana, Tennessee, Texas, Pennsylvania, Louisiana, Arkansas, Alabama, New York, Florida, Wisconsin, Michigan Utah, Vermont and California. The stations are affiliates of NBC (16 stations), CBS (12 stations), ABC (17 stations), FOX (14 stations), MyNetworkTV (5 stations and 2 digital multicast channels), The CW (6 stations and 2 digital multicast channel), Bounce TV (9 digital multicast channels), Me-TV (2 digital multicast channels), Telemundo (one station), LATV (one digital multicast), one independent station and one independent digital multicast. Through various local service agreements, Nexstar provided sales, programming and other services to 22 stations and four digital multicast channels 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.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of Nexstar and its subsidiaries. Also included in the Condensed Consolidated Financial Statements are the accounts of the independently-owned variable interest entity (“VIE”), Mission (Nexstar and Mission are collectively referred to as the “Company”). Where the assets of Mission are not available to be used to settle the obligations of Nexstar, they are presented as the assets of Mission on the Condensed Consolidated Balance Sheets. Conversely, where the creditors of Mission do not have recourse to the general credit of Nexstar, the related liabilities are presented as the liabilities of Mission on the Condensed Consolidated Balance Sheets. Nexstar management evaluates each arrangement that may include variable interests and determines the need to consolidate an entity where it determines Nexstar is the primary beneficiary of a VIE in accordance with related authoritative literature and interpretive guidance.

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

Liquidity

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.

Interim Financial Statements

The Condensed Consolidated Financial Statements as of March 31, 2013 and for the three months ended March 31, 2013 and 2012 are unaudited. However, in the opinion of management, such financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary for the fair statement of the financial information included herein in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The preparation of the Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management 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 financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Results of operations for interim periods are not necessarily indicative of results for the full year. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related Notes included in Nexstar's Annual Report on Form 10-K for the year ended December 31, 2012. The balance sheet as of December 31, 2012 has been derived from the audited financial statements as of that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Mission

Mission is included in these Consolidated Financial Statements because Nexstar is deemed under U.S. GAAP to have a controlling financial interest in Mission as a VIE for financial reporting purposes as a result of (1) local service agreements Nexstar has with the Mission stations, (2) Nexstar's guarantee of the obligations incurred under Mission's senior secured credit facility (see Note 6), (3) Nexstar having power over significant activities affecting Mission's economic performance, including budgeting for advertising revenue, advertising sales and hiring and firing of sales force personnel and (4) purchase options granted by Mission which permit Nexstar to acquire the assets and assume the liabilities of each Mission station, subject to Federal Communications Commission ("FCC") consent. The purchase options are freely exercisable or assignable by Nexstar without consent or approval by Mission for consideration equal to the greater of (1) seven times the station's cash flow, as defined in the option agreement, less the amount of its indebtedness, as defined in the option agreement, or (2) the amount of its indebtedness. Additionally, on November 29, 2011, Mission's shareholders granted Nexstar an option to purchase any or all of Mission's stock, subject to FCC consent, for a price equal to the pro rata portion of the greater of (1) five times the stations' cash flow, as defined in the agreement, reduced by the amount of indebtedness, as defined in the agreement, or (2) $100,000. These option agreements (which expire on various dates between 2013 and 2022) are freely exercisable or assignable by Nexstar without consent or approval by Mission or its shareholders. The Company expects these option agreements to be renewed upon expiration. As of March 31, 2013, the assets of Mission consisted of current assets of $6.7 million (excluding broadcast rights and amounts due from Nexstar), broadcast rights of $3.3 million, FCC licenses of $41.6 million, goodwill of $32.5 million, other intangible assets of $28.7 million, property and equipment of $32.4 million, deferred tax assets of $30.2 million and other noncurrent assets of $3.3 million. Substantially all of Mission's assets, except for its FCC licenses, collateralize its secured debt obligation. See Note 11 for a presentation of condensed consolidating financial information of the Company, which includes the accounts of Mission.

Nexstar has entered into local service agreements with Mission to provide sales and operating services to the Mission stations. The following table summarizes the various local service agreements Nexstar had in effect with Mission as of March 31, 2013:

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

(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. Each SSA allows the Nexstar station in the market to provide 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. Each JSA permits Nexstar to sell the station's advertising time 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 local service agreements. Under the local service agreements, Nexstar has received substantially all of Mission's available cash, after satisfaction of operating costs and debt obligations. Nexstar anticipates it will continue to receive substantially all of Mission's available cash, after satisfaction of operating costs and debt obligations. In compliance with FCC regulations for both Nexstar and

Mission, Mission maintains complete responsibility for and control over programming, finances, personnel and operations of its stations.

Variable Interest Entities

The Company may determine that a station is a VIE as a result of local service agreements entered into with the owner-operator of the station. The term local service agreements generally refers to a contract between 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. In addition to those with Mission, Nexstar has VIEs in connection with local service agreements entered into with stations as discussed below.

Nexstar has determined that it has variable interests in WYZZ, the FOX affiliate in Peoria, Illinois and WUHF, the FOX affiliate in Rochester, New York, each owned by a subsidiary of Sinclair Broadcast Group, Inc. ("Sinclair"), as a result of outsourcing agreements it has entered into with Sinclair. Nexstar also has determined that it has a variable interest in WHP, the CBS affiliate in Harrisburg, Pennsylvania, which is also owned by Sinclair, as a result of Nexstar becoming successor-in-interest to a TBA entered into by a former owner of WLYH. Nexstar has evaluated its arrangements with Sinclair and has determined that it is not the primary beneficiary of the variable interests because it does not have the ultimate power to direct the activities that most significantly impact the economic performance of the stations, including developing the annual operating budget, programming and oversight and control of sales management personnel. Therefore, Nexstar has not consolidated these stations under authoritative guidance related to the consolidation of variable interest entities. 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 believes that Nexstar's minimum exposure to loss under the Sinclair outsourcing agreements consists of the fees paid to Sinclair. Additionally, Nexstar indemnifies the owners of WHP, 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. Nexstar made payments to Sinclair under the outsourcing agreements of $1.2 million for each of the three months ended March 31, 2013 and 2012. Nexstar has a balance due to Sinclair for fees under these arrangements in the amount of $1.2 million and $3.4 million as of March 31, 2013 and December 31, 2012, respectively. Nexstar also has receivables in the amount of $2.3 million and $2.7 million as of March 31, 2013 and December 31, 2012, respectively, for advertising aired on these three stations.

Nexstar also determined that it has a variable interest in a newly acquired station, KSEE, the NBC affiliate serving the Fresno, California market. See Note 3 for additional information.

Financial Instruments

The Company utilizes the following categories to classify the valuation methodologies for fair values of financial assets and liabilities:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The Company invests in short-term interest bearing obligations with original maturities less than 90 days, primarily money market funds. The Company does not enter into investments for trading or speculative purposes. As of each of March 31, 2013 and December 31, 2012, the Company had $0.1 million invested in money market investments, which are carried at fair value. The Company has determined the fair value of the money market investment using methods that fall within Level 1 in the fair value hierarchy.

The carrying amounts of cash and cash equivalents, accounts receivable, broadcast rights payable, accounts payable and accrued expenses approximate fair value due to their short-term nature. See Note 6 for fair value disclosures related to the Company's debt.

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Income Per Share

Basic income per share is computed by dividing the net income by the weighted-average number of common shares outstanding during the period. Diluted income per share is computed using the weighted-average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares are calculated using the treasury stock method. They consist of stock options outstanding during the period and reflect the potential dilution that could occur if common stock were issued upon exercise of stock options. The following table shows the amounts used in computing the Company's diluted shares for the three months ended March 31, 2013 and 2012 (in thousands):

	Three Months Ended March 31,	
	2013	2012
Weighted average shares outstanding - basic	29,461	28,807
Effect of dilutive stock options	1,593	1,832
Weighted average shares outstanding - diluted	31,054	30,639

During the three months ended March 31, 2013 and 2012, the following weighted average options were outstanding (in thousands):

	Three Months Ended March 31,	
	2013	2012
Options with a potentially dilutive effect	4,091	3,655
Out-of-the-money and other anti-dilutive options	-	105
Total weighted average options outstanding	4,091	3,760

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-04, Liabilities (Topic 405) ("ASU 2013-04"). ASU 2013-04 provides guidance on measurement of fixed obligations resulting from joint and several liability arrangements as the sum of the amount a reporting entity agreed to pay on the basis of its arrangements among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. ASU 2013-04 also requires disclosure of the nature and amount of the obligation as well as other information. The update is effective for the years beginning after December 15, 2013. The Company does not expect the implementation of this standard to have a material impact on its financial position or results of operations.

3. Acquisitions

During the three months ended March 31, 2013, the Company completed 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 was recorded as goodwill.

Station	Network Affiliation	Market	Date Acquired	Acquired By
KLRT-TV	Fox	Little Rock-Pine Bluff, Arkansas	January 1, 2013	Mission
KASN	The CW	Little Rock-Pine Bluff, Arkansas	January 1, 2013	Mission
KGET	NBC/The CW	Bakersfield, California	February 1, 2013	Nexstar
KKEY-LP	Telemundo	Bakersfield, California	February 1, 2013	Nexstar
KGPE	CBS	Fresno-Visalia, California	February 1, 2013	Nexstar
KSEE	NBC/LATV	Fresno-Visalia, California	February 1, 2013	Nexstar
WFFF	FOX/Independent	Burlington-Plattsburgh, Vermont	March 1, 2013	Nexstar
WVNY	ABC	Burlington-Plattsburgh, Vermont	March 1, 2013	Mission

KLRT-TV/KASN

Effective January 1, 2013, Mission acquired the assets of KLRT-TV and KASN from Newport Television LLC (“Newport”) for $59.7 million in cash, funded by the $60.0 million proceeds of Mission’s term loan under its senior secured credit facility (See Note 6). This acquisition allows Mission entrance into this market. No significant transaction costs were incurred in connection with this acquisition during the three months ended March 31, 2013.

The estimated fair values of the assets acquired and liabilities assumed in the acquisition are as follows (in thousands):

Broadcast rights	$2,279
Prepaid expenses and other current assets	71
Property and equipment	11,153
FCC licenses	16,827
Network affiliation agreements	17,002
Other intangibles	2,511
Goodwill	12,727
Other assets	7
Total assets acquired	62,577
Less: Broadcast rights payable	(2,492)
Less: Accounts payable and accrued expenses	(386)
Net assets acquired	$59,699

The fair value assigned to goodwill is attributable to future expense reductions utilizing management’s leverage in programming and other station operating costs. The goodwill and FCC licenses are deductible for tax purposes. The intangible asset related to the network affiliation agreements acquired will be amortized over 15 years.

KLRT-TV/KASN’s revenue of $3.8 million and net income of $0.5 million for the period January 1, 2013 to March 31, 2013 have been included in the accompanying condensed consolidated statements of operations.

KGET/KKEY-LP/KGPE

Effective February 1, 2013, Nexstar acquired the assets of KGET, KKEY-LP and KGPE from Newport for $35.4 million in cash, funded by cash on hand. This acquisition allows Nexstar entrance into these markets. The transaction costs relating to this acquisition, including legal and professional fees of $0.2 million were expensed as incurred.

The estimated fair values of the assets acquired and liabilities assumed in the acquisition are as follows (in thousands):

Broadcast rights	$72
Prepaid expenses and other current assets	351
Property and equipment	9,294
FCC licenses	14,318
Network affiliation agreements	9,307
Other intangibles	1,364
Goodwill	1,073
Total assets acquired	35,779
Less: Broadcast rights payable	(72)
Less: Deferred revenue	(70)
Less: Accounts payable and accrued expenses	(196)
Net assets acquired	$35,441

The fair value assigned to goodwill is attributable to future expense reductions utilizing management's leverage in programming and other station operating costs. The goodwill and FCC licenses are deductible for tax purposes. The intangible asset related to the network affiliation agreements acquired will be amortized over 15 years.

KGET/KKEY-LP/KGPE's revenue of $4.4 million and net income of $0.5 million for the period February 1, 2013 to March 31, 2013 have been included in the accompanying condensed consolidated statements of operations.

KSEE

Effective February 1, 2013, Nexstar entered into a definitive agreement to acquire the assets of KSEE and an unrelated network affiliation from Granite Broadcasting Corporation ("Granite") for $26.5 million in cash, subject to adjustments for working capital acquired. Pursuant to the asset purchase agreement, Nexstar made a payment of $20.0 million funded by cash on hand, to acquire the station's assets excluding FCC license and certain transmission equipment. Nexstar also entered into a TBA with KSEE, effective February 1, 2013, to program most of KSEE's broadcast time, sell its advertising time and retain the advertising revenue generated during the pendency of the FCC approval of the asset purchase.

As a result of Nexstar's TBA with KSEE, it has determined that it has a variable interest in the station. Nexstar has evaluated its arrangements with KSEE and determined that it is the primary beneficiary of the variable interest because it has the ultimate power to direct the activities that most significantly impact the economic performance of the station including developing the annual operating budget, programming and oversight and control of sales management personnel. Therefore, Nexstar has consolidated KSEE into its own as of February 1, 2013 under authoritative guidance related to the consolidation of variable interest entities. On April 17, 2013, Nexstar received approval from the FCC to purchase the remaining assets of KSEE. Nexstar expects to complete the acquisition of the FCC license and certain transmission equipment before the end of May 2013. The remaining purchase price of $6.5 million payable to Granite is included in the current liabilities of the condensed consolidated balance sheet as of March 31, 2013.

No significant transaction costs were incurred in connection with this acquisition during the three months ended March 31, 2013.

The estimated fair values of the assets acquired, FCC license and certain transmission equipment to be acquired and liabilities to be assumed in the acquisition, subject to adjustments for working capital acquired, are as follows (in thousands):

Prepaid expenses and other current assets	$140
Property and equipment	7,350
FCC licenses	7,385
Network affiliation agreements	7,870
Other intangibles	107
Goodwill	3,838
Total assets acquired	26,690
Less: Accounts payable and accrued expenses	(190)
Net assets acquired	$26,500

The fair value assigned to goodwill is attributable to future expense reductions utilizing management's leverage in programming and other station operating costs. The goodwill and FCC licenses are deductible for tax purposes. The intangible asset related to the network affiliation agreements acquired will be amortized over 15 years.

KSEE's revenue of $1.1 million and net income of $0.1 million for the period February 1, 2013 to March 31, 2013 have been included in the accompanying condensed consolidated statements of operations.

WFFF/WVNY

On March 1, 2013, Nexstar and Mission acquired the assets of WFFF and WVNY from Smith Media, LLC ("Smith Media") for a total consideration of $16.6 million in cash, funded by a combination of Nexstar's and Mission's $10.0 million total borrowings from their revolving credit facilities (See Note 6) and cash on hand. This acquisition allows Nexstar and Mission entrance into this market. The transaction costs relating to this acquisition, including legal and professional fees of $0.1 million were expensed as incurred.

The estimated fair values of the assets acquired and liabilities assumed in the acquisition are as follows (in thousands):

Broadcast rights	$1,021
Prepaid expenses and other current assets	202
Property and equipment	7,100
FCC licenses	5,594
Network affiliation agreements	2,119
Other intangibles	439
Goodwill	1,684
Total assets acquired	18,159
Less: Broadcast rights payable	(1,033)
Less: Deferred revenue	(19)
Less: Accounts payable and accrued expenses	(550)
Net assets acquired	$16,557

The fair value assigned to goodwill is attributable to future expense reductions utilizing management's leverage in programming and other station operating costs. The goodwill and FCC licenses are deductible for tax purposes. The intangible asset related to the network affiliation agreements acquired will be amortized over 15 years.

WFFF/WVNY’s revenue of $1.0 million and net income of $26 thousand for the period March 1, 2013 to March 31, 2013 have been included in the accompanying condensed consolidated statements of operations.

Unaudited Pro Forma Information

The Granite and Smith Media acquisitions are immaterial, both individually and in aggregate, therefore pro forma information has not been provided for these acquisitions.

On December 1, 2012, Nexstar acquired the assets of ten television stations and Inergize Digital Media from Newport for $225.5 million in cash (the “2012 Newport Acquisition”). As discussed above, Nexstar and Mission acquired certain television stations from Newport during the quarter ended March 31, 2013 (the “2013 Newport Acquisitions”). As the acquisitions were acquired from the same seller, the SEC considers these acquisitions to be a single transaction for purposes of assessing materiality and presenting pro forma information. Therefore, the following unaudited pro forma information has been presented as if the 2012 Newport Acquisition and the 2013 Newport Acquisitions had occurred on January 1, 2012, for the three months ended March 31 (in thousands):

	2013	2012
Net revenue	$113,778	$112,713
Income before income taxes	2,071	2,395
Net income (loss)	1,232	(2,365)
Net income (loss) per common share - basic and diluted	0.04	(0.08)

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.

4. Intangible Assets and Goodwill

Intangible assets subject to amortization consisted of the following (in thousands):

	Estimated useful life, in years	March 31, 2013 Gross	March 31, 2013 Accumulated Amortization	March 31, 2013 Net	December 31, 2012 Gross	December 31, 2012 Accumulated Amortization	December 31, 2012 Net
Network affiliation agreements	15	$415,682	$(274,659)	$141,023	$379,384	$(268,921)	$110,463
Other definite-lived intangible assets	1-15	30,113	(15,894)	14,219	25,670	(13,642)	12,028
Other intangible assets		$445,795	$(290,553)	$155,242	$405,054	$(282,563)	$122,491

The following table presents the Company's estimate of amortization expense for the remainder of 2013, each of the five succeeding years ended December 31 and thereafter for definite-lived intangible assets as of March 31, 2013 (in thousands):

Remainder of 2013	$ 19,572
2014	19,572
2015	17,741
2016	12,532
2017	12,009
2018	9,742
Thereafter	64,074
	$ 155,242

The amounts recorded to goodwill and FCC licenses were as follows (in thousands):

	Goodwill Gross	Goodwill Accumulated Impairment	Goodwill Net	FCC Licenses Gross	FCC Licenses Accumulated Impairment	FCC Licenses Net
Balance as of December 31, 2012	$194,400	$(45,991)	$148,409	$269,617	$(49,421)	$220,196
Acquisitions (See Note 3)	19,322	-	19,322	44,124	-	44,124
Balance as of March 31, 2013	$213,722	$(45,991)	$167,731	$313,741	$(49,421)	$264,320

The Company expenses as incurred any costs to renew or extend its FCC licenses. 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. As of March 31, 2013, the Company did not identify any events that would trigger an impairment assessment.

5. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	March 31, 2013	December 31, 2012
Compensation and related taxes	$5,758	$7,282
Sales commissions	1,862	1,919
Employee benefits	1,247	1,147
Property taxes	744	653
Other accruals related to operating expenses	10,369	7,121
	$19,980	$18,122

6. Debt

Long-term debt consisted of the following (in thousands):

	March 31, 2013	December 31, 2012