

GRAY TELEVISION INC
Form 424B5
October 18, 2002

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Filed pursuant to Rule 424(B)5
Registration No. 333-88694

PROSPECTUS SUPPLEMENT
(To prospectus dated September 5, 2002)

30,000,000 Shares

GRAY TELEVISION, INC.

Common Stock

Gray is selling all of the shares.

The shares trade on the New York Stock Exchange under the symbol GTN. On September 16, 2002, our stockholders approved a change in the name of the stock offered pursuant to this prospectus supplement to Common Stock from class B common stock. On October 16, 2002, the last sale price of the shares as reported on the New York Stock Exchange was \$8.28 per share.

Investing in the Common Stock involves risks that are described in the Risk Factors section beginning on page 3 of the accompanying prospectus.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$8.250	\$247,500,000
Underwriting discount \$0.495 \$14,850,000		
Proceeds, before expenses, to Gray \$7.755 \$232,650,000		

The underwriters may also purchase up to an additional 4,500,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about October 22, 2002.

Joint Book-Running Managers

**Deutsche Bank Securities
Merrill Lynch & Co.**

Bear, Stearns & Co. Inc.

Allen & Company LLC

Wachovia Securities

SunTrust Robinson Humphrey

The date of this prospectus supplement is October 16, 2002.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer

or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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**IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS
SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of stock being offered, which we refer to as the offered stock. The second part, the base prospectus, gives more general information, some of which may not apply to the offered stock. Generally, when we refer to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of the offered stock varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in the prospectus supplement.

In this prospectus supplement and the documents incorporated by reference, we rely on and refer to market information regarding the television industry from BIA Financial Network, Inc.'s MEDIA Access Pro Version 3.1, updated as of July 1, 2002, which we refer to as BIA. We also rely on and refer to market information regarding the television industry from Nielsen Station Index, Viewers in Profile, dated May 2002, as prepared by A.C. Nielsen Company, which we refer to as Nielsen. Although we believe that the information obtained from third parties is reliable, we have not independently verified the accuracy and completeness of the information. To the extent this information contains forward-looking statements, readers of this prospectus supplement are cautioned that these statements involve risks and uncertainty and that actual results may differ materially from those in these statements, similarly to that described in Forward-Looking Statements. All statements as to station ranking in this prospectus supplement are based on Nielsen data for the 6:00 a.m. to 2:00 a.m. Sunday through Saturday time period, except that data in the tables titled Competitive Landscape is based on BIA data for the 9:00 a.m. to midnight Sunday through Saturday time period.

When we refer in this prospectus supplement to our markets, we include Hazard, Kentucky as a separate market. Hazard, Kentucky is a special 16 county trading area defined by Nielsen and is part of the Lexington, Kentucky designated market area. We pay Nielsen to conduct the special Hazard, Kentucky trading area study.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this prospectus supplement, the words believes, expects, anticipates, estimates and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe our future strategic plans, goals or objectives, including our plans, goals and objectives with respect to our merger with Stations Holding Company, Inc., which we refer to as Stations, are also forward-looking statements. Readers of this prospectus supplement are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of our management or us, are not guarantees of future performance, results or events and involve risks and uncertainties, and that actual results and events may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to:

the factors described in Risk Factors beginning on page 3 of the accompanying prospectus;

general economic conditions in the markets in which we and Stations operate;

competitive pressures in the markets in which we and Stations operate;

the effect of future legislation or regulatory changes on our operations;

high debt levels; and

other factors described from time to time in our filings with the Securities and Exchange Commission, which we sometimes refer to as the SEC.

The forward-looking statements included in this prospectus supplement are made only as of the date hereof. We undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

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PROSPECTUS SUPPLEMENT SUMMARY

In this prospectus supplement, unless otherwise indicated, the words Gray, our, us and we refer to Gray Television, Inc. (formerly known as Gray Communications Systems, Inc.) and its subsidiaries. Our discussion of the television stations that we own and operate does not include our interest in the stations owned by Sarkes Tarzian, Inc., which we refer to as Tarzian.

On July 25, 2002, we changed our name to Gray Television, Inc. from Gray Communications Systems, Inc. On August 30, 2002, we changed our ticker symbols to GTN from GCS.B for our common stock and to GTN.A from GCS for our class A common stock. On September 16, 2002, our stockholders approved a change in the name of the stock offered pursuant to this prospectus supplement to Common Stock from class B common stock.

This summary highlights selected information from this document and the materials incorporated by reference and does not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus supplement, the accompanying prospectus and the documents to which we have referred you.

Our Business

We currently own and operate 13 network affiliated television stations in 11 medium-sized markets in the Southeast, Southwest and Midwest United States. Eleven of our 13 stations are ranked first in total viewing audience and news audience, with the remaining two stations ranked second in total viewing audience and second or third in news audience. Ten of our stations are affiliated with CBS Inc., or CBS, and three are affiliated with National Broadcasting Company, Inc., or NBC.

Since 1993, we have grown primarily through strategic acquisitions. Our significant historic acquisitions have included 12 television stations, three newspapers and a paging business. As a result of our acquisitions and in support of our growth strategy, we have added experienced members to our management team and have greatly expanded our operations in the television broadcasting business.

On June 4, 2002, we executed a merger agreement with Stations, the parent company of Benedek Broadcasting Corporation, which we refer to as Benedek. We plan to acquire 15 television stations from Stations in a transaction that we refer to as the merger. Stations is required under the merger agreement to sell its additional nine designated television stations to third parties prior to the merger. In consideration for Stations, we will pay an estimated consideration of \$502.5 million, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations. We expect the merger to be completed on or about October 22, 2002.

We believe that the merger represents an excellent opportunity for us to acquire complementary television stations that will create significant operational and financial benefits. These benefits include increased economies of scale, greater geographic and network diversification, access to additional operating cash flow, cross-promotion opportunities and the potential to increase and enhance our local franchises. Upon the completion of the proposed merger, we will own and operate 28 television stations serving 24 markets with a strong presence in the Southeast, Southwest, Midwest and Great Lakes regions of the United States. The combined station group will include 15 CBS affiliates, seven NBC affiliates and six American Broadcasting Corporation, or ABC, affiliates. In addition, our 15 CBS affiliates will make us the largest independent owner of CBS affiliated stations in the country. Pro forma for the acquisition, 25 of our 28 television stations will rank first or second in viewing audience and 23 of our 28 television

stations will rank first or second in local news within their respective markets. In addition, our station group will reach approximately 5% of total U.S. TV households.

We also own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total daily circulation of approximately 126,000. In addition, we own and operate a paging business located in the Southeast that had approximately 68,000 units in service at June 30, 2002.

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For the year ended December 31, 2001, pro forma for the Stations acquisition, our television stations would have produced \$214.0 million of net revenue and \$84.7 million of broadcast cash flow. Including our publishing and other operations, we would have produced \$263.9 million of net revenue and \$97.0 million of media cash flow, on a pro forma basis in 2001.

We are a Georgia corporation formed in 1891. Our principal offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia 30319, and our telephone number is (404) 504-9828.

Operating & Growth Strategy

We attribute our success to date and our current opportunities to increase our revenue, media cash flow and audience share to the successful implementation of our core operating strategies, the principal components of which are to:

Focus on Local News and Programming to Maintain a Strong Local Franchise. We currently operate 13 network affiliated television stations serving 11 markets, with 12 of our 13 stations ranked first or second in local news. After completion of the merger, we will operate 28 network affiliated television stations serving 24 markets, with 23 of our 28 stations ranked first or second in local news. We endeavor to make each of our television stations a highly recognizable, local brand and believe that providing the leading source for local news and programming in our markets enables us to strengthen audience loyalty and increase viewership among attractive demographic audiences.

Continue to Develop Innovative Local Sales and Targeted Marketing Initiatives. We employ an experienced, high-quality local sales force at each station to increase advertising revenue by leveraging our local brand. We believe that a focused, tailored advertising solution is very attractive to local advertisers, who have historically been a more stable source of revenue than national advertisers. In 2001, approximately 59% of our net television advertising revenue was generated from our local advertisers and pro forma for the proposed merger with Stations, approximately 60% of our net television advertising revenue would have been generated from our local advertisers.

Capitalize on Leading Network Brands in Markets with Limited Competition. Currently, ten of our stations are affiliated with CBS and three are affiliated with NBC, representing approximately 81% and 19% of our total television revenue in 2001, respectively. Following the completion of the merger, we will have a broad and diverse portfolio of 28 affiliated television stations located in 24 markets, of which 15 are affiliated with CBS, seven are affiliated with NBC and six are affiliated with ABC, representing approximately 56%, 29% and 15% of our total pro forma net television revenue in 2001, respectively. Additionally, we will be the largest independent owner of CBS affiliated stations. We believe that our markets are less competitive than larger designated market areas, which we refer to as DMAs. Of our 24 markets, 18 markets are served by four TV stations or fewer, and seven markets are served by three or fewer television stations. Our markets also typically have fewer radio stations than larger DMAs.

Pursue Strategic Acquisitions to Expand and Enhance Regional Clusters. We have acquired and integrated successfully 12 of our 13 television stations since 1993, and have signed a definitive agreement to acquire an additional 15 television stations from Stations. After giving effect to the proposed merger, our television stations will be located in several distinct regions throughout the United States, diminishing potential adverse effects on our business caused by specific regional economic fluctuations. We believe that we are well positioned to participate in further consolidation of our industry, including opportunities that may arise as a result of regulatory changes, such as owning more than one television station in a market.

Attract and Retain High-Quality Management. We believe that high-quality management at both the corporate and station level is critical to the successful implementation of our strategy. We use equity incentives to attract and retain station general managers with proven track records. Members of our senior management team have extensive experience in operating, managing and acquiring

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television stations. Additionally, our station managers have an average of over 21 years of industry experience with individual industry experience ranging from 11 to 32 years.

Maintain Strict Financial Planning and Cost Controls. We employ a comprehensive ongoing strategic planning and budgeting process that enables us to continually identify and implement cost savings at each station, and is designed to increase our media cash flow. We believe that owning and operating 28 television stations will enable us to achieve economies of scale and reduce expenses for syndicated programming, capital equipment and vendor services.

Increase Advertising Revenue and Circulation at Our Newspaper Publishing Operations. We seek to increase advertising revenues and circulation at each of our four newspapers by creating a highly recognizable local brand by focusing on the depth and quality of our coverage of local news, sports and lifestyles and through community involvement. We believe we are able to differentiate our publications from larger competitors and build reader loyalty by becoming the primary source for local news and advertising information within each of our target markets. Our newspaper strategy is led by senior managers and publishers who have an average of over 32 years of experience in the newspaper business with individual industry experience ranging from 20 to 40 years.

Our senior management team has extensive experience in operating and managing our businesses, and is led by: J. Mack Robinson, Chairman and Chief Executive Officer; Robert Prather, President and Chief Operating Officer; James Ryan, Senior Vice President and Chief Financial Officer; and, following the completion of the merger, James Yager, President of Benedek, will be President of Gray MidAmerica Television, Inc. Our publishing operations are led by Thomas J. Stultz, Vice President and President-Publishing. As of July 2, 2002, our directors and executives as a group owned or controlled 59.3% of our combined voting common stock.

Merger Summary

This section of the prospectus supplement describes certain material aspects of the proposed merger. This summary does not contain all of the information that is important to you. You should carefully read the entire registration statement, the accompanying prospectus and the other documents to which we refer you, including the merger agreement, which we refer to as the merger agreement, for a more complete understanding of the merger.

The Merger

On June 4, 2002, we executed a merger agreement with Stations, the parent company of Benedek. The merger agreement provides that we will acquire Stations by merging our newly formed wholly-owned subsidiary, Gray MidAmerica Television, Inc., which we refer to as Gray MidAmerica, into Stations. In consideration for Stations, we will pay an estimated consideration of \$502.5 million in cash, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations. We are financing the merger by incurring approximately \$250 million of additional indebtedness and issuing approximately \$248 million of equity.

The Merger Consideration

Under the merger agreement, each share of Stations senior preferred stock (excluding shares held by Stations or any of its subsidiaries, other than in a fiduciary capacity) issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive a cash payment equal to the quotient obtained by dividing (1) the total of \$500,000,000, minus (A) the amount outstanding at the effective time under Stations debt instruments plus accrued interest thereon through the effective time, determined in accordance with Stations plan of reorganization, plus or minus (B) working capital

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adjustments and adjustments relating to amounts incurred by Stations and its subsidiaries with respect to the conversion of their television stations to digital broadcasting by (2) 100,000 (the number of outstanding shares of Stations senior preferred stock at the effective time).

Each share of Stations junior preferred stock (excluding shares held by Stations or any of its subsidiaries, other than in a fiduciary capacity) issued and outstanding immediately prior to the effective time will be converted into the right to receive a cash payment equal to the quotient obtained by dividing (1) \$2,500,000 by (2) 450,000 (the number of outstanding shares of Stations junior preferred stock at the effective time).

Each share of Stations class A common stock and class B common stock and any options or warrants to acquire such shares issued and outstanding immediately prior to the effective time will be cancelled. We will not pay any cash consideration for such securities.

The Letter of Credit and the Escrow Shares

When the merger agreement was signed, we delivered to Stations a standby letter of credit in the amount of \$12.5 million and deposited with an escrow agent 885,269 shares of our Common Stock. These escrow shares had an aggregate value of \$12.5 million, based on the average price of our Common Stock for the 20 consecutive trading days on the New York Stock Exchange ending on June 2, 2002.

If the merger is not consummated because of a material default by us, and Stations has not materially defaulted due to a breach of any of its representations or warranties or any of its covenants or agreements under the merger agreement, then Stations may draw on the letter of credit and instruct the escrow agent to deliver to it the escrow shares pursuant to the escrow agreement. The aggregate proceeds of the drawing on the letter of credit and the escrow shares will total \$25.0 million, but we may replace some or all of the escrow shares with a cash payment. Under all other circumstances, the letter of credit will be terminated and the escrow shares will be returned to us.

Conditions to the Merger

The parties' obligations to consummate the merger and related transactions generally are subject to the satisfaction or waiver of the following conditions, after which we are required by the merger agreement to consummate the merger on the seventh business day:

the bankruptcy court approving the order confirming Stations' amended plan of reorganization and such confirmation order becoming a final bankruptcy court order;

the Federal Communications Commission, FCC, approving the transactions contemplated by the merger agreement, without any condition or qualification materially adverse to us or our subsidiaries or Stations or its subsidiaries, or materially adverse to our acquisition of control of Stations and its subsidiaries;

all regulatory waiting periods applicable to the merger agreement and the related transactions expiring or terminating;

subject to limited exceptions, the sale by Benedek of nine television stations to third parties; and

the satisfaction of other customary conditions specified in the merger agreement.

The merger agreement further provides that we may, on one occasion, delay the effective time for up to 120 days if any of the following occurs: (1) any general suspension of trading in equity securities in the United States securities or financial markets for more than two consecutive trading days; (2) a declaration of a banking moratorium or any

suspension of payments in respect of banks by federal or state authorities in the United States; (3) commencement of a war, armed hostilities or other national or international calamity directly involving the United States; (4) any limitation by any governmental authority on the extension of credit by banks or other lending institutions in the United States; or (5) if any of the

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foregoing existed on the date the merger agreement was signed, a material acceleration or worsening thereof.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the effective time by Stations and us by mutual consent. In addition, generally, either party may terminate the merger agreement:

in the event of an uncured material breach by the other party of any of its representations, warranties or covenants contained in the merger agreement;

if the merger is not consummated by March 31, 2003; or

if it is reasonably anticipated that any of the conditions precedent to the obligations of the terminating party to consummate the merger cannot be satisfied or fulfilled by March 31, 2003 and such failure was not the fault of the terminating party.

Effects of Termination

Subject to limited exceptions, if the merger agreement is terminated, as described above, it will become void and have no effect. However, certain provisions of the merger agreement will survive termination, including provisions relating to the letter of credit and the escrow shares, confidentiality and expenses.

If the closing does not occur due to a material default by us, and Stations has not materially defaulted due to a breach of any of its representations or warranties or any of its covenants or agreements under the merger agreement, then Stations may draw on the letter of credit and instruct the escrow agent to deliver to it the escrow shares pursuant to the escrow agreement. The aggregate proceeds of the drawing on the letter of credit and the escrow shares will total \$25.0 million, but we may replace some or all of the escrow shares with a cash payment.

Bankruptcy Court and Regulatory Filings and Approvals

Bankruptcy Court. Stations has filed a voluntary petition under Chapter 11 of the federal bankruptcy code. Consequently, the merger is subject to the bankruptcy court's approval of Stations' amended plan of reorganization, and all of Stations' obligations under the merger agreement are subject to the approval of the bankruptcy court. The bankruptcy court held a hearing on September 25, 2002, and all matters related to the confirmation of the amended and restated plan of reorganization were resolved in favor of confirmation. Consequently, the bankruptcy court determined to confirm the amended and restated plan of reorganization. A confirmation order reflecting the September 25, 2002 hearing, including the confirmation of the amended and restated plan of reorganization, was entered on September 30, 2002. The order is now final and unappealable.

Federal Communications Commission. The merger is subject to approval by the FCC. Stations and its subsidiaries and we and our subsidiaries filed with the FCC the necessary application with respect to the change of control on June 10, 2002. On September 5, 2002, the FCC granted approval for the change of control. The FCC's grant for change of control became final on October 16, 2002.

Antitrust. The merger is subject to the requirements of the Hart-Scott Rodino Antitrust Improvements Act of 1976, which provides that certain transactions may not be consummated until required information and materials have been furnished to the Department of Justice and the Federal Trade Commission, which we sometimes refer to as the FTC, and certain waiting periods have expired or been terminated. Stations and we filed the required information and materials with the Department of Justice and the FTC on June 20, 2002. Early termination of the statutory waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976 was granted on July 1, 2002.

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Sale of Certain Designated Benedek Stations Prior to the Merger

Benedek has sold or plans to sell, prior to the effective time of the merger, a total of nine designated television stations, which we refer to as the excluded stations. Benedek plans to sell eight of the excluded stations to Chelsey Broadcasting Company, LLC, a Delaware limited liability company, which we refer to as Chelsey, or its affiliates pursuant to an asset purchase agreement. Benedek already has sold its television station in Wheeling, West Virginia to West Virginia Media Holding, LLC and one of its affiliates on April 30, 2002. Benedek intends to use the net proceeds of these sales to repay indebtedness under its senior secured credit facility. The sale of the nine designated television stations is a condition to the merger.

Recent Developments

KOLO-TV, Reno, Nevada

On September 3, 2002, Smith Television Group, Inc. and Smith Television License Holdings, Inc., which we refer to collectively as Smith, and we executed a definitive asset purchase agreement to acquire from Smith, in a transaction which we refer to as the Reno acquisition, all of the assets and business of KOLO-TV, a television station in Reno, Nevada, which we refer to as the Reno station, for \$41.5 million in cash.

The Reno station is the number one rated station in the market for news and programming. For the ten month period commencing on March 1, 2001 (the date on which Smith acquired the Reno station) and the six month period ended June 30, 2002, the Reno station's net revenue approximated \$7.8 million and \$4.4 million, respectively.

Upon completion of the merger with Stations and the KOLO-TV acquisition, Gray will own a total of 29 stations serving 25 television markets. The stations will include 15 CBS affiliates, 7 NBC affiliates and 7 ABC affiliates. The combined Stations group will have 22 stations ranked first in viewing audience and 23 of 29 stations ranked first in local news audience within their respective markets. The combined station group will reach over 5% of total U.S. TV households.

The acquisition is subject to certain consents, including approval by the FCC of the assignment of 23 Reno station's licenses, permits and other authorizations issued by the FCC for the operation of the Reno station. In addition, on October 7, 2002, Tarzian filed with the FCC an informal objection to the Reno acquisition. Tarzian claims that because it owns a television station in the Reno market, and we own stock in Tarzian, the Reno acquisition would violate certain FCC restrictions against owning two or more television stations in a single market. On October 15, 2002, we filed with the FCC a response contesting Tarzian's informal objection. We cannot guarantee that all required consents and approvals will be obtained, or that the transaction will be consummated. However, we currently expect the transaction, if it closes, to be completed by December 31, 2002.

Commitment for Arrangement of Financing

On September 5, 2002, we executed a commitment letter, which we refer to as the commitment letter, with Wachovia Bank, National Association and Wachovia Securities, Inc., which we refer to, collectively, as Wachovia, under which Wachovia has agreed to arrange to provide us with an aggregate \$450.0 million in financing. Pursuant to the commitment letter we will enter into a \$375.0 million term loan facility, which we refer to as the term loan facility, and a \$75.0 million revolving credit facility, which we refer to as the revolving credit facility. We refer to the term loan facility and the revolving credit facility collectively as the new credit facility.

Wachovia has completed marketing the new credit facility. Bank of America, N.A. is a co-lead arranger and syndication agent and Deutsche Bank Trust Company Americas is a documentation agent. We have received firm commitments in excess of the entire amount of the new credit facility.

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The term loan facility will mature on December 31, 2009 and the revolving credit facility will mature on December 31, 2010. In addition, under the commitment letter we will have the ability to borrow, for up to three years after closing, a maximum of \$300.0 million of uncommitted incremental term loans at an interest rate that will be determined, subject to certain limitations, at the time of such borrowings.

We intend to use any borrowings under the facilities to finance a portion of the merger and the Reno acquisition consideration, to refinance certain existing indebtedness and for our ongoing working capital requirements and other general corporate purposes. The consummation of the transactions contemplated by the commitment letter are subject to numerous conditions precedent. We expect that the transactions contemplated by the commitment letter will be consummated contemporaneously with the closing of the merger.

9 1/4% Senior Subordinated Notes

On September 9, 2002, we sold \$100.0 million principal amount of our 9 1/4% senior subordinated notes due 2011, which we refer to as the offered notes. The offered notes were issued under the same indenture and have the same terms as our outstanding \$180.0 million 9 1/4% senior subordinated notes due 2011. The offered notes mature on December 15, 2011. The interest rate on the offered notes is 9.25% per year (calculated using a 360-day year) payable on June 15 and December 15 of each year, beginning on December 15, 2002. We used the proceeds of the sale of the offered notes primarily to repay approximately \$100 million of the borrowings under our existing senior secured credit facility.

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The Offering

Common stock offered by us	30,000,000 shares of Common Stock
Common stock to be outstanding after this offering	38,911,454 shares of Common Stock
Voting rights	6,848,467 shares of class A common stock
Common Stock	Holder are entitled to 1 vote on all matters on which shareholders are permitted to vote.
Class A common stock	Holder are entitled to 10 votes on all matters on which shareholders are permitted to vote.
Use of proceeds	The net proceeds from the sale of securities offered by this prospectus are expected to be used to finance the merger and for general corporate purposes, including capital expenditures, to meet working capital needs, to refinance our senior debt, to finance one or more other acquisitions, including the Reno acquisition, or all or a combination of the above.
Risk factors	Investing in the Common Stock involves risks that are described in the Risk Factors section beginning on page 3 of the accompanying prospectus.
New York Stock Exchange symbol	
Common Stock	GTN
Class A common stock	GTN.A

The underwriters may also purchase up to an additional 4,500,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments.

We also have outstanding 4,000 shares of our Series C preferred stock, which we refer to as the Series C or Series C preferred stock. The Series C is convertible into shares of Common Stock at an initial conversion price of \$14.39 per share, subject to certain adjustments. For a further description of the conversion rights and other rights attached to the Series C, see Description of Capital Stock Terms of Our Preferred Stock in the accompanying prospectus.

Operating expenses

Broadcast, publishing and paging	65,771	82,783	93,994	105,314	104,025	50,846	50,149
Corporate and administrative	2,528	3,063	3,448	3,594	3,615	1,829	2,116
Depreciation and amortization	14,519	18,117	24,451	31,207	30,824	15,696	7,433

Total operating expenses	82,818	103,963	121,893	140,115	138,464	68,371	59,698
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Operating income	20,730	24,927	22,060	31,098	17,880	8,536	20,607
Gain on disposition of television stations	72,646						
Valuation adjustments of goodwill and other assets	(2,074)						

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Appreciation (depreciation) in value of derivative,
net

(1,581) (961) 730

Miscellaneous income (expense), net

(31) (242) 336 780 194 98 97

Income (loss) before interest expense, income
taxes, extraordinary charge and cumulative effect
of accounting change

20,699 95,257 22,396 31,878 16,493 7,673 21,434

Interest expense

21,861 25,454 31,021 39,957 35,783 18,167 16,866

Income (loss) before income taxes, extraordinary
charge and cumulative effect
of accounting change

(1,162) 69,803 (8,625) (8,079) (19,290) (10,494) 4,568

Income tax expense (benefit)

240 28,144 (2,310) (1,867) (5,972) (3,232) 1,616

Net income (loss) before extraordinary charge and cumulative effect of accounting change
 (1,402) 41,659 (6,315) (6,212) (13,318) (7,262) 2,952
 Extraordinary charge on extinguishment of debt
 (7,318)

Net income (loss) before cumulative effect of
 accounting change
 (1,402) 41,659 (6,315) (6,212) (13,318) (7,262) (4,366)
 Cumulative effect of accounting change, net
 (30,592)

Net income (loss)
 \$(1,402) \$41,659 \$(6,315) \$(6,212) \$(13,318) \$(7,262) \$(34,958)
 Preferred dividends
 1,410 1,318 1,010 1,012 616 308 803
 Non-cash preferred dividends associated with
 preferred stock redemption
 3,360 2,160 3,969

Net income (loss) available to common
stockholders
\$(2,812) \$36,981 \$(7,325) \$(9,384) \$(13,934) \$(7,570) \$(39,730)

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	Year Ended December 31,		Six Months Ended June 30,	
	1997	1998	1999	2000
	2001	2001	2002	2002
(dollars in thousands except per share data)				

Basic earnings per common share (d):

Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	\$(0.24)	\$3.10	\$(0.57)	\$(0.61)	\$(0.89)	\$(0.49)	\$(0.12)
Extraordinary charge on extinguishment of debt, net			(0.47)				
Cumulative effect of accounting change, net			(1.95)				

Net income (loss) available to common stockholders	\$(0.24)	\$3.10	\$(0.57)	\$(0.61)	\$(0.89)	\$(0.49)	\$(2.54)
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Diluted earnings per common share (d):

Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders							
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\$(0.24) \$2.98 \$(0.57) \$(0.61) \$(0.89) \$(0.49) \$(0.12)
 Extraordinary charge on extinguishment of debt, net
 (0.47)
 Cumulative effect of accounting change, net
 (1.95)

Net income (loss) available to common stockholders
 \$(0.24) \$2.98 \$(0.57) \$(0.61) \$(0.89) \$(0.49) \$(2.54)

Other Data:

Media cash flow(e)
 \$38,061 \$46,624 \$50,944 \$66,247 \$53,074 \$26,411 \$30,520
 Media cash flow margin(e)
 36.8% 36.2% 35.4% 38.7% 33.9% 34.3% 38.0%
 Operating cash flow(f)
 \$35,533 \$43,561 \$47,496 \$62,653 \$49,459 \$24,582 \$28,404
 Operating cash flow margin(f)
 34.3% 33.8% 33.0% 36.6% 31.6% 32.0% 35.4%
 Cash flows provided by (used in):

 Operating activities
 \$9,744 \$20,074 \$20,842 \$22,765 \$16,823 \$8,268 \$3,355
 Investing activities
 (57,498) (55,299) (126,780) (8,276) (186,165) (2,679) 154,741
 Financing activities
 49,071 34,744 105,839 (14,061) 167,685 (6,109) (143,184)
 Capital expenditures
 10,372 9,271 11,712 5,702 7,593 2,597 8,133
 Cash dividends per common share (g)

0.05	0.06	0.08	0.08	0.08	0.04	0.04
Ratio of total debt to operating cash flow						
6.4x	6.2x	8.0x	6.0x	8.0x(h)	6.2x(i)	7.1x(i)
Ratio of operating cash flow to interest expense						
1.6	1.7	1.5	1.6	1.4	1.5(i)	1.6(i)

Balance Sheet Data (at end of period):

Cash and cash equivalents						
\$2,367	\$1,887	\$1,787	\$2,215	\$169,115(h)	\$1,695	\$15,470
Total intangible assets, net						
263,425	376,015	526,434	511,616	497,311	504,458	457,633
Total assets						
345,051	468,974	658,157	636,772	794,337(h)	616,870	595,911
Long-term debt (including current portion)						
227,076	270,655	381,702	374,887	551,444(h)	368,557	378,878
Preferred stock						
11,111	7,371	7,371	4,637	4,637	4,637	39,234
Total stockholders equity						
92,295	126,703	168,188	155,961	142,196	148,765	98,288

- (a) Reflects the operating results of our acquisition of substantially all of the assets of WITN-TV and our acquisition of all of the outstanding common stock of GulfLink Communications, Inc. as of their respective acquisition dates, August 1, 1997 and April 24, 1997.
- (b) Reflects the operating results of our acquisition of all of the outstanding capital stock of Busse Broadcasting Corporation and our related acquisition of the assets of WEAU-TV in exchange for the assets of WALB-TV as of July 31, 1998, the closing date of the respective transactions. See Note B to our audited consolidated financial statements included elsewhere in this prospectus supplement.
- (c) Reflects the operating results of our acquisition of all of the outstanding capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company, as well as the assets of KXII Broadcasters Ltd., completed on October 1, 1999, and our acquisition of substantially all of the assets of *The Goshen News* from News Printing Company, Inc. and its affiliates, completed on March 1, 1999, as of their respective acquisition dates. See Note B to our audited consolidated financial statements included elsewhere in this prospectus supplement.
- (d) On August 20, 1998, our board of directors declared a 50% stock dividend, payable on September 30, 1998, to stockholders of record of our Common Stock and class A common stock on September 16, 1998. This stock dividend effected a three-for-two stock split. All applicable share and per share data have been adjusted to give effect to the stock split.
- (e) Media cash flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and corporate overhead, less payments for program broadcast obligations. Media cash flow margin is defined as media cash flow divided by revenues.

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(f) Operating cash flow is defined as media cash flow less corporate overhead. Operating cash flow margin is defined as operating cash flow divided by revenues.

We have included media cash flow, operating cash flow and certain related calculations because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company's ability to service debt. Media cash flow, operating cash flow and certain related calculations are not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in our consolidated financial statements. Media cash flow, operating cash flow and certain related calculations are not measures of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

(g) Cash dividends were \$0.08 per common share for all five annual periods and \$0.04 per common share for the six month periods; however, the amounts for 1997 and 1998 have been adjusted for the three-for-two stock split in 1998, which is discussed in Note (d) above.

(h) On December 21, 2001, we deposited \$168.6 million with the trustee of our 10 5/8% senior subordinated notes due 2006, which we refer to as the 10 5/8 notes to redeem those notes, including payment of principal, the applicable premium costs and accrued interest through the redemption date of January 22, 2002. Total assets include the \$168.6 million reflected as restricted cash for redemption of long-term debt and long-term debt(including current portion) includes the related \$155.2 million of our 10 5/8% notes that were extinguished on January 22, 2002. The ratio of total debt to operating cash flow of 8.0x is calculated on a pro forma basis, which excludes the \$155.2 million of our 10 5/8% notes.

(i) Represents ratios for the 12 months ended June 30, 2001 and June 30, 2002, respectively.

(j) The following table presents the transitional disclosures regarding the adoption of SFAS 142:

Year Ended December 31,					Six Months Ended June 30,	
1997(a)	1998(b)	1999(c)	2000	2001	2001	2000

(dollars in thousands except per share data)

Reported net income (loss) before extraordinary charge and cumulative effect of accounting	\$(1,402)	\$41,659	\$(6,315)	\$(6,212)	\$(13,318)	\$(7,262)	\$2,952
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	4,175	5,697	8,499	11,022	11,033	5,516	

Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change

\$2,773 \$47,356 \$2,184 \$4,810 \$(2,285) \$(1,746) \$2,952

Basic earnings per common share(d):

Reported net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders

\$(0.24) \$3.10 \$(0.57) \$(0.61) \$(0.89) \$(0.49) \$(0.12)

Add back: amortization of goodwill and intangible assets with indefinite lives, net or tax

0.35 0.48 0.66 0.71 0.71 0.36

Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders

\$0.11 \$3.58 \$0.09 \$0.10 \$(0.18) \$(0.13) \$(0.12)

Diluted earnings per common share(d):

Adjusted net income (loss) before extraordinary charge and cumulative effect of
accounting change available to common stockholders
\$0.11 \$3.44 \$0.09 \$0.10 \$(0.18) \$(0.13) \$(0.12)

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Summary Unaudited Pro Forma Financial Data

The unaudited pro forma combined condensed statements of operations for the six months ended June 30, 2002 and June 30, 2001 reflect the transactions associated with this offering, the note offering and the merger as if they had been completed on January 1, 2001. The unaudited pro forma combined condensed statement of operations for the year ended December 31, 2001 reflects these transactions as if they had been completed on January 1, 2001. The June 30, 2002 unaudited pro forma combined condensed balance sheet reflects these transactions as if they had been completed on June 30, 2002. The unaudited pro forma financial statements are presented under Unaudited Pro Forma Consolidated Financial Data included elsewhere in this prospectus supplement.

The unaudited pro forma financial data presented below is for illustrative purposes only and do not purport to be indicative of the operating results that would have actually occurred had this offering, the note offering and the acquisition of Stations been completed, nor do they purport to be indicative of future operating results. The unaudited pro forma financial data should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this prospectus supplement, and in conjunction with Stations consolidated financial statements and notes thereto included in the accompanying prospectus. See Unaudited Pro Forma Consolidated Financial Data included elsewhere in this prospectus supplement for further information about the compilation of the unaudited pro forma consolidated financial data.

Pro Forma Year Ended December 31,	Pro Forma Six Months Ended June 30,	
2001	2001	2002

(dollars in thousands except per share data)

Statements of Operations Data:

Revenues

Broadcast (less agency commissions)

\$213,991 \$104,603 \$109,647

Publishing

41,189 19,927 21,216

Paging

8,725 4,405 4,083

Total revenues

263,905 128,935 134,946

Operating expenses

Broadcast, publishing and paging

168,032 83,729 83,091

Corporate and administrative

7,251 3,861 4,023

Depreciation and amortization

40,406 20,487 12,224

Total operating expenses

215,689 108,077 99,338

Operating income

48,216 20,858 35,608

Interest expense

54,544 27,619 26,318

Appreciation (depreciation) in value of derivative,
net

(1,581) (961) 730

Miscellaneous income, net

353 185 153

Income (loss) from continuing operations before
provision for (benefit from) income taxes

(7,556) (7,537) 10,173

Income tax expense (benefit)

(1,230) (1,869) 3,711

Net income (loss) from continuing operations

(6,326) (5,668) 6,462

Preferred dividends

3,200 1,600 1,600

Net income (loss) from continuing operations
available to common stockholders
\$(9,526) \$(7,268) \$4,862

Basic income (loss) per share from continuing
operations available to common stockholders (a)
\$(0.21) \$(0.16) \$0.11

Diluted income (loss) per share from continuing
operations available to common stockholders (a)
\$(0.21) \$(0.16) \$0.11

Other Data:

Media cash flow(b)
\$97,008 \$45,609 \$51,897

Media cash flow margin(b)
36.8% 35.4% 38.5%

Operating cash flow(c)
\$89,757 \$41,748 \$47,874

Operating cash flow margin(c)
34.0% 32.4% 35.5%

Capital expenditures
\$21,283 \$8,314 \$12,776

Ratio of total debt, net of cash, to operating cash
flow

6.86x(d)

Ratio of operating cash flow to interest expense
1.80(d)

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**Pro Forma
June 30, 2002**

(dollars in thousands except per share data)

Balance Sheet Data (at end of period):

Cash and cash equivalents	\$674
Total intangible assets, net	1,028,377
Total assets	1,230,277
Long-term debt (including current portion)	658,907
Preferred stock	39,234
Total stockholders' equity	325,818

(a) The following table presents the transitional disclosures regarding the adoption of SFAS 142:

Pro Forma Year Ended December 31,	Pro Forma Six Months Ended June 30,	
2001	2001	2002

(dollars in thousands except per share data)

Reported net income (loss) before extraordinary charge and cumulative effect of accounting change	\$(6,326)	\$(5,668)	\$6,462
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	11,033	5,516	

Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	\$4,707	\$(152)	\$6,462
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Basic earnings per common share:

Reported net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders			
--	--	--	--

\$(0.21) \$(0.16) \$0.11
 Add back: amortization of goodwill and intangible assets with
 indefinite lives, net of tax
 0.24 0.12

Adjusted net income (loss) before extraordinary charge and
 cumulative effect of accounting change available to common
 stockholders
 \$0.03 \$(0.04) \$0.11

Diluted earnings per common share:

Adjusted net income (loss) before extraordinary charge and
 cumulative effect of accounting change available to common
 stockholders
 \$0.03 \$(0.04) \$0.11

- (b) Media cash flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and corporate overhead, less payments for program broadcast obligations. Media cash flow margin is defined as media cash flow divided by revenues.
- (c) Operating cash flow is defined as media cash flow less corporate overhead. Operating cash flow margin is defined as operating cash flow divided by revenues.

We have included media cash flow, operating cash flow and certain related calculations because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company's ability to service debt. Media cash flow, operating cash flow and certain related calculations are not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in our consolidated financial statements. Media cash flow, operating cash flow and certain related calculations are not measures of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

- (d) Represents ratios for the 12 months ended June 30, 2002.

Table of Contents**USE OF PROCEEDS**

We estimate that the net proceeds of this offering will be \$231.2 million, after deducting the underwriting discount and estimated offering expenses. We expect to use the net proceeds of this offering primarily to finance the merger. We intend to use any remaining proceeds for general corporate purposes, including capital expenditures, to meet working capital needs, to refinance our senior debt, to finance one or more other acquisitions, including the Reno acquisition, or all or a combination of the above.

DIVIDEND POLICY

During the 2000 and 2001 fiscal years and the quarters ended March 31, 2002 and June 30, 2002 we paid a dividend of \$0.02 each quarterly period. In addition, our ability to pay dividends is limited by the terms of our debt instruments. See Description of Certain Indebtedness in the accompanying prospectus. We anticipate that for the foreseeable future, we will continue to pay comparable cash dividends.

PRICE RANGE OF COMMON STOCK (GTN) AND CLASS A COMMON STOCK (GTN.A)

Our Common Stock and class A common stock are listed and traded on the New York Stock Exchange, which we refer to as the NYSE, under the symbols GTN and GTN.A, respectively. The following table sets forth for the periods indicated the high and low sale prices of the Common Stock and class A common stock as reported by the NYSE.

	Common Stock		Class A Common Stock	
	High	Low	High	Low
2000				
First Quarter	\$13.69	\$10.75	\$18.13	\$11.75
Second Quarter	11.75	9.50	12.38	9.75
Third Quarter	11.13	9.50	11.50	9.94
Fourth Quarter	15.50	10.38	16.25	11.00
2001				
First Quarter	\$17.65	\$14.50	\$19.04	\$15.63
Second Quarter	16.40	14.20	19.05	15.27
Third Quarter	15.45	13.10	18.79	15.20
Fourth Quarter	13.23	9.60	15.20	12.20
2002				
First Quarter				

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\$14.50	\$10.24	\$16.16	\$12.95
Second Quarter			
14.55	13.20	18.10	14.75
Third Quarter			
13.35	9.95	18.15	13.00
Fourth Quarter (through October 16, 2002)			
10.95	7.95	13.65	10.78

On October 16, 2002, the last reported sale prices of our Common Stock and our class A common stock as reported by the NYSE were \$8.28 and \$10.78, respectively. As of September 16, 2002, there were approximately 76 holders of record of the Common Stock and 165 holders of record of the class A common stock.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2002

on an actual basis;

as adjusted to give effect to the issuance of the offered stock, the issuance, which we refer to as the note offering, of \$100.0 million of 9 1/4% senior subordinated notes due 2011 and the new credit facility; and

pro forma as adjusted to give effect to the issuance of the offered stock, the note offering, the new credit facility and the merger.

The information set forth below should be read in conjunction with Selected Historical Consolidated Financial Data, Unaudited Pro Forma Consolidated Financial Data, Use of Proceeds, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus supplement.

	As of June 30, 2002		
	Actual	As Adjusted for this Offering, the Note Offering and the New Credit Facility	Pro Forma As Adjusted for this Offering, the Note Offering, the New Credit Facility and the Merger
Cash and cash equivalents	\$15,470	\$513,745	\$674
Long-term debt:			
Senior Credit Facility(a)	\$200,000	\$375,000	\$375,000
9 1/4% senior subordinated notes due 2011 net of unamortized issue discount of \$1,370.	178,630	278,630	278,630
Other	248	248	5,277

(dollars in thousands)

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378,878	653,878	658,907
Less current portions		
(202)	(202)	(2,181)

Total long-term debt		
378,676	653,676	656,726

Series C Redeemable Convertible Preferred Stock		
39,234	39,234	39,234

Stockholders' Equity:

Class A Common Stock		
20,173	20,173	20,173
Class A Common Treasury Stock		
(8,339)	(8,339)	(8,339)
Common Stock(b)		
118,721	349,871	349,871
Accumulated Deficit		
(32,268)	(32,268)	(35,887)

Total Stockholders' Equity		
98,287	329,347	325,818

Total Capitalization		
\$516,197	\$1,022,347	\$1,021,778

- (a) Amounts outstanding as of June 30, 2002 for actual and for as adjusted for this offering do not include a \$12.5 million standby letter of credit which we have issued in connection with the merger with Stations. As of June 30, 2002 we had senior indebtedness of \$200.0 million funded under our senior secured credit facility. We have unused availability of \$37.5 million under our senior secured credit facility after giving effect to the \$12.5 million undrawn letter of credit.
- (b) On September 16, 2002, our stockholders voted to change the name of our class B common stock offered pursuant to this prospectus supplement. The new name of our class B common stock is Common Stock.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

Set forth below is our consolidated financial and other data. The financial data for, and as of the end of, each of the years in the five-year period ended December 31, 2001 was derived from the audited consolidated financial statements included in our Annual Reports on Form 10-K and from other information in the Annual Reports. The financial data for, and as of the six month periods ended June 30, 2002 and 2001 was derived from our unaudited accounting records and have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of our management, include all normal and recurring adjustments and accruals necessary for a fair presentation of such information. More comprehensive financial information is included in the Annual Reports and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 and June 30, 2002. The financial information that follows is qualified in its entirety by reference to, and should be read in conjunction with, the Annual Reports, the Quarterly Reports and all of the financial statements and related notes contained in the Annual Reports and the Quarterly Reports.

	Year Ended December 31,					Six Months Ended June 30,
	1997	1998	1999	2000	2001	2001 2002

(dollars in thousands except per share data)

Statements of Operations Data:

Revenues

Broadcast (less agency commissions)	\$72,300	\$91,007	\$97,015	\$120,640	\$106,430	\$52,575	\$55,006
Publishing	24,536	29,330	37,808	41,499	41,189	19,927	21,216
Paging	6,712	8,553	9,130	9,074	8,725	4,405	4,083

Total revenues	103,548	128,890	143,953	171,213	156,344	76,907	80,305
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Operating expenses

Broadcast, publishing and paging	65,771	82,783	93,994	105,314	104,025	50,846	50,149
Corporate and administrative	2,528	3,063	3,448	3,594	3,615	1,829	2,116
Depreciation and amortization	14,519	18,117	24,451	31,207	30,824	15,696	7,433

Total operating expenses	82,818	103,963	121,893	140,115	138,464	68,371	59,698
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Operating income	20,730	24,927	22,060	31,098	17,880	8,536	20,607
Gain on disposition of television stations	72,646						
Valuation adjustments of goodwill and other assets	(2,074)						

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Appreciation (depreciation) in value of derivative, net
(1,581) (961) 730

Miscellaneous income (expense), net
(31) (242) 336 780 194 98 97

Income (loss) before interest expense, income taxes, extraordinary charge and cumulative effect of accounting change

20,699 95,257 22,396 31,878 16,493 7,673 21,434

Interest expense

21,861 25,454 31,021 39,957 35,783 18,167 16,866

Income (loss) before income taxes, extraordinary charge and cumulative effect of accounting change

(1,162) 69,803 (8,625) (8,079) (19,290) (10,494) 4,568

Income tax expense (benefit)

240 28,144 (2,310) (1,867) (5,972) (3,232) 1,616

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Net income (loss) before extraordinary charge and cumulative effect of accounting change
(1,402) 41,659 (6,315) (6,212) (13,318) (7,262) 2,952
Extraordinary charge on extinguishment of debt
(7,318)

Net income (loss) before cumulative effect of accounting change
(1,402) 41,659 (6,315) (6,212) (13,318) (7,262) (4,366)
Cumulative effect of accounting change, net
(30,592)

Net income (loss)
(1,402) 41,659 (6,315) (6,212) (13,318) (7,262) (34,958)
Preferred dividends
1,410 1,318 1,010 1,012 616 308 803
Non-cash preferred dividends associated with preferred stock redemption
3,360 2,160 3,969

Net income (loss) available to common stockholders
\$(2,812) \$36,981 \$(7,325) \$(9,384) \$(13,934) \$(7,570) \$(39,730)

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	Year Ended December 31,	Six Months Ended June 30,
	1997	2001
	1998	2002
	1999	2001
	2000	2002

(dollars in thousands except per share data)

Basic earnings per common share(d):

Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders
 \$(0.24) \$3.10 \$(0.57) \$(0.61) \$(0.89) \$(0.49) \$(0.12)
 Extraordinary charge on extinguishment of debt, net
 (0.47)
 Cumulative effect of accounting change, net
 (1.95)

Net income (loss) available to common stockholders
 \$(0.24) \$3.10 \$(0.57) \$(0.61) \$(0.89) \$(0.49) \$(2.54)

Diluted earnings per common share(d):

Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders

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\$(0.24) \$2.98 \$(0.57) \$(0.61) \$(0.89) \$(0.49) \$(0.12)
 Extraordinary charge on extinguishment of debt, net
 (0.47)
 Cumulative effect of accounting change, net
 (1.95)

Net income (loss) available to common stockholders
 \$(0.24) \$2.98 \$(0.57) \$(0.61) \$(0.89) \$(0.49) \$(2.54)

Other Data:

Media cash flow(e)
 \$38,061 \$46,624 \$50,944 \$66,247 \$53,074 \$26,411 \$30,520
 Media cash flow margin(e)
 36.8% 36.2% 35.4% 38.7% 33.9% 34.3% 38.0%
 Operating cash flow(f)
 \$35,533 \$43,561 \$47,496 \$62,653 \$49,459 \$24,582 \$28,404
 Operating cash flow margin(f)
 34.3% 33.8% 33.0% 36.6% 31.6% 32.0% 35.4%
 Cash flows provided by (used in):

 Operating activities
 \$9,744 \$20,074 \$20,842 \$22,765 \$16,823 \$8,268 \$3,355
 Investing activities
 (57,498) (55,299) (126,780) (8,276) (186,165) (2,679) 154,741
 Financing activities
 49,071 34,744 105,839 (14,061) 167,685 (6,109) (143,184)
 Capital expenditures
 10,372 9,271 11,712 5,702 7,593 2,597 8,133
 Cash dividends per common share(g)

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0.05	0.06	0.08	0.08	0.08	0.04	0.04
Ratio of total debt to operating cash flow						
6.4x	6.2x	8.0x	6.0x	8.0x(h)	6.2x(i)	7.1x(i)
Ratio of operating cash flow to interest expense						
1.6	1.7	1.5	1.6	1.4	1.5(i)	1.6(i)

Balance Sheet Data (at end of period):

Cash and cash equivalents						
\$2,367	\$1,887	\$1,787	\$2,215	\$169,115(h)	\$1,695	\$15,470
Total intangible assets, net						
263,425	376,015	526,434	511,616	497,311	504,458	457,633
Total assets						
345,051	468,974	658,157	636,772	794,337(h)	616,870	595,911
Long-term debt (including current portion)						
227,076	270,655	381,702	374,887	551,444(h)	368,557	378,878
Preferred stock						
11,111	7,371	7,371	4,637	4,637	4,637	39,234
Total stockholders equity						
92,295	126,703	168,188	155,961	142,196	148,765	98,288

- (a) Reflects the operating results of our acquisition of substantially all of the assets of WITN-TV and our acquisition of all of the outstanding common stock of GulfLink Communications, Inc. as of their respective acquisition dates, August 1, 1997 and April 24, 1997.
- (b) Reflects the operating results of our acquisition of all of the outstanding capital stock of Busse Broadcasting Corporation and our related acquisition of the assets of WEAU-TV in exchange for the assets of WALB-TV as of July 31, 1998, the closing date of the respective transactions. See Note B to our audited consolidated financial statements included elsewhere in this prospectus supplement.
- (c) Reflects the operating results of our acquisition of all of the outstanding capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company, as well as the assets of KXII Broadcasters Ltd., completed on October 1, 1999, and our acquisition of substantially all of the assets of *The Goshen News* from News Printing Company, Inc. and its affiliates, completed on March 1, 1999, as of their respective acquisition dates. See Note B to our audited consolidated financial statements included elsewhere in this prospectus supplement.
- (d) On August 20, 1998, our board of directors declared a 50% stock dividend, payable on September 30, 1998, to stockholders of record of our Common Stock and class A common stock on September 16, 1998. This stock dividend effected a three-for-two stock split. All applicable share and per share data have been adjusted to give effect to the stock split.

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- (e) Media cash flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and corporate overhead, less payments for program broadcast obligations. Media cash flow margin is defined as media cash flow divided by revenues.
- (f) Operating cash flow is defined as media cash flow less corporate overhead. Operating cash flow margin is defined as operating cash flow divided by revenues.

We have included media cash flow, operating cash flow and certain related calculations because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company's ability to service debt. Media cash flow, operating cash flow and certain related calculations are not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in our consolidated financial statements. Media cash flow, operating cash flow and certain related calculations are not measures of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

- (g) Cash dividends were \$0.08 per common share for all five annual periods and \$0.04 per common share for the six month periods; however, the amounts for 1997 and 1998 have been adjusted for the three-for-two stock split in 1998, which is discussed in Note (d) above.
- (h) On December 21, 2001, we deposited \$168.6 million with the trustee of our 10 5/8% notes to redeem those notes, including payment of principal, the applicable premium costs and accrued interest through the redemption date of January 22, 2002. Total assets include the \$168.6 million reflected as restricted cash for redemption of long-term debt and long-term debt (including current portion) includes the related \$155.2 million of our 10 5/8% notes that were extinguished on January 22, 2002. The ratio of total debt to operating cash flow of 8.0x is calculated on a pro forma basis which excludes the \$155.2 million of our 10 5/8% notes.
- (i) Represents ratios for the 12 months ended June 30, 2001 and June 30, 2002, respectively.
- (j) The following table presents the transitional disclosures regarding the adoption of SFAS 142:

Year Ended December 31,					Six Months Ended June 30,	
1997(a)	1998(b)	1999(c)	2000	2001	2001	2000

(dollars in thousands except per share data)

Reported net income (loss) before extraordinary charge and cumulative effect of accounting	\$(1,402)	\$41,659	\$(6,315)	\$(6,212)	\$(13,318)	\$(7,262)	\$2,952
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	4,175	5,697	8,499	11,022	11,033	5,516	

Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change
\$2,773 \$47,356 \$2,184 \$4,810 \$(2,285) \$(1,746) \$2,952

Basic earnings per common share(d):

Reported net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders
\$(0.24) \$3.10 \$(0.57) \$(0.61) \$(0.89) \$(0.49) \$(0.12)
Add back: amortization of goodwill and intangible assets with indefinite lives, net or tax
0.35 0.48 0.66 0.71 0.71 0.36

Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders
\$0.11 \$3.58 \$0.09 \$0.10 \$(0.18) \$(0.13) \$(0.12)

Diluted earnings per common share(d):

Adjusted net income (loss) before extraordinary charge and cumulative effect of
accounting change available to common stockholders
\$0.11 \$3.44 \$0.09 \$0.10 \$(0.18) \$(0.13) \$(0.12)

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The unaudited pro forma financial data presented below is for illustrative purposes only and do not purport to be indicative of the operating results that would have actually occurred, nor do they purport to be indicative of future operating results. The unaudited pro forma financial data should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this prospectus supplement, and in conjunction with Stations consolidated financial statements and notes thereto included elsewhere in the accompanying prospectus.

Stations historical consolidated financial statements reflect the nine designated television stations to be sold prior to our acquisition of Stations as discontinued operations. Accordingly, the operating results of those stations are excluded from continuing operations and the related assets and liabilities are segregated in the balance sheet. Those stations are:

WTRF Wheeling, WV which was sold in April 2002
WYTV Youngstown, OH
WHOI Peoria-Bloomington, IL
KDLH Duluth, MN Superior, WI
KMIZ, K02NQ, K11TB Columbia Jefferson City, MO
KAUZ Wichita Falls, TX Lawton, OK
KHQA Quincy, IL Hannibal, MO Keokuk, IA
KGWN, KSTF Cheyenne, WY Scottsbluff, NE
KGWC, KGWL, KGWR Casper Riverton, WY

The unaudited pro forma combined condensed financial statements reflect the following transactions:

Our acquisition of Stations in a merger transaction for total estimated consideration of \$517.8 million which includes a base price of \$502.5 million, additional cash consideration of \$9.3 million for certain estimated net working capital, as specified in the merger agreement, and related fees and expenses of \$6.0 million.

Our financing the acquisition of Stations which includes (1) revising or replacing our senior credit facility to provide additional term loan borrowings of \$175.0 million, (2) the issuance of \$100.0 million of senior subordinated notes and (3) the sale of \$247.5 million of our Common Stock at a price of \$8.25 per share, pursuant to this prospectus supplement.

The incurrence of an estimated \$24.3 million in fees related to the financing transactions described above. The estimated costs include (1) revising our current senior credit facility and the issuance of additional senior subordinated notes for aggregate fees of \$7.9 million and (2) the sale of additional shares of our Common Stock for a fee of \$16.4 million. The estimated fees and expenses have been paid or are payable to various underwriters, advisors and professional service providers, including lawyers and accountants.

The issuance in April 2002 of \$40.0 million liquidation value of the Series C with an 8% annual dividend rate. The pro forma adjustment for our issuance of the Series C is for the period from January 1, 2001 through April 22, 2002, the date of the issuance. Subsequent to this date, the effect of the Series C issuance on our financial statements is the actual impact on our results of operations, rather than a pro forma adjustment.

The unaudited pro forma combined condensed statements of operations for the six months ended June 30, 2002 and June 30, 2001 reflect these transactions as if they had been completed on January 1, 2001. The unaudited pro forma combined condensed statement of operations for the year ended December 31, 2001 reflects these transactions as if they had been completed on January 1, 2001. The June 30, 2002 unaudited pro forma combined condensed balance sheet reflects these transactions as if they had been completed on June 30, 2002.

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The pro forma adjustments are based on the preliminary estimates of the number of shares of our Common Stock to be issued and their related value, indebtedness to be incurred and related financing terms, the amount of the specified net working capital and certain other payments as of the closing of the merger, and the transaction costs, all determined as of the closing of the merger. Accordingly, the actual amounts of these transactions are expected to differ from the pro forma financial statements.

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Unaudited Pro Forma Combined Condensed Statement of Operations

For the Six Months Ended June 30, 2002

	Gray	Stations	Pro Forma Adjustments	Pro Forma
	(dollars in thousands except per share data)			
Operating revenues:				
Broadcasting (net of agency commissions)	\$55,006	\$54,641	\$	\$109,647
Publishing	21,216	21,216		
Paging	4,083	4,083		
	80,305	54,641	134,946	
Expenses:				
Broadcasting	31,975	32,942	64,917	
Publishing	15,420	15,420		
Paging	2,754	2,754		
Corporate and administrative	2,116	3,104	(1,197)(a)	4,023
Depreciation and amortization	7,433	12,353	(7,562)(b)	12,224
	59,698	48,399	(8,759)	99,338

Operating income

20,607 6,242 8,759 35,608

Other (income) expense:

Interest expense

16,866 21,167 (11,715)(c)(d) 26,318

Miscellaneous income, net

(97) (56) (153)

Appreciation in value of derivatives, net

(730) (730)

Reorganization fees and expenses

1,091 (1,091)(a)

Total other (income) expense, net

16,039 22,202 (12,806) 25,435

Income (loss) from continuing operations before
provision for (benefit from) income taxes

4,568 (15,960) 21,565 10,173

Provision for (benefit from) income taxes

1,616 (6,100) 8,195(e) 3,711

Income (loss) from continuing operations

2,952 (9,860) 13,370 6,462

Preferred dividends

803 16,020 (15,223)(f)(g) 1,600

Non-cash preferred dividends associated with
redemption of preferred stock

3,969 \$ \$(3,969)(f)

Income (loss) from continuing operations
available to common stockholders
\$(1,820) \$4,862

Basic and diluted earnings (loss) per common share:

Weighted average outstanding common shares:

Basic
15,662 45,662(h)

Diluted
15,662 46,038(h)

Basic earnings (loss) per share from continuing
operations available to common stockholders
\$(0.12) \$0.11

Diluted earnings (loss) per share from continuing
operations available to common stockholders
\$(0.12) \$0.11

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- (a) Reflects the elimination of certain historical expenses of Stations that we will not, or do not expect to, incur subsequent to the acquisition including compensation paid to certain persons who will resign concurrent with the closing of the merger, certain professional fees and other overhead costs.
- (b) Reflects adjustment to the depreciation and amortization charges to reflect the allocation of the total consideration paid by us among the assets acquired and the liabilities assumed. The adjustment is primarily the result of eliminating Stations' amortization of amounts assigned to FCC licenses and other indefinite lived intangible assets as these assets are no longer amortized. Of our consideration estimated to be paid, \$7.6 million was assigned to network affiliation agreements, which are amortized over their remaining estimated lives.
- (c) Reflects the elimination of certain historical interest expense of Stations reflecting the repayment, in full, of certain senior and subordinated debt as part of Stations' plan of reorganization.
- (d) Reflects adjustments to include (1) interest charges of \$4.6 million on the estimated \$175.0 million of newly issued senior debt with an assumed effective interest rate of 5.25%, (2) interest charges of \$4.6 million on the estimated \$100 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of \$0.5 million of the estimated \$7.9 million aggregate of deferred financing charges incurred with the revised or newly issued senior credit facility with an estimated average life to maturity of 8.25 years and the offering of the senior subordinated notes with an estimated average life to maturity of 9.2 years and (4) the elimination of \$0.4 million of historical amortization expense for deferred financing charges associated with our prior senior credit facility.
- (e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.
- (f) Preferred dividends have been adjusted to reflect our issuance of \$40.0 million liquidation value Series C with an annual dividend rate of 8%. The pro forma adjustment for our issuance of the Series C is for the period from January 1, 2001 through April 22, 2002, the date of the issuance. Subsequent to this date, the effect of the Series C issuance on our financial statements is the actual impact on our results of operations, rather than a pro forma adjustment.
- (g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.
- (h) Reflects our issuance of an additional 30,000,000 shares of our Common Stock at a price of \$8.25 per share, pursuant to this prospectus supplement. Diluted average outstanding common shares include 376,762 common shares related to employee stock-based compensation plans and warrants that could potentially dilute basic earnings per share in the future.

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Unaudited Pro Forma Combined Condensed Statement of Operations

For the Six Months Ended June 30, 2001

	Gray	Stations	Pro Forma Adjustments	Pro Forma
	(dollars in thousands except per share data)			
Operating revenues:				
Broadcasting (net of agency commissions)	\$52,575	\$52,028	\$	\$104,603
Publishing	19,927		19,927	
Paging	4,405	4,405		
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
	76,907	52,028	128,935	
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses:				
Broadcasting	32,375	32,883	65,258	
Publishing	15,659		15,659	
Paging	2,812	2,812		
Corporate and administrative	1,829	3,123	(1,091)(a)	3,861
Depreciation and amortization	15,696	10,933	(6,142)(b)	20,487
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
	68,371	46,939	(7,233)	108,077

Operating income

8,536 5,089 7,233 20,858

Other (income) expense:

Interest expense

18,167 20,576 (11,124)(c)(d) 27,619

Miscellaneous income, net

(98) (87) (185)

Depreciation in value of derivatives, net

961 961

Total other (income) expense, net

19,030 20,489 (11,124) 28,395

Income (loss) from continuing operations before

provision for (benefit from) income taxes

(10,494) (15,400) 18,357 (7,537)

Provision for (benefit from) income taxes

(3,232) (5,613) 6,976(e) (1,869)

Income (loss) from continuing operations

(7,262) (9,787) 11,381 (5,668)

Preferred dividends

308 \$15,102 \$(13,810)(f)(g) 1,600

Loss from continuing operations available to
common stockholders

\$(7,570) \$(7,268)

Basic and diluted loss per common share:

Weighted average outstanding common shares:

Basic and diluted

15,587 45,587(h)

Basic and diluted loss per share from continuing
operations available to common stockholders

\$(0.49) \$(0.16)(i)

-
- (a) Reflects the elimination of certain historical expenses of Stations that we will not, or do not expect to, incur subsequent to the acquisition including compensation paid to certain persons who will resign concurrent with the closing of the merger, certain professional fees and other overhead costs.
- (b) Reflects adjustment to the depreciation and amortization charges to reflect the allocation of the total consideration paid by us among the assets acquired and the liabilities assumed. The adjustment is primarily the result of eliminating Stations' amortization of amounts assigned to FCC licenses and other indefinite lived intangible assets as these assets are no longer amortized. Of our consideration estimated to be paid, \$7.6 million was assigned to network affiliation agreements, which are amortized over their remaining estimated lives.

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- (c) Reflects the elimination of certain historical interest expense of Stations reflecting the repayment, in full, of certain senior and subordinated debt as part of Stations plan of reorganization.
- (d) Reflects adjustments to include (1) interest charges of \$4.6 million on the estimated \$175.0 million of newly issued senior debt with an assumed effective interest rate of 5.25%, (2) interest charges of \$4.6 million on the estimated \$100 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of \$0.5 million of the estimated \$7.9 million aggregate of deferred financing charges incurred with the revised or newly issued senior credit facility with an estimated average life to maturity of 8.25 years and the offering of the senior subordinated notes with an estimated average life to maturity of 9.2 years and (4) the elimination of \$0.4 million of historical amortization expense for deferred financing charges associated with our prior senior credit facility.
- (e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.
- (f) Preferred dividends have been adjusted to reflect our issuance of \$40.0 million liquidation value Series C with an annual dividend rate of 8%.
- (g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.
- (h) Reflects our issuance of an additional 30,000,000 shares of our Common Stock at a price of \$8.25 per share, pursuant to this prospectus supplement.
- (i) The following table presents the transitional disclosures regarding the adoption of SFAS No. 142:

**Pro Forma
Six Months Ended
June 30, 2001**

**(dollars in thousands
except per share data)**

Reported net income
(loss) before
extraordinary charge and
cumulative effect of
accounting change
\$(5,668)
Add back: amortization
of goodwill and
intangible assets
with indefinite lives, net
of tax
5,516

Adjusted net income
(loss) before
extraordinary charge and
cumulative effect of
accounting change
\$(152)

Basic earnings per
common share:

Reported net income
(loss) before
extraordinary charge and
cumulative effect of
accounting change
available to common
stockholders

\$(0.16)

Add back: amortization
of goodwill and
intangible assets with
indefinite lives, net of
tax

0.12

Adjusted net income
(loss) before
extraordinary charge and
cumulative effect of
accounting change
available to common
stockholders

\$(0.04)

Diluted earnings per
common share:

Adjusted net income
(loss) before
extraordinary charge and
cumulative effect of
accounting change
available to common
stockholders

\$(0.04)

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Unaudited Pro Forma Combined Condensed Statement of Operations

For the Year Ended December 31, 2001

	Gray	Stations	Pro Forma Adjustments	Pro Forma
	(dollars in thousands except per share data)			
Operating revenues:				
Broadcasting (less agency commissions)	\$106,430	\$107,561	\$	\$213,991
Publishing	41,189	41,189		
Paging	8,725	8,725		
	156,344	107,561	263,905	
Expenses:				
Broadcasting	66,233	64,007	130,240	
Publishing	31,915	31,915		
Paging	5,877	5,877		
Corporate and administrative	3,615	5,946	(2,310)(a)	7,251
Depreciation and amortization	30,824	21,901	(12,319)(b)	40,406
	138,464	91,854	(14,629)	215,689

Operating income

17,880 15,707 14,629 48,216

Other (income) expense:

Interest expense

35,783 43,361 (24,600)(c)(d) 54,544

Depreciation in value of derivatives, net

1,581 1,581

Miscellaneous income, net

(194) (159) (353)

Total other (income) expense, net

37,170 43,202 (24,600) 55,772

Income (loss) from continuing operations before provision
for (benefit from) income taxes

(19,290) (27,495) 39,229 (7,556)

Provision for (benefit from) income taxes

(5,972) (10,165) 14,907(e) (1,230)

Income (loss) from continuing operations

(13,318) (17,330) 24,322 (6,326)

Preferred dividends

616 \$31,186 \$(28,602)(f)(g) 3,200

Loss from continuing operations available to
common stockholders

\$(13,934) \$(9,526)

Basic and diluted loss per common share:

Weighted average outstanding common shares:

Basic and diluted

15,605 45,605(h)

Basic and diluted loss per share from
continuing operations available to common
stockholders

\$(0.89) \$(0.21)(i)

-
- (a) Reflects the elimination of certain historical expenses of Stations that we will not, or do not expect to, incur subsequent to the acquisition including compensation paid to certain persons who will resign concurrent with the closing of the merger, certain professional fees and other overhead costs.
- (b) Includes adjustment to the depreciation and amortization charges to reflect the allocation of the total consideration estimated to be paid by us among the assets acquired and the liabilities assumed. However, the adjustment is primarily the result of eliminating Stations' amortization of FCC licenses and goodwill, which are no longer amortized on acquisitions occurring after July 1, 2001.

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- (c) Reflects the elimination of certain historical interest expense of Stations reflecting the repayment, in full, of certain senior and subordinated debt as part of Stations plan of reorganization.
- (d) Reflects adjustments to include (1) interest charges of \$9.2 million on the estimated \$175.0 million of newly issued senior debt with an assumed effective interest rate of 5.25%, (2) interest charges of \$9.2 million on the estimated \$100.0 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of \$0.9 million of the estimated \$7.9 million aggregate of deferred financing charges incurred with the revised or newly issued senior credit facility with an estimated average life to maturity of 8.25 years and the offering of the senior subordinated notes with an estimated average life to maturity of 9.2 years and (4) the elimination of \$0.9 million of the historical amortization expense for deferred financing charges associated with our prior senior credit facility.
- (e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.
- (f) Preferred dividends have been adjusted to reflect our issuance of \$40.0 million liquidation value Series C with an annual dividend rate of 8%.
- (g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.
- (h) Reflects our issuance of an additional 30,000,000 shares of our Common Stock at a price of \$8.25 per share, pursuant to this prospectus supplement.
- (i) The following table presents the transitional disclosures regarding the adoption of SFAS No. 142:

	Pro Forma Year Ended December 31, 2001
	(dollars in thousands except per share data)
Reported net income (loss) before extraordinary charge and cumulative effect of accounting change \$(6,326) Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax 11,033 <hr style="width: 20%; margin-left: 0;"/>	
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change \$4,707	

Basic earnings per
common share:

Reported net income
(loss) before
extraordinary charge
and
cumulative effect of
accounting change
available to
common stockholders
\$(0.21)
Add back: amortization
of goodwill and
intangible assets with
indefinite lives, net of
tax
0.24

Adjusted net income
before extraordinary
charge and
cumulative effect of
accounting change
available to
common stockholders
\$0.03

Diluted earnings per
common share:

Adjusted net income
before extraordinary
charge and
cumulative effect of
accounting change
available to common
stockholders
\$0.03

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as of June 30, 2002

	Gray	Stations	Pro Forma Adjustments	Pro Forma
	_____	_____	_____	_____
	(dollars in thousands except per share data)			
Assets				
Current assets:				
Cash and cash equivalents	\$15,470	\$4,771	\$(19,567)(a)	\$674
Trade accounts receivable, less allowance for doubtful accounts	26,338	23,088	(1,650)(b)	47,776
Recoverable income taxes	849		849	
Inventories	959		959	
Current portion of program broadcast rights,				
Net	1,729	1,260	2,989	
Other current assets	1,175	2,896	4,071	
Assets of stations held for sale	33,351	(33,351)(c)		
<hr/>				
<hr/>				
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Total current assets	46,520	65,366	(54,568)	57,318
Property and equipment, net	60,647	48,579	109,226	
Deferred loan costs, net	11,050	3,534	(1,088)(b)(d)	13,496
FCC licenses and network affiliation agreements	403,794	210,370	242,244(b)	856,408
Goodwill	53,151	78,099	37,031(b)	168,281
Consulting, noncompete and other definite lived intangible assets	688	3,000(b)	3,688	
Other	20,061	1,799	21,860	
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Total assets

\$595,911 \$407,747 \$226,619 \$1,230,277

Current liabilities:

Trade accounts payable and accrued expenses

\$12,202 \$17,625 \$(9,957)(e) \$19,870

Accrued interest

3,585 3,585

Current portion of program broadcast obligations

1,532 3,471 5,003

Deferred revenue

3,185 265 3,450

Unrealized loss on derivatives

851 851

Current portion of long-term debt

202 1,979 2,181

Liabilities of stations held for sale

6,365 (6,365)(c)

Total current liabilities

21,557 29,705 (16,322) 34,940

Long-term debt, less current portion

378,676 3,050 275,000(d) 656,726

Program broadcast obligations, less current portion

550 1,120 1,670

Supplemental employee benefits

449 449

Deferred income taxes

55,543 28,041 85,741(b)(d) 169,325

Other

1,615 500 2,115

Liabilities subject to compromise

425,039 (425,039)(e)

Total liabilities

458,390 487,455 (80,620) 865,225

Senior exchangeable preferred stock

166,604 (166,604)(f)

Seller junior discount preferred stock

86,166 (86,166)(f)

Series C preferred stock, redeemable, exchangeable, 4,000 shares, liquidation value \$10,000 per share

39,234 39,234

Total preferred stock

39,234 252,770 (252,770) 39,234

Stockholders' equity

Class A common stock

20,173 20,173

Common Stock

118,721 74 231,076(f)(g) 349,871

Additional paid-in capital

(68,585) 68,585(f)

Retained earnings (accumulated deficit)

(32,268) (263,516) 259,897(d)(f) (35,887)

Stockholder's note receivable

(451) 451(f)

106,626	(332,478)	560,009	334,157
Treasury stock at cost, class A common			
(8,339)	(8,339)		

Total stockholders' equity			
98,287	(332,478)	560,009	325,818

Total liabilities and stockholders' equity			
\$595,911	\$407,747	\$226,619	\$1,230,277

- (a) Assumes excess cash on hand upon concluding the merger is retained for general corporate purposes, including capital expenditures, to meet working capital needs, to refinance our senior debt, to finance one or more other acquisitions, including the Reno acquisition, or all or a combination of the above.

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- (b) Reflects the acquisition of Stations for total estimated consideration of \$517.8 million which includes a base price of \$502.5 million, additional cash consideration of \$9.3 million for certain estimated net working capital, as specified in the merger agreement, fees and expenses of \$6.0 million and the allocation of the estimated consideration among the assets acquired and the liabilities assumed as of June 30, 2002. The allocation of the consideration paid is as follows:

Description	SHC	Disposition of Designated Stations and Accrued Interest on Liabilities Subject to Compromise	Fair Value Adjustments	Opening Balance Sheet
(dollars in thousands except per share data)				
Cash				
\$4,771	\$4,771			
Accounts receivable				
23,088	\$(1,650)	21,438		
Assets of stations held for sale				
33,351	\$(33,351)			
Current portion of program broadcast rights				
1,260	1,260			
Other current assets				
2,896	2,896			
Property and equipment				
48,579	48,579			
Other long term assets				
1,799	1,799			
Deferred loan costs				
3,534	(3,126)	408		
FCC licenses, network affiliation agreements and other indefinite lived intangible assets				
210,370	242,244	452,614		
Consulting, noncompete and other definite lived intangible assets				
3,000	3,000			
Goodwill				
78,099	37,031	115,130		
Trade payables and accrued expenses				
(17,625)	9,957	(7,668)		
Current portion of notes payable				
(1,979)	(1,979)			
Current portion of program broadcast obligations				
(3,471)	(3,471)			
Liabilities of stations held for sale				
(6,365)	6,365			
Deferred revenue				
(265)	(265)			
Deferred tax liabilities				
(28,041)	3,684	(91,643)	(116,000)	
Long term portion of program broadcast obligations				
(1,120)	(1,120)			
Long term portion of notes payable				
(3,050)	(3,050)			
Other long term liabilities				
(500)	(500)			

Total purchase price including expenses
\$345,331 \$(13,345) \$185,856 \$517,842

The allocation of the consideration to the assets and liabilities of Stations acquired by us will remain preliminary until we have finalized our assessment of these assets and liabilities following the acquisition. Such assessment will be based in part upon third party evaluations, which we will not receive until after the acquisition is completed.

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- (c) Reflects the elimination of assets sold or to be sold and the liabilities assumed, or to be assumed, for the nine television stations, which have been or will be sold by Stations prior to our merger.
- (d) Reflects (1) our issuance of an estimated \$175.0 million of senior debt with a variable interest rate based on LIBOR plus a premium which we have assumed to be 3.00% and we have further assumed for the pro forma adjustments that the effective interest rate on this debt is 5.25% and that it will have an assumed average life to maturity of 8.25 years, (2) our offering of \$100 million of senior subordinated indebtedness with an assumed effective interest rate of 9.25% and an assumed average life to maturity of 9.2 years, (3) our incurring \$7.9 million of deferred financing fees in connection with revising or replacing our senior credit facility and our offering of senior subordinated notes and (4) the elimination of our historical deferred financing charges of \$5.8 million associated with our prior senior credit facility net of an income tax benefit assuming an effective tax rate of 38%.
- (e) Reflects the elimination of certain senior and subordinated debt and related accrued interest of Stations reflecting the repayment, in full, of such debt as part of Stations plan of reorganization. The cash used to make such debt repayments is a portion of the cash provided from our proposed issuance of senior debt, subordinated debt and Common Stock as discussed below.
- (f) Reflects the elimination of the historical stockholders equity of Stations including all preferred stock, common stock, additional paid-in capital and accumulated deficits.
- (g) Reflects our issuance of an additional 30,000,000 shares of our Common Stock at a price of \$8.25 per share, pursuant to this prospectus supplement, net of assumed issuance costs of \$16.4 million.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

Introduction

The following analysis of our financial condition and results of operations of Gray Television, Inc. (formerly known as Gray Communications Systems, Inc.) should be read in conjunction with our financial statements included elsewhere in this prospectus supplement and in the other documents incorporated herein by reference.

As discussed below, we have acquired several television stations, a newspaper and an equity investment in Tarzian since January 1, 1999. Most of the acquisitions have been accounted for under the purchase method of accounting. Under the purchase method of accounting, the results of operations of the acquired businesses are included in the accompanying consolidated financial statements as of their respective acquisition dates. The assets and liabilities of acquired businesses are included based on an allocation of the purchase price. The equity investment in Tarzian is accounted for under the cost method of accounting.

On October 1, 1999, we completed our acquisition of all the outstanding capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company, as well as the assets of KXII Broadcasters Ltd. We acquired the capital stock of KWTX Broadcasting Company and Brazos Broadcasting Company in merger transactions with the shareholders of KWTX Broadcasting Company and Brazos Broadcasting Company receiving a combination of cash and our Common Stock for their shares. We acquired the assets of KXII Broadcasters Ltd. in an all cash transaction. These transactions are referred to herein as the Texas Acquisitions.

On March 1, 1999, we acquired substantially all of the assets of *The Goshen News* from News Printing Company, Inc. and affiliates thereof, which we refer to as the Goshen Acquisition.

See Note B of the Notes to our audited consolidated financial statements included elsewhere in this prospectus supplement for more information concerning our Texas Acquisitions, our Goshen Acquisition and our equity investment in Tarzian.

On June 4, 2002, we executed a merger agreement with Stations, the parent company of Benedek. We plan to acquire 15 television stations from Stations. Stations is required under the merger agreement to sell its additional nine designated television stations to third parties prior to the merger. In consideration for Stations, we will pay an estimated consideration of \$502.5 million, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations. We expect the merger to be completed on or about October 22, 2002.

For the Six Months Ended June 30, 2002

Cyclicality

Broadcast advertising revenues are generally highest in the second and fourth quarters 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, broadcast advertising revenues are generally higher during even numbered election years due to spending by political candidates and other political advocacy groups, which spending typically is heaviest during the fourth quarter.

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Broadcasting, Publishing and Paging Revenues

Set forth below are the principal types of revenues earned by our broadcasting, publishing and paging operations for the periods indicated and the percentage contribution of each to our total revenues:

				Six Months Ended June			
				30,			
				2002		2001	
				Amount	%	Amount	%
				—	—	—	—
(dollars in thousands)							
Broadcasting net revenues:							
Local							
	\$31,913	39.8%	\$30,801	40.0%			
National							
	16,013	19.9	15,125	19.7			
Network compensation							
	2,612	3.3	3,505	4.6			
Political							
	2,189	2.7	127	0.2			
Production and other							
	2,279	2.8	3,017	3.3			
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	\$55,006	68.5%	\$52,575	68.4%			
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Publishing net revenues:							
Retail							
	\$10,402	13.0%	\$9,486	12.3%			
Classified							
	6,295	7.8	6,171	8.0			
Circulation							
	4,032	5.0	3,747	4.9			
Other							
	487	0.6	523	0.7			
<hr/>							

Publishing revenues increased approximately 7% to \$21.2 million. This increase was due to increases in retail advertising, classified advertising and circulation revenue. Retail advertising revenue and classified advertising revenue increased approximately 10% and 2%, respectively. The increases in retail and classified advertising were due largely to systematic account development, rate increases and an improved economy. Circulation revenue increased approximately 8% due primarily to subscription price increases.

Paging revenues decreased approximately 7% to \$4.1 million. The decrease was due primarily to price competition and a reduction of units in service. We had approximately 69,000 pagers and 87,000 pagers in service at June 30, 2002 and 2001, respectively.

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Operating expenses. Operating expenses for the six months ended June 30, 2002 decreased approximately 13% from the same period of the prior year to \$59.7 million due primarily to a decrease in broadcasting expense, publishing expense, amortization of intangibles and depreciation expense partially offset by increased corporate expenses.

Broadcasting expenses decreased approximately 1% to \$32.0 million. This decrease resulted primarily from lower employee compensation costs.

Publishing expenses decreased approximately 2% to \$15.4 million. The decrease was due primarily to decreased newsprint expense partially offset by increased publishing payroll-related costs. The lower newsprint expense resulted from a decline in newsprint prices.

Paging expenses remained constant with that of the prior year at \$2.8 million.

Corporate and administrative expenses increased approximately 16% to \$2.1 million due to higher payroll-related costs.

Depreciation of property and equipment and amortization of intangible assets was \$7.4 million for the six months ended June 30, 2002, as compared to \$15.7 million for the same period of the prior year, a decrease of \$8.3 million, or approximately 53%. Depreciation of property and equipment decreased \$1.3 million or approximately 16% from the same period of the prior year. This decrease can be attributed to certain assets becoming fully depreciated in the fourth quarter of 2001. Effective January 1, 2002, we implemented the Statement of Financial Accounting Standards No. 141, Business Combinations, which we refer to as SFAS 141, and No. 142, Goodwill and Other Intangible Assets, which we refer to as SFAS 142. Under these new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with these standards. In accordance with these standards, amortization of intangibles decreased \$6.9 million or approximately 97% from the same period of the prior year. Amortization expense of \$6.9 million was recorded in the six months ended June 30, 2001 for goodwill and other intangibles that were no longer being amortized in the six months ended June 30, 2002.

Appreciation (depreciation) in value of derivatives, net. We record changes in market value of the interest rate swap agreement as income or expense. Accordingly, we recognized income associated with the derivative of \$729,645 in the six months ended June 30, 2002 and recognized depreciation expense associated with the derivative of \$960,724 for the six months ended June 30, 2001. In the prior year, depreciation was experienced primarily due to decreasing market interest rates. In the current year, market interest rates have remained low; however as interest payments on the swap agreement are made the remaining estimated liability has decreased.

Interest expense. Interest expense decreased \$1.3 million, or 7.2%, to \$16.9 million for the six months ended June 30, 2002 from \$18.2 million for the six months ended June 30, 2001. This decrease was due to lower interest rates.

Income tax expense (benefit). An income tax expense of \$1.6 million was recorded for the six months ended June 30, 2002 as compared to an income tax benefit of \$3.2 million for the six months ended June 30, 2001. The recording of the expense in the current year as compared to the benefit in the prior year was attributable to having income in the current period as compared to a loss in the prior period.

Extraordinary charge on extinguishment of debt, net of income tax benefit. On December 21, 2001, we completed our sale of \$180.0 million aggregate principal amount of our 9 1/4% Senior Subordinated Notes due 2011, which we refer to as the 2001 notes. On this same date, we instructed the trustee for our 10 5/8% notes to commence the redemption in full of the 10 5/8% notes. The net proceeds from the sale of the 2001 notes was used for the redemption

of the 10 5/8% notes. The redemption was completed on January 22, 2002 and all obligations associated with the 10 5/8% notes were extinguished on that date. We

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recorded an extraordinary charge of \$11.3 million (\$7.3 million after income tax) in the quarter ended March 31, 2002 in connection with this early extinguishment of debt.

Cumulative effect of accounting change, net of income tax benefit. On January 1, 2002, we adopted SFAS 142, which requires companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, SFAS 142 requires that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon adoption of SFAS 142 and annually thereafter. Under SFAS 142, goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. As of January 1, 2002, we performed the first of the required impairment tests of goodwill and indefinite lived intangible assets. As a result of the required impairment test, in the quarter ended March 31, 2002, we recognized a non-cash impairment of goodwill and other intangible assets of \$39.5 million (\$30.6 million net of income taxes). Such charge is reflected as a cumulative effect of an accounting change in the accompanying condensed consolidated statement of operations. In calculating the impairment charge, the fair value of the reporting units underlying the segments were estimated using a discounted cash flow methodology.

Preferred dividends and non-cash preferred dividends associated with exchange of preferred stock. On April 22, 2002, we issued \$40.0 million (4,000 shares) of a redeemable and convertible preferred stock to a group of private investors. As part of the transaction, holders of our series A and series B preferred stock exchanged all of the outstanding shares of each respective series, an aggregate fair value of \$8.6 million, for an equal number of shares of the Series C. In connection with such exchange, we recorded a non-cash constructive dividend of \$4.0 million during the six months ended June 30, 2002. Preferred dividends increased to \$803,362 for the six months ended June 30, 2002 as compared to \$308,174 for the six months ended June 30, 2001. The increase was due to the additional outstanding preferred stock in the current year.

Net loss available to common stockholders. Net loss available to our common stockholders for the six months ended June 30, 2002 and June 30, 2001 was \$39.7 million and \$7.6 million, respectively.

For the Year Ended December 31, 2001

General

We derive our revenues from our television broadcasting, publishing and paging operations. The operating revenues of our television stations are derived from broadcast advertising revenues and, to a much lesser extent, from compensation paid by the networks to the stations for broadcasting network programming. The operating revenues of our publishing operations are derived from advertising, circulation and classified revenue. Paging revenue is derived primarily from the leasing and sale of pagers. Certain information concerning the relative contributions of our television broadcasting, publishing and paging operations is provided in Note I of the Notes to the audited consolidated financial statements for the year ended December 31, 2001, included elsewhere in this prospectus supplement.

In our broadcasting operations, broadcast advertising is sold for placement either preceding or following a television station's network programming and within local and syndicated programming. Broadcast advertising is sold in time increments and is priced primarily on the basis of a program's popularity among the specific audience an advertiser desires to reach, as measured by Nielsen. In addition, broadcast advertising rates are affected by the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability of alternative advertising media in the market area. Broadcast advertising rates are the highest during the most desirable viewing hours, with corresponding reductions during other hours. The ratings of a local station affiliated with a major network can be affected by ratings of network programming.

Most broadcast advertising contracts are short-term, and generally run only for a few weeks. Approximately 59% of the gross revenues of our television stations for the year ended December 31, 2001 were generated from local advertising, which is sold primarily by a station's sales staff directly to local accounts, and the remainder represented primarily by national advertising, which is sold by a station's

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national advertising sales representative. The stations generally pay commissions to advertising agencies on local, regional and national advertising and the stations also pay commissions to the national sales representative on national advertising.

Broadcast advertising revenues are generally highest in the second and fourth quarters 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, broadcast advertising revenues are generally higher during even numbered election years due to spending by political candidates, which spending typically is heaviest during the fourth quarter.

Our publishing operations advertising contracts are generally entered into annually and provide for a commitment as to the volume of advertising to be purchased by an advertiser during the year. The publishing operations advertising revenues are primarily generated from local advertising. As with the broadcasting operations, the publishing operations revenues are generally highest in the second and fourth quarters of each year.

Our paging subscribers either own pagers, thereby paying solely for the use of our paging services, or lease pagers, thereby paying a periodic charge for both the pagers and the paging services. The terms of the lease contracts are month-to-month, three months, six months or twelve months in duration. Paging revenues are generally equally distributed throughout the year.

The broadcasting operations primary operating expenses are employee compensation, related benefits and programming costs. The publishing operations primary operating expenses are employee compensation, related benefits and newsprint costs. The paging operations primary operating expenses are employee compensation and other communications costs. In addition, the broadcasting, publishing and paging operations incur overhead expenses, such as maintenance, supplies, insurance, rent and utilities. A large portion of the operating expenses of the broadcasting, publishing and paging operations is fixed, although we have experienced significant variability in our newsprint costs in recent years.

Broadcasting, Publishing and Paging Revenues

Set forth below are the principal types of revenues earned by our broadcasting, publishing and paging operations for the periods indicated and the percentage contribution of each of our total broadcasting, publishing and paging revenues, respectively:

Year Ended December 31,					
2001		2000		1999	
Amount	%	Amount	%	Amount	%
(dollars in thousands)					

Broadcasting Net Revenues:

Local	\$63,012	40.3%	\$65,152	38.1%	\$57,078	39.7%
National	31,164	19.9	31,043	18.1	26,742	18.6
Network compensation	6,902	4.4	8,311	4.9	6,480	4.5
Political						

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287 0.2 9,021 5.3 622 0.4

Production and other

5,065 3.3 7,113 4.1 6,093 4.2

\$106,430 68.1% \$120,640 70.5% \$97,015 67.4%

Publishing Revenues:

Retail

\$20,132 12.9% \$19,569 11.4% \$17,760 12.3%

Classifieds

12,396 7.9 13,031 7.6 12,039 8.4

Circulation

7,730 4.9 7,659 4.5 6,791 4.7

Other

931 0.6 1,240 0.7 1,218 0.9

\$41,189 26.3% \$41,499 24.2% \$37,808 26.3%

Paging Revenues:

Paging lease, sales and service
\$8,725 5.6% \$9,074 5.3% \$9,130 6.3%

Total
\$156,344 100.0% \$171,213 100.0% \$143,953 100.0%

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Revenues. Total revenues for the year ended December 31, 2001 decreased \$14.9 million, or 8.7%, over the prior year, to \$156.3 million from \$171.2 million. The operating results for the year ended December 31, 2001 when compared to the year ended December 31, 2000 reflect a general economic slowdown, the cyclical decline in broadcast political revenue and the economic effects of the September 11, 2001 terrorist acts on our broadcast revenues, as discussed below. The majority of the revenue decline occurred in our broadcast operations.

Broadcasting revenues decreased \$14.2 million, or 11.8%, over the prior year, to \$106.4 million from \$120.6 million. The decline in broadcast revenues reflects, in part, the cyclical decline in political revenue. For the year 2001, we had revenues from political advertising of only \$287,000 compared to \$9.0 million for the year 2000. The decline in broadcast revenues also reflected a generally soft advertising market at each of our television stations during 2001. For the year 2001 compared to 2000, local sales revenues declined 3.3%, or \$2.1 million, to \$63.0 million from \$65.1 million. National revenues increased 0.4%, or \$121,000 to \$31.2 million from \$31.0 million for the year 2001 compared to the year 2000. We believe that our share of the television advertising expenditures earned in each of our markets remained relatively consistent between the years ended 2001 and 2000. In addition, we estimate our broadcast revenue loss attributable to the multi-day continuous commercial free coverage of the September 11, 2001 terrorist acts and the cancellation of certain broadcasting advertising contracts resulting from the attacks totaled \$1.0 million. The revenue losses resulting from the terrorist attacks were isolated to the third quarter of 2001. Furthermore, network compensation declined \$1.4 million for the year ended December 31, 2001 compared to the year ended December 31, 2000, primarily reflecting the terms of the renewed CBS affiliation agreements for our three stations in Texas.

Publishing revenues decreased \$310,000, or 0.7%, over the same period of the prior year, to \$41.2 million from \$41.5 million. Revenue declines were recorded at all of our newspapers except *The Gwinnett Daily Post*, located in eastern suburban Atlanta. Revenues for that paper increased approximately 5.4%. The overall publishing segment's decline in revenues reflected a relatively soft advertising market in each paper's local service area. Aggregate classified advertising revenues decreased 4.9% while aggregate retail advertising increased 2.9% and aggregate circulation revenues increased 0.9%. The increase in retail advertising reflects the continuing growth of both *The Gwinnett Daily Post*, which recorded a 11.1% increase and the *Rockdale Citizen* which recorded a 9.9% increase for the year 2001 as compared to the same period of 2000.

Paging revenue decreased \$350,000, or 3.8%, over the same period of the prior year, to \$8.7 million from \$9.1 million. The decline reflected, in part, increasing competition for subscribers from alternate service providers including cellular phone providers. We had approximately 75,000 pagers and 90,000 pagers in service at December 31, 2001 and 2000, respectively.

Operating expenses. Operating expenses for the year ended December 31, 2001 decreased \$1.7 million, or 1.2%, over the prior year, to \$138.5 million from \$140.1 million. The decrease resulted primarily from our focus on cost control in the current year.

Broadcasting expenses decreased \$1.5 million or 2.3%, over the year ended December 31, 2001, to \$66.2 million from \$67.8 million. This focus on cost control generated decreases in broadcast payroll expense of \$833,000 and decreased other broadcast expense of \$941,000.

Publishing expenses for the year ended December 31, 2001 increased \$507,000, or 1.6%, from the same period of the prior year, to \$31.9 million from \$31.4 million. The increase was primarily attributable to increased newsprint costs approximating \$500,000 for the year 2001 as compared to 2000.

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Paging expenses decreased \$259,000, or 4.2%, over the same period of the prior year, to \$5.9 million from \$6.1 million. The decrease in paging expenses reflected an expense reduction plan that we instituted in the prior year.

Corporate and administrative expenses remained consistent with that of the prior year at \$3.6 million.

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Depreciation of property and equipment and amortization of intangible assets was \$30.8 million for the year ended December 31, 2001, as compared to \$31.2 million for the prior year, an increase of \$383,000, or 1.2%.

Depreciation in value of derivatives, net. On January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and for Hedging Activities, as amended, which we refer to as SFAS 133. Under SFAS 133, we are required to record our interest rate swap agreement at market value. It also requires us to record any changes in market value of the interest rate swap agreement after January 1, 2001 as income or expense in our statement of operations. As a result of the general decrease in market interest rates during the year ended December 31, 2001, we recognized a non-cash derivative valuation expense of \$1.6 million.

Miscellaneous income (expense), net. Miscellaneous income decreased \$587,000, or 75.2%, to \$194,000 for the year ended December 31, 2001 from \$781,000 for the year ended December 31, 2000. The change in miscellaneous income (expense) was due primarily to the gain of \$522,000 recognized upon the sale of a real estate investment in December 2000.

Interest expense. Interest expense decreased \$4.2 million, or 10.4%, to \$35.8 million for the year ended December 31, 2001 from \$40.0 million for the year ended December 31, 2000. The decrease was due primarily to lower interest rates.

Income tax expense (benefit). Income tax benefit for the year ended December 31, 2001 and 2000 was \$6.0 million and \$1.9 million, respectively. The increase in the current year income tax benefit was due to an increased loss before income tax as well as a higher effective income tax rate in 2001 as compared to 2000. The higher effective income tax rate was due primarily to the differences in the amount of losses and the state income tax rates in the states in which those losses were generated.

Preferred Dividends. Preferred Dividends decreased \$396,000, or 39.1%, to \$616,000 for the year ended December 31, 2001 from \$1.0 million for the year ended December 31, 2000. The decrease was due to fewer weighted average shares outstanding in 2000 as compared to 2001. We redeemed a portion of our preferred stock in 2000.

Non-cash preferred dividends associated with the redemption of preferred stock. Non-cash preferred dividends associated with the redemption of preferred stock was \$2.2 million for the year ended December 31, 2000. The dividend was recorded in association with a partial redemption of preferred stock in 2000. No such redemption occurred in 2001.

Net loss available to common stockholders. Net loss available to our common stockholders for the year ended December 31, 2001 and 2000 was \$13.9 million and \$9.4 million, respectively.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Revenues. Total revenues for the year ended December 31, 2000 increased \$27.2 million, or 18.9%, over the prior year, to \$171.2 million from \$144.0 million. This increase was primarily attributable to the effect of (i) increased revenues resulting from the acquisition of three television stations in Texas, which we refer to as the Texas Stations, and *The Goshen News*, (ii) increased political broadcast revenue and (iii) increased publishing revenues from existing publishing operations. The year 2000 results include 12 months of operations for the Texas Stations and *The Goshen News* as compared to three months and ten months, respectively, in the prior year.

Broadcasting revenues increased \$23.6 million, or 24.4%, over the prior year, to \$120.6 million from \$97.0 million. Revenue from the Texas Stations, which were acquired on October 1, 1999, increased broadcasting revenues by \$17.9 million over that of the prior year. Revenues from our existing broadcasting operations

continuously owned since January 1, 1999, increased \$5.7 million, or 6.3%, over the prior year, to \$96.5 million from \$90.8 million. This \$5.7 million increase was due primarily to increased political advertising revenue of \$7.9 million and increased production and other revenues of \$783,000 offset, in part, by decreased local revenues of \$2.5 million, decreased national revenues of \$156,000 and decreased

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network compensation of \$267,000. For all locations, political advertising revenue was \$9.0 million for the year ended December 31, 2000, compared to \$622,000 for the prior year.

Publishing revenues increased \$3.7 million, or 9.8%, over the same period of the prior year, to \$41.5 million from \$37.8 million. The increase in publishing revenues was due primarily to increased revenues from our existing publishing operations and from the revenues generated by *The Goshen News*, which was acquired on March 1, 1999. Revenues from our existing publishing operations continuously owned since January 1, 1999 increased \$3.0 million, or 9.0%, over the prior year, to \$35.8 million from \$32.8 million. The primary components of the \$3.0 million increase in revenues from existing operations were increases in retail advertising, classified advertising and circulation revenue of \$1.4 million, \$920,000 and \$651,000, respectively. Revenue from *The Goshen News* increased publishing revenues by \$724,000 over that of the prior year.

Paging revenue remained at \$9.1 million for 2000 and 1999. We had approximately 90,000 pagers and 88,000 pagers in service at December 31, 2000 and 1999, respectively.

Operating expenses. Operating expenses for the year ended December 31, 2000 increased \$18.2 million, or 14.9%, over the prior year, to \$140.1 million from \$121.9 million. The increase resulted primarily from our acquisitions in 1999.

Broadcasting expenses increased \$9.1 million or 15.5%, over the year ended December 31, 2000, to \$67.8 million from \$58.7 million. The expenses of the Texas Stations accounted for an increase in broadcasting expenses of \$9.0 million. Operating expenses of the stations continuously owned since January 1, 1999, had increases in payroll and general operating expenses that were largely offset by decreases in syndicated film expense. The increase in payroll expenses of the stations continuously owned since January 1, 1999 was limited to 0.7% as a result of a cost reduction plan that we instituted in 2000.

Publishing expenses for the year ended December 31, 2000 increased \$2.6 million, or 9.1%, from the prior year, to \$31.4 million from \$28.8 million. The increase in publishing expenses was due primarily to increased expenses from our existing publishing operations and from the expenses of *The Goshen News*, which was acquired on March 1, 1999. Expenses of our publishing operations owned since January 1, 1999 increased \$2.3 million, or 9.0%, over the prior year, to \$27.6 million from \$25.3 million. The increase in expenses at our existing publishing operations was due primarily to increased payroll of \$715,000, increased newsprint expense of \$637,000 and increased other operating expenses of \$933,000.

Paging expenses decreased \$415,000, or 6.3%, over the prior year, to \$6.1 million from \$6.6 million. The decrease in paging expenses reflected an expense reduction plan that we instituted in year 2000.

Corporate and administrative expenses increased \$146,000 or 4.2%, over the prior year, to \$3.6 million from \$3.4 million. This increase was primarily attributable to increased payroll expense.

Depreciation of property and equipment and amortization of intangible assets was \$31.2 million for the year ended December 31, 2000, as compared to \$24.5 million for the prior year, an increase of \$6.7 million, or 27.6%. This increase was primarily the result of higher depreciation and amortization costs resulting from the Texas Acquisitions and the Goshen Acquisition in 1999.

Miscellaneous income (expense), net. Miscellaneous income increased \$445,000, or 132.4%, to \$781,000 for the year ended December 31, 2000 from \$336,000 for the year ended December 31, 1999. The change in miscellaneous income (expense) of \$445,000 was due primarily to the gain of \$522,000 recognized upon the sale of a real estate investment in December 2000.

Interest expense. Interest expense increased \$9.0 million, or 28.8%, to \$40.0 million for the year ended December 31, 2000 from \$31.0 million for the year ended December 31, 1999. This increase was attributable primarily to increased levels of debt resulting from the financing of the Texas Acquisitions and the Goshen Acquisition in 1999 and higher interest rates.

Income tax expense (benefit). Income tax benefit for the year ended December 31, 2000 and 1999 was \$1.9 million and \$2.3 million, respectively.

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\$2,753 \$3,657 \$5,754

	<u>June 30, 2002</u>	<u>December 31, 2001</u>
Cash and cash equivalents	\$ 15,470	\$ 558
Restricted cash for redemption of long-term debt		
168,557		
Long-term debt including current portion		
378,878 551,444		
Preferred stock		
39,233 4,637		
Available credit under senior credit agreement		
37,500 32,500		
Letter of credit issued under senior credit agreement		
12,500		

We have included media cash flow, operating cash flow and certain related calculations because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company's ability to service debt. Media cash flow, operating cash flow and certain related calculations are not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in our condensed consolidated financial statements. Media cash flow, operating cash flow and certain related calculations are not measures of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. For a reconciliation of media cash flow to operating income, see Note E of the Notes to our condensed consolidated financial statements included elsewhere in this prospectus supplement.

We and our subsidiaries file a consolidated federal income tax return and such state or local tax returns as are required. As of June 30, 2002, we anticipate, for federal and certain state income taxes, that we will generate taxable operating losses for the foreseeable future.

At June 30, 2002, the balance outstanding and the balance available under our senior credit agreement were \$200.0 million and \$37.5 million, respectively, and the interest rate on the balance

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outstanding was 5.3%. We have established a \$12.5 million letter of credit in connection with the proposed acquisition of Stations. If the transaction does not close under certain circumstances, Stations could draw upon the letter of credit. At June 30, 2001, the balance outstanding and the balance available under our senior credit agreement were \$208.3 million and \$56.3 million, respectively, and the effective interest rate on the balance outstanding was 7.4%.

Our management believes that current cash balances, cash flows from operations and available funds under our senior credit agreement will be adequate to provide for our capital expenditures, debt service, cash dividends and working capital requirements for the foreseeable future.

Our management does not believe that inflation in past years has had a significant impact on our results of operations nor is inflation expected to have a significant effect upon our business in the near future.

Stations Acquisition

On June 4, 2002, we executed a merger agreement with Stations, the parent company of Benedek. The merger agreement provides that we will acquire Stations by merging our newly formed wholly-owned subsidiary, Gray MidAmerica, into Stations. For Stations, we will pay an estimated consideration of \$502.5 million, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations. We may pay additional cash consideration currently estimated at \$9.3 million for certain estimated net working capital, as specified in the merger agreement. Benedek plans to sell or already has sold, prior to the effective time of the merger, a total of nine designated television stations. Upon completion of the merger, we will own a total of 28 stations serving 24 television markets. Based on results for the year ended December 31, 2001, the combined Gray and Benedek television stations produced \$214.0 million of net revenue and \$84.7 million of broadcast cash flow. Including our publishing and other operations, the combined Gray and Benedek operations for 2001 produced \$263.9 million of net revenue and \$97.0 million of media cash flow.

We are financing the merger by incurring approximately \$250 million of additional indebtedness and issuing approximately \$248 million of equity.

For advisory services rendered by Bull Run Corporation, Inc., which we refer to as Bull Run, in connection with the merger, we advanced to Bull Run an advisory fee of \$5.0 million on June 10, 2002. This advisory fee must be repaid to us if the merger is not completed. We do not intend to compensate Bull Run for any such advisory or similar services in the future. Bull Run is one of our principal investors. We currently estimate that the total transaction fees we will incur relating to this acquisition, including the advisory fee to Bull Run, underwriting and other debt issuance fees and other professional service fees including attorneys and accountants will be between \$25 million and \$30 million.

In conjunction with the execution of the merger agreement, we executed a \$12.5 million letter of credit under our existing senior credit agreement and deposited 885,269 shares of our Common Stock with an escrow agent.

If the closing does not occur due to a material default by us, and Stations has not materially defaulted due to a breach of any of its representations or warranties or any of its covenants or agreements under the merger agreement, then Stations may draw on the letter of credit and instruct the escrow agent to deliver to it the escrow shares pursuant to the escrow agreement. The aggregate proceeds of the drawing on the letter of credit and the escrow shares will total \$25.0 million, but we may replace some or all of the escrow shares with a cash payment or payments in increments of \$500,000.

We expect the merger to be completed on or about October 22, 2002.

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Issuance of Series C Preferred Stock

On April 22, 2002, we issued \$40.0 million (4,000 shares) of redeemable and convertible preferred stock to a group of private investors. The preferred stock was designated as Series C preferred stock and has a liquidation value of \$10,000 per share.

The Series C is convertible into our Common Stock at a conversion price of \$14.39 per share, subject to certain adjustments. The Series C will be redeemable at our option on or after April 22, 2007 and will be subject to mandatory redemption on April 22, 2012 at liquidation value. Dividends on the Series C will accrue at 8% per annum until April 22, 2009 after which the dividend rate shall be 8.5% per annum. Dividends, when declared by our board of directors, may be paid at our option in cash or additional shares of Series C.

As part of the transaction, holders of our series A and series B preferred stock have exchanged all of the outstanding shares of each respective series, an aggregate fair value of \$8.6 million, for an equal number of shares of the Series C. The excess of the \$8.6 million liquidation value of the series A and series B preferred stock over its carrying value of \$4.6 million was charged to retained earnings upon the exchange in April 2002. Upon closing this transaction, the Series C is our only currently outstanding preferred stock.

Net cash proceeds approximated \$30.6 million, after transaction fees and expenses and excluding the value of the series A and series B preferred stock exchanged into the Series C. We used the net cash proceeds to repay all current outstanding borrowings of \$13.5 million under our revolving credit facility and intend to use the remaining net cash proceeds for other general corporate purposes.

Digital Television Conversion

We currently are broadcasting a digital signal at five of our thirteen stations: WRDW in Augusta, Georgia; KWTX in Waco, Texas; WEAU in Eau Claire, Wisconsin; KXII in Sherman, Texas; and WKYT in Lexington, Kentucky. We have commenced installation of similar systems at several of our other television stations. We currently intend to have all such required installations completed as soon as practicable. Currently, the FCC requires that all stations be operational by May of 2002. As necessary, we have requested and received approval from the FCC to extend the May 2002 deadline by six months for all of our remaining stations that are not currently broadcasting in digital format. Given our good faith efforts to comply with the existing deadline and the facts specific to each extension request, we believe the FCC will grant any further deadline extension requests that become necessary.

The estimated total multi-year (1999 through 2004) cash capital expenditures required to implement initial digital television broadcast systems will approximate \$31.7 million. As of June 30, 2002, we have incurred \$13.1 million of such costs. The remaining \$18.6 million of equipment or services currently is expected to be purchased during the remainder of 2002 and the first half of 2003. The cash payments for these purchases are expected to occur in 2002, 2003 and 2004.

Income Taxes

The Internal Revenue Service, which we refer to as the IRS, is auditing our federal tax returns for the years ended December 31, 1996 and 1998.

In October 2001, we received a notice of deficiency from the IRS associated with its audit of our 1996 and 1998 federal income tax returns. The IRS alleges in the notice that we owe \$12.1 million of tax plus interest and penalties stemming from certain acquisition related transactions, which occurred in 1996. Additionally, if the IRS is successful in its claims, we would be required to account for these acquisition transactions as stock purchases instead of asset purchases which would significantly lower the tax basis in the assets acquired. We believe the IRS claims are without merit and on January 18, 2002 filed a petition to contest the matter in United States Tax Court. We cannot predict when the tax court will conclude its ruling on this matter.

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Table of Contents**Acquisition of Equity Investment in Tarzian**

On December 3, 2001, we exercised our option to acquire 301,119 shares of the outstanding common stock of Tarzian from Bull Run, our principal shareholder. Bull Run had purchased these same shares from the Estate of Mary Tarzian, which we refer to as the Estate, in January 1999.

The acquired shares of Tarzian represent 33.5% of the total outstanding common stock of Tarzian (both in terms of the number of shares of common stock outstanding and in terms of voting rights), but such investment represents 73% of the equity of Tarzian for purposes of dividends if paid as well as distributions in the event of any liquidation, dissolution or other sale of Tarzian.

Tarzian is a closely held private company that owns and operates two television stations and four radio stations: WRCB-TV Channel 3 in Chattanooga, Tennessee, an NBC affiliate; KTVN-TV Channel 2 in Reno, Nevada, a CBS affiliate; WGCL-AM and WTTS-FM in Bloomington, Indiana; and WAJI-FM and WLDE-FM in Fort Wayne, Indiana. The Chattanooga and Reno markets are the 86th and the 110th largest DMA in the United States, respectively, as ranked by Nielsen.

We paid \$10.0 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. We have previously capitalized and paid to Bull Run \$3.2 million of costs associated with our option to acquire these shares. This acquisition was accounted for under the cost method of accounting and reflected as a non-current other asset.

Litigation concerning Acquisition of Equity Investment in Tarzian

On February 12, 1999, Tarzian filed a complaint against Bull Run and U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate in the United States District Court for the Southern District of Indiana. Tarzian claims that it had a binding and enforceable contract to purchase the Tarzian shares from the Estate prior to Bull Run's purchase of the shares, and requested judgment providing that the contract be enforced. On May 3, 1999, the action was dismissed without prejudice against Bull Run, leaving the Estate as the sole defendant. The litigation between the Estate and Tarzian is ongoing and we cannot predict when the final resolution of the litigation will occur.

If the United States District Court for the Southern District of Indiana finds that U.S. Trust Company of Florida Savings Bank had a binding contract with Tarzian prior to the sale of the Tarzian shares to us and after final judgment, a court ordered us to relinquish ownership of the Tarzian shares, then we would be entitled to reimbursement for our initial investment and related carrying costs by U.S. Trust Company of Florida Savings Bank.

Commitments

We have future minimum annual commitments under bank and other debt agreements, noncancelable operating leases, various television film exhibition rights and for digital advanced television, which we refer to as DTV, equipment. Future minimum payments under bank and other debt agreements, operating leases with initial or remaining noncancelable lease terms in excess of one year, obligations under film exhibition rights for which the license period had not yet commenced and commitments for DTV equipment that had been ordered but not yet been received are as follows:

Year	Bank and Other Debt Agreements	DTV Equipment Lease	Film	Total
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(dollars in thousands)

2002					
	\$155,262	\$12,452	\$1,512	\$2,504	\$171,730
2003					
	68	3,436	911	4,740	9,155
2004					
	56	679	3,688	4,423	
2005					
	544	1,857	2,401		
2006					
	460	227	687		
Thereafter					
	396,058	6,982	407,463		
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	\$551,444	\$15,888	\$11,088	\$13,016	\$591,444
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Through a partnership agreement with Host Communications, Inc., a wholly owned subsidiary of Bull Run, we have also acquired certain collegiate broadcast rights for sporting events through a five-year marketing agreement that commenced April 1, 2000. Our annual obligation will be determined, in part, by the number of events broadcast under the agreement; however, our obligation will not exceed \$2.2 million annually.

Certain Relationships

J. Mack Robinson, Chairman and Chief Executive Officer and one of our directors is Chairman of the Board of Bull Run, one of our principal stockholders, and a beneficial owner of Bull Run's common stock. Robert S. Prather, Jr., President and Chief Operating Officer and one of our directors, is President, Chief Executive Officer and a director of Bull Run and a beneficial owner Bull Run's common stock. Hilton H. Howell, Jr., Vice Chairman and one of our directors, is Vice President, Secretary and a director of Bull Run.

J. Mack Robinson, Chairman and Chief Executive Officer and one of our directors and certain of his affiliates were the holders of all of our series A and series B preferred stock and, following the conversion of our series A and series B preferred stock, they currently are the holders of approximately 860 shares of our Series C preferred stock.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make judgments and estimations that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. We consider the following accounting policies to be critical policies that require judgments or estimations in their application where variances in those judgments or estimations could make a significant difference to future reported results.

Intangible Assets

Intangible assets are stated at cost and are amortized using the straight-line method. Goodwill, licenses and network affiliation agreements are amortized over 40 years. Non-compete agreements are amortized over the life of the specific agreement. Intangible assets, net of accumulated amortization, resulting from business acquisitions were \$497.3 million and \$511.6 million as of December 31, 2001 and 2000, respectively.

If facts and circumstances indicate that these assets may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with these assets would be compared to their carrying amount to determine if a write down to fair market value or discounted cash flow value is required.

In June 2001, the Financial Accounting Standards Board issued SFAS 141 and SFAS 142, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives. We adopted the new rules effective January 1, 2002. During the first quarter of 2002, we performed the first of the required impairment tests of goodwill and indefinite lived intangible assets. As a result of the required impairment test, in the quarter ended March 31, 2002, we recognized a non-cash impairment of goodwill and other intangible assets of \$39.5 million (\$30.6 million net of income taxes). This change in accounting policy does not affect media cash flow.

Income Taxes

We have deferred tax assets related to (a) \$68.0 million in federal operating loss carryforwards which expire during the years 2012 through 2021 and (b) a portion of \$125.0 million of various state operating

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loss carryforwards. Recoverability of these deferred tax assets requires at least, in part, generation of sufficient taxable income prior to expiration of the loss carryforwards. The calculation of our deferred tax assets and deferred tax liabilities are based, in part, upon certain assumptions and estimations by our management.

Accounting for Derivatives

On January 1, 2001, we adopted SFAS 133. SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes special accounting for those that qualify as hedges. Changes in the fair value of derivatives that do not meet the hedged criteria are included in earnings in the same period of the change.

We recognized depreciation in the value of our derivative during the year ended December 31, 2001 and a liability as of December 31, 2001 in the amount of \$1.6 million, respectively. This amount is based upon an estimate made by our management after consulting with the bank who is providing the derivative. In future periods, changes to this estimate will not only affect the recorded liability but also the amount of depreciation or appreciation in the value of the derivative recognized.

Outlook

With the adoption of Regulation FD by the Securities and Exchange Commission, we are providing this guidance to widely disseminate our outlook for the full year 2002. The guidance being provided is based on the economic and market conditions as of August 1, 2002. We can give no assurances as to how changes in those conditions may affect the current expectations. We assume no obligation to update the guidance or expectations contained in this Outlook section. All matters discussed in this Outlook section are forward-looking and, as such, persons relying on this information should refer to the Forward-Looking Statements section contained elsewhere herein.

Outlook for Full Year 2002

For the third quarter of 2002, we anticipate total net revenues will be approximately 15% ahead of the third quarter of 2001. We believe total operating cash flow for the third quarter of 2002 will exceed that of 2001 by approximately 50%. We also believe our broadcast net revenues for the third quarter of 2002 will exceed the results of the third quarter of 2001 by approximately 20% and broadcast media cash flow will exceed that of the third quarter of 2001 by approximately 60%. We estimate third quarter 2002 publishing revenue will exceed the results of the third quarter of 2001 by approximately 7% with a corresponding increase in media cash flow of approximately 40% over the results of the third quarter of 2001.

For the full year 2002, before giving effect to the merger and the Reno acquisition, we currently anticipate total net revenue will increase by approximately 7% to 8% over 2001 levels and total operating cash flow will show a corresponding increase of 25% to 26% over the results of the full year 2001. We currently anticipate broadcast net revenues for full year 2002 compared to 2001 will increase by 10% and broadcast media cash flow will exceed 2001 results by at least 25%. We currently believe our publishing revenues for full year 2002 compared to 2001 will increase by approximately 5% and publishing media cash flow will increase by approximately 30% over full year 2001 results.

We currently anticipate closing the merger and the Reno acquisition during the fourth quarter of 2002. On a pro forma basis assuming that these acquisitions had been completed on January 1, 2002, we anticipate that the total pro forma net revenue for the year ended December 31, 2002 will range between \$290 million and \$295 million and that the related operating cash flow will range between \$109 million and \$111 million.

Revenue generation, especially in light of current general economic conditions, is subject to many factors beyond our control. Accordingly, our ability to forecast future revenue, within the current economic environment, is limited and actual results may vary substantially from current expectations.

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At present, we anticipate that total operating expenses, excluding depreciation and amortization, for each of our operating segments for the full year 2002, will be slightly less than or equal to 2001 results. These generally favorable operating expense expectations reflect our on-going expense control and reduction efforts at all of our operating locations.

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BUSINESS OF GRAY

Our Business

We currently own and operate 13 network affiliated television stations in 11 medium-sized markets in the Southeast, Southwest and Midwest United States. Eleven of our 13 stations are ranked first in total viewing audience and news audience, with the remaining two stations ranked second in total viewing audience and second or third in news audience. Ten of our stations are affiliated with CBS and three are affiliated with NBC.

Since 1993, we have grown primarily through strategic acquisitions. Our significant historic acquisitions have included 12 television stations, three newspapers and a paging business. As a result of our acquisitions and in support of our growth strategy, we have added experienced members to our management team and have greatly expanded our operations in the television broadcasting business.

On June 4, 2002, we executed a merger agreement with Stations, the parent company of Benedek. We plan to acquire 15 television stations from Stations. Stations is required under the merger agreement to sell its additional nine designated television stations to third parties prior to the merger. In consideration for Stations, we will pay an estimated consideration of \$502.5 million, a substantial portion of which will be used to satisfy, in full, certain outstanding indebtedness of Stations. We expect the merger to be completed on or about October 22, 2002.

We believe that the merger represents an excellent opportunity for us to acquire complementary television stations that will create significant operational and financial benefits. These benefits include increased economies of scale, greater geographic and network diversification, access to additional operating cash flow, cross-promotion opportunities and the potential to increase and enhance our local franchises. Upon the completion of the proposed merger, we will own and operate 28 television stations serving 24 markets with a strong presence in the Southeast, Southwest, Midwest and Great Lakes regions of the United States. The combined station group will include 15 CBS affiliates, seven NBC affiliates and six ABC affiliates. In addition, our 15 CBS affiliates will make us the largest independent owner of CBS affiliated stations in the country. Pro forma for the acquisition, 25 of our 28 television stations will rank first or second in viewing audience and 23 of our 28 television stations will rank first or second in local news within their respective markets. In addition, our station group will reach approximately 5% of total U.S. TV households.

We also own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total daily circulation of approximately 126,000. In addition, we own and operate a paging business located in the Southeast that had approximately 68,000 units in service at June 30, 2002.

For the year ended December 31, 2001, pro forma for the Stations acquisition, our television stations would have produced \$214.0 million of net revenue and \$84.7 million of broadcast cash flow. Including our publishing and other operations, we would have produced \$263.9 million of net revenue and \$97.0 million of media cash flow, on a pro forma basis in 2001.

Operating & Growth Strategy

We attribute our success to date and our current opportunities to increase our revenue, media cash flow and audience share to the successful implementation of our core operating strategies, the principal components of which are to:

Focus on Local News and Programming to Maintain a Strong Local Franchise. We currently operate 13 network affiliated television stations serving 11 markets, with 12 of our 13 stations ranked first or second in

local news. After completion of the merger with Stations, we will operate 28 network affiliated television stations serving 24 markets, with 23 of our 28 stations ranked first or second in local news. We endeavor to make each of our television stations a highly recognizable, local brand through the depth, quality and focus of its local news, programming and

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community involvement. We believe that providing the leading source for local news and programming in our markets enables us to strengthen audience loyalty and increase viewership among attractive demographic audiences. As a result, we believe that the strength of our local franchises enables us to maximize advertising revenues from local, regional and national accounts. We believe that our commitment to local news, programming and community involvement is essential to our ability to serve each of the communities in which we operate and provides us with a strong competitive advantage.

Continue to Develop Innovative Local Sales and Targeted Marketing Initiatives. We employ an experienced, high-quality local sales force at each station to increase advertising revenue by leveraging our local brand. In 2001, approximately 59% of our net television advertising revenue was generated from our local advertisers and pro forma for the proposed merger with Stations, approximately 60% of our net television advertising revenue would have been generated from our local advertisers. Additionally, our net revenue from local television advertisers represented approximately 67% of the combined total of our local and national net advertising revenues and, pro forma for the proposed merger with Stations, approximately 68% of the combined total of our local and national net advertising revenues would have been generated from local television advertisers. Our goal is to develop customized advertising campaigns for our customers, which directly target their desired audience and address their long-term advertising objectives. We believe that a focused, tailored advertising solution is very attractive to local advertisers, who have historically been a more stable source of revenue than national advertisers. In addition to focusing on expanding our relationships with existing advertisers, we seek to identify and create new relationships with local, regional and national customers in our markets. Each station's sales personnel are trained to understand local advertisers' needs and are required to meet performance standards with respect to client activity, including new customer identification.

Capitalize on Leading Network Brands in Markets with Limited Competition. Currently, ten of our stations are affiliated with CBS and three are affiliated with NBC, representing approximately 81% and 19% of our total television revenue in 2001, respectively. Following the completion of the merger, we will have a broad and diverse portfolio of 28 affiliated television stations located in 24 markets, of which 15 are affiliated with CBS, seven are affiliated with NBC and six are affiliated with ABC, representing approximately 56%, 29% and 15% of our total pro forma net television revenue in 2001, respectively. Additionally, we will be the largest independent owner of CBS affiliated stations. Our network affiliations provide our television stations with top-rated programming, which complements and enhances our leading local brand. We believe that our markets are less competitive than larger DMAs. Of our 24 markets, 16 markets are served by four TV stations or fewer, and seven markets are served by three or fewer television stations. Our markets also typically have fewer radio stations than larger DMAs.

Pursue Strategic Acquisitions to Expand and Enhance Our Regional Clusters. We have acquired and integrated successfully 12 of our 13 television stations since 1993, and have signed a definitive agreement to acquire an additional 15 television stations from Stations. After giving effect to the proposed merger, our television stations will be located in several distinct regions throughout the United States, with significant presence in the Southeast, Southwest, Midwest and Great Lakes regions, diminishing potential adverse effects on our business caused by specific regional economic fluctuations. We believe that we are well positioned to participate in further consolidation of our industry, including opportunities that may arise as a result of future regulatory changes. For example, a number of the FCC's most restrictive ownership regulations, including newspaper-television cross ownership and television duopoly rules, are currently under review and could be relaxed in the future, providing us with further attractive growth opportunities. In pursuing future acquisitions, we intend to focus on network affiliated television stations in medium-sized markets that offer superior growth. Specifically, we pursue television stations proximate to our existing clusters, as evidenced by the proposed merger with Stations in which five of the 15 television stations we intend to acquire are adjacent to markets in

which we currently own and operate

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television stations. Additionally, we focus on acquiring television stations where we can successfully implement our operating strategies to establish leading local news, increase revenue and audience share, develop relevant regional content and reduce costs.

Attract and Retain High-Quality Management. We believe that high-quality management at both the corporate and station level is critical to the successful implementation of our strategy. We use equity incentives to attract and retain station general managers with proven track records. Members of our senior management team have extensive experience in operating, managing and acquiring television stations, and include: J. Mack Robinson, Chairman and Chief Executive Officer; Robert Prather, President and Chief Operating Officer; James Ryan, Senior Vice President and Chief Financial Officer. Following the completion of the merger, James Yager, President of Benedek will be President of Gray MidAmerica Television, Inc. Additionally, our station managers have an average of over 21 years of industry experience with individual industry experience ranging from 11 to 32 years.

Maintain Strict Financial Planning and Cost Controls. We employ a comprehensive ongoing strategic planning and budgeting process that enables us to continually identify and implement cost savings at each station, and is designed to increase our media cash flow. We believe that owning and operating 28 television stations will enable us to achieve economies of scale and reduce expenses for syndicated programming, capital equipment and vendor services. Furthermore, we believe that the synergies generated through geographic clustering, further enhanced by the Stations acquisition and the realization of technological and automation efficiencies, will enable us to achieve additional cost savings in the near future.

Increase Advertising Revenue and Circulation at Our Newspaper Publishing Operations. We seek to increase advertising revenues and circulation at each of our four newspapers by creating a highly recognizable local brand by focusing on the depth and quality of our coverage of local news, sports and lifestyles and through community involvement. We believe we are able to differentiate our publications from larger competitors and build reader loyalty by becoming the primary source for local news and advertising information within each of our target markets. We also sponsor community events with the objective of strengthening our community relationships. We employ an experienced local sales force to increase advertising revenue by leveraging our local brand. Through our ongoing strategic planning and budgeting process, we continually identify and implement cost savings at each newspaper to increase our media cash flow. In 2001, publishing represented approximately 16% of our total pro forma net revenue. Our newspaper strategy is led by senior managers and publishers who have an average of over 32 years of experience in the newspaper business with individual experience ranging from 20 to 40 years. Our publishing operations are led by Thomas J. Stultz, Vice President and President-Publishing.

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Television Broadcasting

The following is a list of all our stations pro forma following the merger. In markets where we have satellite stations and stations that serve distant communities, the figures have been combined.

DMA Rank (a)	Market	Station	Analog Channel	Network Affiliation		FCC License	Station Rank in	Station News Rank in	Commercial Stations in
				Network	Expiration	Renewal Date	DMA(b)	DMA(c)	DMA(d)
* 63	Knoxville, TN	WVLT	8	CBS	12/31/04	8/1/05	2(tied)	3	5
* 65	Lexington, KY	WKYT	27	CBS	12/31/04	8/1/05	1	1	5
* Note(f)	Hazard, KY	WYMT	57	CBS	12/31/04	8/1/05	1	1	
* 66	Wichita Hutchinson, KS	KAKE	10	ABC	1/1/06	6/1/06	3	3	6
	(Colby, KS)	KLBY(e)	4	ABC	1/1/06	6/1/06			
	(Garden City, KS)	KUPK(e)	13	ABC	1/1/06	6/1/06			
78	Omaha, NE	WOWT	6	NBC	1/1/12	6/1/06	1	1	5
86	Madison, WI	WMTV	15	NBC	1/1/12	12/1/05	2	3	4
* 93	Waco Temple Bryan, TX	KWTX	10	CBS	12/31/05	8/1/06	1	1	6
* 94	(Bryan, TX)	KBTX(g)	3	CBS	12/31/05	8/1/06	1	1	
	Colorado Springs, CO	KKTV	10	CBS	6/30/05	4/1/06	1	1	5
* 102	Lincoln Hastings Kearney, NE	KOLN	10	CBS	12/31/05	6/1/06	1	1	5
* 103	(Grand Island, NE)	KGIN(h)	11	CBS	12/31/05	6/1/06			
* 107	Greenville New Bern Washington, NC	WITN	7	NBC	12/31/11	12/1/04	2	2	4
* 111	Tallahassee, FL	WCTV	6	CBS	12/31/04	4/1/05	1	1	5
	Thomasville, GA	WILX	10	NBC	1/1/12	10/1/05	1	1	4
* 115	Lansing, MI	WRDW	12	CBS	3/31/05	4/1/05	1	1	4
* 123	Augusta, GA	WEAU	13	NBC	12/31/11	12/1/05	1	1	4
	La Crosse Eau Claire, WI	WSAW	7	CBS	6/30/05	12/1/05	1	1	4
	Wausau Rhinelander, WI	WIFR	23	CBS	6/30/05	12/1/05	2	1	4
135	Rockford, IL	WIBW	13	CBS	6/30/05	6/1/06	1	1	4
138	Topeka, KS	WJHG	7	NBC	12/31/11	2/1/05	1	1	3
* 159	Panama City, FL	KXII	12	CBS	12/31/05	8/1/06	1	1	2
* 160	Sherman, TX Ada, OK	WTVY	4	CBS	6/30/05	4/1/05	1	1	3
171	Dothan, AL	WHSV	3	ABC	11/1/04	10/1/04	1	1	1
178	Harrisonburg, VA	WBKO	13	ABC	11/1/04	8/1/05	1	1	2
180	Bowling Green, KY	WTOK	11	ABC	11/1/04	6/1/05	1	1	3
185	Meridian, MS	WTAP	15	NBC	1/1/12	10/1/05	1	1	1
188	Parkersburg, WV								

(Approximately 5% of all US television households)

[Additional columns below]

[Continued from above table, first column(s) repeated]

In Market Share of Television

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	Household Viewing (b)	Households (a) (in thousands)
*	22%	490
*	35%	454
*	39%	169
	21%	445
	36%	387
	30%	349
*	42%	304
*		
	33%	303
*	54%	267
*		
*	30%	266
*	57%	256
	39%	248
*	35%	241
*	39%	218
	42%	176
	32%	176
	49%	168
*	50%	131
*	74%	121
	69%	98
	97%	86
	83%	82
	66%	71
	96%	64
		5,437
		(Approximately 5%
	US televisi	of all on households)

* Denotes a television station currently owned by Gray.

(a) Based on data published by Nielsen.

(b) Based on Nielsen data for the May 2002 rating period, Sunday to Saturday, 6 a.m. to 2 a.m.

(c) Based on our review of the Nielsen data for the May 2002 rating period during various news hours.

(d) We have included only stations that BIA has reported at one share or more in three of the four most recent rating periods.

(e) KLBY and KUPK are satellite stations of KAKE under FCC rules.

(f) Special 16 county trading area defined by Nielsen and is part of the Lexington, KY DMA.

(g) KBTX is a satellite station of KWTX under FCC rules.

(h) KGIN is a satellite station of KOLN under FCC rules.

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Table of Contents**Our Markets**

Below is a brief description of the market for each of our stations. All statements as to station ranking in this prospectus are based on Nielsen data for the 6:00 a.m. to 2:00 a.m. Sunday through Saturday time period, except that data in the tables titled *Competitive Landscape* is based on BIA data for the 9:00 a.m. to midnight Sunday through Saturday time period. The news ranking information is based on our management's review of the Nielsen Station Index, Viewers in Profile, dated May 2002. As NBC affiliate stations broadcasted the Olympic games during February 2002, their ratings for this period reflect a higher than normal viewership. CAGR refers to compound annual growth rate and EBI refers to effective buying income. EBI statistics reflect data for 2000 and 2005. In the *Competitive Landscape* tables below, we have included only stations that BIA has reported at one share or more in three of the four most recent rating periods.

Knoxville, Tennessee

WVLT, a CBS affiliate, was acquired by us in September 1996 and began operations in 1988. It is the second ranked station, with the third ranked news program, in the Knoxville, Tennessee market. The Knoxville area is a center for education, manufacturing, healthcare and tourism. The University of Tennessee's main campus with approximately 26,000 students is located within the city of Knoxville. Leading manufacturing employers in the area include: Lockheed Martin Energy Systems, Inc., DeRoyal Industries, Aluminum Company of North America, Phillips Consumer Electronics North America Corp., Clayton Homes and Sea Ray Boats, Inc.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	1,208	1,277	1.12%
Retail Sales	\$17,255	\$22,109	5.08
EBI	19,317	25,203	5.46
Gross Market Revenue	68,700	77,600	2.47
Average Household Income	40.3	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WBIR-TV	NBC	VHF	Gannett Company, Inc.	18	23	19	17
WVLT-TV							
CBS VHF Gray Television, Inc. 12 10 14 11							

WATE-TV

ABC VHF Young

Broadcasting

Inc. 11 8 10 11

WTNZ

FOX UHF Raycom

Media, Inc. 3 4 4 2

WBXX-TV

WB UHF Acme

Communications,

Inc. 3 3 3 3

Lexington and Hazard, Kentucky

WKYT, a CBS affiliate, was acquired by us in September 1994 and began operations in 1957. It is ranked first in total viewers and in news programming in the Lexington, Kentucky market. The Lexington area is a regional hub for shopping, business, healthcare, education and cultural activities. Major employers in the Lexington area include Toyota Motor Corp., Lexmark International, Inc., ALLTEL Corporation, Square D Company, Ashland, Inc., the University of Kentucky and International Business Machines Corporation. Eight hospitals are located in Lexington, reinforcing Lexington's position as a regional medical center. The University of Kentucky's main campus with approximately 25,000 students is located in Lexington. Frankfort, the capital of Kentucky is located within WKYT's service area. WYMT,

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WKYT's sister station, is located in the Lexington DMA. In addition, the Lexington market is adjacent to the Bowling Green, Kentucky market where we intend to acquire WBKO, an ABC affiliate, in the merger.

WYMT, a CBS affiliate, was acquired by us in September 1994 and began operations in 1985. It is ranked first in total viewers and in news programming in the Hazard, Kentucky market, a special 16 county trading area defined by Nielsen. The mountain region of eastern and southeastern Kentucky where Hazard is located is on the outer edges of four separate markets: Bristol-Kingsport-Johnson City, Charleston-Huntington, Knoxville and Lexington. Prior to the start of WYMT's operations in 1985, mountain residents relied primarily on satellite dishes and cable television carrying distant signals for their television entertainment and news. WYMT is the only commercial television station in this 16-county trading area and we generally consider it to be a distinct television market even though WYMT is technically included in the Lexington market. WYMT is the sister station of WKYT and shares many resources and simulcasts some local programming with WKYT. The trading area's economy is primarily centered around coal and related industries, such as natural gas and oil.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	1,153	1,210	0.97%
Retail Sales	\$13,381	\$15,738	3.30
EBI	17,241	22,236	5.22
Gross Market Revenue	55,300	67,600	4.10
Average Household Income	39.2	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WKYT-TV	CBS	UHF	Gray Television, Inc.	16	17	16	15
WLEX-TV	NBC	UHF	Evening Post Publishing Company	12	15	10	9
WTVQ-TV	ABC	UHF	Media General Broadcast Group	8	7	8	9
WDKY-TV	FOX	UHF	Sinclair Broadcast Group, Inc.	4	5	5	4
WYMT-TV	CBS	UHF	Gray Television, Inc.	2	2	3	2

Waco-Temple-Bryan, Texas

KWTX and KBTX, both CBS affiliates, were acquired by us in October 1999 and began operations in 1955 and 1957, respectively. They collectively are ranked first in total viewers and in news programming in the Waco-Temple-Bryan, Texas market. KBTX is a satellite station under FCC rules and is used to enhance our ability to effectively serve the entire market. Waco, Temple, Killeen, Bryan and College Station are the primary economic

centers of the region. College Station, Texas is the home of Texas A&M University with approximately 45,000 students and Baylor University is located in Waco, Texas with approximately 13,000 students. The Waco-Temple-Bryan economy centers on education, medical services and U.S. military installations. Leading employers in the area include: Texas A&M University, Raytheon, Baylor University, St. Joseph's Regional Medical Center, Killeen ISD, Scott and White Hospital and the U.S. Army base at Fort Hood, Texas.

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Table of Contents**Market Overview**

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	843	869	0.61%
Retail Sales	\$9,433	\$11,698	4.40
EBI	11,824	14,508	4.18
Gross Market Revenue	29,500	36,400	4.29
Average Household Income	39.2	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
KWTX-TV & KBTX-TV	CBS	VHF	Gray Television, Inc.	19	18	19	17
KCEN-TV	NBC	VHF	Channel 6, Inc.	12	17	11	9
KWKT & KYLE	FOX	UHF	Communications Corp of America	7	7	8	6
KXXV & KRHD-LP	ABC, WB	UHF	Drewry Communications Group	7	6	9	7
KAKW	UNI	UHF	Univision Communications, Inc.		2	3	3

Lincoln-Hastings-Kearney, Nebraska

KOLN and KGIN, both CBS affiliates, were acquired by us in July 1998 and began operations in 1953 and 1961, respectively. They are ranked first in total viewers and in news programming in the Lincoln-Hastings-Kearney, Nebraska market. KGIN is a satellite station under FCC rules and is used to enhance our ability to serve the entire market effectively. The city of Lincoln is the primary economic center of the region, the capital of Nebraska and home to the University of Nebraska with approximately 23,000 students. The Lincoln-Hastings-Kearney economy centers around state government, education, medical services and agriculture. Leading employers in the area include: the State of Nebraska, the University of Nebraska, Gallup Inc., the Lincoln Public School System and several area hospitals. The Lincoln market is adjacent to the Omaha, Nebraska market where we intend to acquire WOWT, an NBC affiliate, in the merger.

Market Overview

<u>2001</u>	<u>2006</u>	<u>CAGR</u>
(In Thousands)		

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DMA Population
684 696 0.35%
Retail Sales
\$7,766 \$8,680 2.25
EBI
12,081 15,140 4.62
Gross Market Revenue
21,200 25,900 4.09
Average Household Income
44.6 NA

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Table of Contents**Competitive Landscape**

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
KOLN & KGIN	CBS	VHF	Gray Television, Inc.	19	18	18	20
KHGI-TV	ABC	VHF	Pappas Telecasting Companies	6	6	9	7
KLKN & KLKE	ABC	VHF	Citadel Communications Company, Ltd.	4	4	6	4
KHAS-TV	NBC	VHF	Greater Nebraska Television, Inc.	4	6	4	3
KTVG	FOX	UHF	Hill Broadcasting Company, Inc.	2	3	3	2

Greenville-New Bern-Washington, North Carolina

WITN, an NBC affiliate, was acquired by us in August 1997 and began operations in 1955. Based on the February and May 2002 ratings, WITN is currently tied for the first position in total viewers and in news programming in the Greenville-New Bern-Washington, North Carolina market. Greenville, North Carolina is the primary economic center of the region and home to East Carolina University with approximately 19,000 students. The Greenville-New Bern-Washington economy centers around education, manufacturing and agriculture. Leading employers in the area include: Pitt County Memorial Hospital, NADEP (Naval Rework Facility), East Carolina University, Catalytica Pharmaceuticals, Inc., PCS Phosphate, Rubber Maid Cleaning Products, Inc. and Weyerhaeuser Co.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	705	731	0.73%
Retail Sales	\$7,271	\$8,116	2.22
EBI	10,060	12,647	4.68
Gross Market Revenue	29,200	36,400	4.51
Average Household Income	40.0	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WNCT-TV	CBS	VHF	Media General Broadcast Group	20	17	17	18

WITN-TV

**NBC VHF Gray
Television,
Inc. 14 18 14 12
WCTI**

ABC VHF Lamco
Communications
Incorporated 9 9 10 9
WFXI & WYDO
FOX VHF GOCOM
Holdings LLC 5 5 6 4

Tallahassee, Florida-Thomasville, Georgia

WCTV, a CBS affiliate, was acquired by us in September 1996 and began operations in 1955. It is ranked first in total viewers and in news programming in the Tallahassee, Florida-Thomasville, Georgia market. The Tallahassee-Thomasville economy centers around state and local government as well as state and local universities which include Florida State University with approximately 33,000 students, Florida A&M University with approximately 12,000 students, Tallahassee Community College, Thomas College and Valdosta State University. Florida State University and Florida A&M University each have their main campus located within the city of Tallahassee.

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Table of Contents**Market Overview**

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	649	678	0.88%
Retail Sales	\$7,217	\$8,880	4.23
EBI	9,439	11,780	4.53
Gross Market Revenue	23,900	30,500	5.00
Average Household Income	39.4	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WCTV	CBS	VHF	Gray Television, Inc.	23	20	24	22
WTWC-TV	NBC	UHF	Sinclair Broadcast Group, Inc.	6	8	5	5
WTVL-TV	ABC	UHF	Media Venture Management, Inc.	5	5	7	5
WTLH	FOX	UHF	Pegasus Communications Corporation	4	5	6	3

Augusta, Georgia

WRDW, a CBS affiliate, was acquired by us in January 1997 and began operations in 1954. It is ranked first in total viewers and in news programming in the Augusta, Georgia market. The Augusta, Georgia area is one of Georgia's major metropolitan/regional centers, with a particular emphasis on health services, manufacturing and the military. The federal government employs military and civilian personnel at the Department of Energy's Savannah River Site, a nuclear processing plant, and Fort Gordon, a U.S. Army military installation. Augusta has eight large hospitals, which collectively employ approximately 20,000 and reinforce Augusta's status as a regional healthcare center. Augusta is also home to the Masters Golf Tournament, which has been broadcast by CBS for 46 years.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	644	661	0.52%
Retail Sales	\$6,736	\$7,902	3.24
EBI			

8,668 10,153 3.21
 Gross Market Revenue
 30,000 36,200 3.83
 Average Household Income
 36.8 NA

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WRDW-TV	CBS	VHF	Gray Television, Inc.	18	17	18	16
WJBF	ABC	VHF	Media General Broadcast Group	14	13	15	16
WAGT	NBC	UHF	Schurz Communications, Inc.	11	13	9	6
WFXG	FOX	UHF	Fisher Broadcasting Company	8	7	9	8

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Table of Contents**La Crosse-Eau Claire, Wisconsin**

WEAU, an NBC affiliate, was acquired by us in July 1998 and began operations in 1953. It is the first ranked station in total viewers and in news programming in the La Crosse-Eau Claire, Wisconsin market. The La Crosse and Eau Claire economy centers around medical services, agriculture, education and retail business. The University of Wisconsin maintains an 11,000-student campus in Eau Claire. Leading employers include Menard, Inc., the University of Wisconsin at Eau Claire and several area hospitals. The La Crosse-Eau Claire market is adjacent to both the Madison, Wisconsin market where we intend to acquire WMTV, an NBC affiliate, in the merger and the Wausau-Rhineland, Wisconsin market where we intend to acquire WSAW, a CBS affiliate, in the merger.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	530 541	0.41%	
Retail Sales	\$7,160 \$8,793	4.19	
EBI	7,779 9,415	3.89	
Gross Market Revenue	22,800 30,200	5.78	
Average Household Income	39.1	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WEAU-TV	NBC	VHF	Gray Television, Inc.	18	24	16	17
WKBT	CBS	VHF	Morgan Murphy Stations	15	12	14	13
WXOW-TV & WQOW-TV	ABC	UHF	Quincy Newspapers, Inc.	10	10	12	12
WLAX & WEUX	FOX	UHF	Grant Media, Inc.	6	9	11	5

Panama City, Florida

WJHG, an NBC affiliate, was acquired by us in 1960 and began operations in 1953. It is the first ranked station in total viewers and in news programming in the Panama City, Florida market. It has a secondary affiliation agreement with United Paramount Network, UPN. The Panama City economy centers around tourism, military bases, manufacturing, education and financial services. Panama City is the county seat and principal city of Bay County. Leading employers in the area include: Tyndall Air Force Base, the U.S. Navy Coastal Systems Station, Sallie Mae Servicing Corp., Stone Container Corporation, Arizona Chemical Corporation and Gulf Coast Community College. The Panama City market is adjacent to the Dothan, Alabama market where we intend to acquire WTVY, a CBS affiliate, in the merger.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	324	346	1.32%
Retail Sales	\$3,508	\$4,265	3.99
EBI	4,525	5,792	5.06
Gross Market Revenue	12,300	14,900	3.91
Average Household Income	37.4	NA	

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Table of Contents**Competitive Landscape**

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WJHG-TV	NBC, UPN	VHF	Gray Television, Inc.	17	22	18	14
WMBB	ABC	VHF	Media General Broadcast Group	12	10	14	12
WPGX	FOX	UHF	Waite Broadcasting, Inc.	4	4	5	4

Sherman, Texas-Ada, Oklahoma

KXII, a CBS affiliate, was acquired by us in October 1999 and began operations in 1956. It is ranked first in total viewers and in news programming in the Sherman, Texas-Ada, Oklahoma market. The Sherman, Texas-Ada, Oklahoma economy centers around medical services, manufacturing and distribution services. Leading employers include Michelin, MEMC Southwest, Globitech, Raytheon, CIGNA, Johnson & Johnson and Texas Instruments.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	310	322	0.76%
Retail Sales	\$3,815	\$4,806	4.73
EBI	4,265	5,383	4.77
Gross Market Revenue	7,700	9,200	3.62
Average Household Income	35.4	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
KXII	CBS	VHF	Gray Television, Inc.	20	17	17	17
KTEN	NBC	VHF	Lockwood Broadcasting, Inc.	7	8	8	5

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Stations Markets

Below is a brief description of the market for each of the stations that we intend to acquire in the merger. All statements as to station ranking in this prospectus are based on Nielsen data for the 6:00 a.m. to 2:00 a.m. Sunday through Saturday time period, except that data in the tables titled "Competitive Landscape" is based on BIA data for the 9:00 a.m. to midnight Sunday through Saturday time period. The news ranking information is based on our management's review of the Nielsen Station Index, Viewers in Profile, dated May 2002. As NBC affiliate stations broadcasted the Olympic games, during February 2002, their ratings for this period reflect a higher-than-normal viewership. CAGR refers to compound annual growth rate and EBI refers to effective buying income. EBI statistics reflect data for 2000 and 2005. In the "Competitive Landscape" tables below, we have included only stations that BIA has reported at one share or more in three of the four most recent rating periods.

Wichita-Hutchinson, Kansas

KAKE, KLBY and KUPK, all ABC affiliates, began operations in 1953. They collectively are ranked third in total viewers and in news programming in the Wichita-Hutchinson, Kansas market. KLBY and KUPK are "satellite" stations under FCC rules and are used to enhance Stations' ability to effectively serve the entire market. The area is well known for its involvement in the aviation industry, with the top three companies in the region, Boeing Company, Cessna Aircraft Company and Raytheon Aircraft Company, representing that industry. The Wichita area also serves as a regional banking and medical center, as well as home to the McConnell Air Force Base. Other leading employers in the region are Wichita Public Schools and the State of Kansas. Wichita is also the home to Wichita State University, which has an enrollment of 14,000 students.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	1,175	1,212	0.62%
Retail Sales	\$15,293	\$18,877	4.30
EBI	19,659	23,850	3.94
Gross Market Revenue	57,200	71,200	4.48
Average Household Income	43.0	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
	CBS	VHF	Media General Broadcast Group	18	15	18	17

KWCH-TV, KBSD-TV, KBSH-TV & KBSL-TV KSNW, KSNC, KSNG & KSNK	NBC	VHF	Emmis Communications Corp	16	22	15	14
KAKE-TV, KLBY & KUPK-TV ABC VHF Stations Holding Company, Inc. 10 8 11 10							
KSAS-TV, KAAS-TV & KBDK FOX UHF Clear Channel Television, Inc. 4 6 6 4 KSCC UPN UHF Mercury Broadcasting Company, Inc. 2 2 2 2 KWCV WB UHF Banks Broadcasting, Inc. 2 2 2							

Omaha, Nebraska

WOWT, an NBC affiliate, began operations in 1949. It is ranked first in total viewers and second in news programming in the Omaha, Nebraska market. The Omaha DMA is home to five Fortune 100 companies, the U.S. Strategic Command Headquarters at Offutt Air Force Base, the University of Nebraska Medical Center and Creighton Medical Center. The University of Nebraska-Omaha has an

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enrollment of nearly 14,000, and Creighton University has an enrollment of 6,300. Major employers in the area include: the United States military, Union Pacific Railroad, ConAgra, Omaha Public Schools and First Data Resources. The Omaha market is adjacent to the Lincoln, Nebraska market where we own and operate television stations KOLN and KGIN.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	1,008	1,048	0.78%
Retail Sales	\$13,687	\$16,275	3.52
EBI	20,452	27,141	5.82
Gross Market Revenue	62,100	72,200	3.06
Average Household Income	52.9	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WOWT	NBC	VHF	Stations Holding Company, Inc.	18	24	14	13
KETV	ABC	VHF	Hearst-Argyle Television, Inc.	14	12	17	16
KMTV	CBS	VHF	Emmis Communications Corp.	14	10	15	12
KPTM							
FOX UHF Pappas Telecasting Companies				7	9	9	7
KXVO							
WB UHF Mitts Telecasting Company				3	3	3	4

Madison, Wisconsin

WMTV, an NBC affiliate, began operations in 1953. It is the first ranked station, with the third ranked news program, in the Madison, Wisconsin market. The Madison area hosts the international headquarters for American Family Insurance, Oscar Meyer, Ray-O-Vac and Lands End. In addition to being the state capital, the University of Wisconsin has a major campus in Madison and has an enrollment of over 41,000 students. Major employers in the area are: University of Wisconsin Hospital and Clinics, General Motors Corporation, American Family Insurance, Meritor Health and Wisconsin Physicians Insurance Corporation. The Madison market is adjacent to the Wausau-Rhineland market and the Rockford, Illinois market where we intend to purchase a television station and the La Crosse-Eau Claire, Wisconsin market where we own and operate television station WEAU.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population			
874 920 1.03%			
Retail Sales			
\$15,394 \$19,812 5.18			
EBI			
16,101 20,418 4.87			
Gross Market Revenue			
47,200 57,700 4.10			
Average Household Income			
47.3 NA			

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Table of Contents**Competitive Landscape**

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WISC-TV WMTV NBC UHF Stations Holding Company, Inc. 15 22 12 12 WKOW ABC UHF Quincy Newspapers, Inc. 10 8 11 11 WMSN-TV FOX UHF Sinclair Broadcast Group, Inc. 7 7 12 5	CBS	VHF	Morgan Murphy Stations	18	14	16	16

Colorado Springs, Colorado

KKTV, a CBS affiliate, began operations in 1952. It is ranked first in total viewers and in news programming in the Colorado Springs, Colorado market. The Colorado Springs market is home to five major military installations: the Air Force Academy, Peterson Air Force Base, Fort Carson Army Base, Cheyenne Mountain Complex (NORAD), and Shriever Air Force Base. Major employers in the area in addition to the United States military include: The City of Colorado Springs, WorldCom, Inc., Intel Corporation and various non-profit organizations.

Market Overview

	2001	2006	CAGR
	(In Thousands)		
DMA Population	799	870	1.72%
Retail Sales	\$10,439	\$13,172	4.76
EBI	12,591	16,149	5.10
Gross Market Revenue	42,300	49,700	3.28
Average Household Income	41.3	NA	

Competitive Landscape

Share Summary

Station	Network	VHF or UHF	Owner	9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
KKTV	CBS	VHF	Stations Holding Company, Inc.	17	14	16	15
KOAA-TV	NBC	VHF	Evening Post Publishing Company	13	21	10	12
KRDO-TV	ABC	VHF	Pikes Peak Broadcasting Company, Inc.	11	11	12	11
KXRM	FOX	UHF	Raycom Media, Inc.	7	8	9	6
KXTU-LP	UPN	UHF	Raycom Media, Inc.	2	2	2	3

Lansing, Michigan

WILX, an NBC affiliate, began operations in 1957. It is ranked first in total viewers and in news programming in the Lansing, Michigan market. Lansing, the state capital, derives much of its economic base from state agencies, the automotive sector, and the Michigan State University which has over 43,000 students. Some of the top employers in the region include: the State of Michigan, Michigan State University, General Motors Corporation, Sparrow Health Systems and Meijer Grocery Stores.

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Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	655	669	0.42%
Retail Sales	\$7,561	\$8,408	2.15
EBI	10,823	12,728	3.30
Gross Market Revenue	31,900	39,700	4.47
Average Household Income	45.1	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WLNS	CBS	VHF	Young Broadcasting Inc.	17	14	16	15
WILX-TV							
NBC VHF Stations							
Holding Company,							
Inc. 15 20 13 12							
WSYM-TV							
FOX UHF Journal							
Broadcast Group,							
Inc. 5 6 9 5							
WLAJ							
ABC UHF Freedom							
Communications,							
Inc. 5 4 8 6							

Wausau-Rhineland, Wisconsin

WSAW, a CBS affiliate, began operations in 1954. It is ranked first in total viewers and in news programming in the Wausau-Rhineland, Wisconsin market. In addition to being a regional medical center, Wausau and the surrounding communities are known as a major capital of paper products and insurance. The University of Wisconsin-Stevens Point has over 10,000 students and is located in the DMA. Major employers in the region include: Wausau Insurance, Marshfield Clinics, Wausau Hospital, Wausau-Mosinee Paper Corporation and the City of Wausau. The Wausau-Rhineland market is adjacent to the Madison, Wisconsin market and the La Crosse-Eau Claire, Wisconsin market where we own and operate television station WEAU.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	444	456	0.53%
Retail Sales	\$6,323	\$7,707	4.04
EBI	6,984	8,558	4.15
Gross Market Revenue	18,100	22,000	3.98
Average Household Income	41.4	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WSAW-TV	CBS	VHF	Stations Holding Company, Inc.	21	18	19	19
WAOW-TV & WYOW	ABC	VHF	Quincy Newspapers, Inc.	15	16	17	14
WJFW-TV	NBC	VHF	Rockfleet Broadcasting, Inc.	8	13	8	7
WFXS	FOX	UHF	Davis Television, LLC	4	5	9	3

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Rockford, Illinois

WIFR, a CBS affiliate, began operations in 1965. It is ranked first in total viewers and in news programming in the Rockford, Illinois market. Currently, Rockford's economy is based on the fastener business, as well as the manufacturing of machine parts and aerospace parts. Rockford is emerging as a growing regional education center, having the well respected, small liberal arts school Rockford College in its vicinity. Major employers in the region include: United Parcel Service, Rockford School District, Rockford Health Systems, DaimlerChrysler Corporation, Swedish American Health Systems and Hamilton Sundstrand Corporation. The Rockford market is adjacent to the Madison, Wisconsin market.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	460	472	0.52%
Retail Sales	\$5,341	\$5,965	2.23
EBI	8,178	9,590	3.24
Gross Market Revenue	26,600	33,100	4.47
Average Household Income	46.3	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WREX-TV	NBC	VHF	Quincy Newspapers, Inc.	16	23	16	13
WIFR							
CBS UHF Stations							
Holding Company,							
Inc. 15 13 16 15							
WTVO							
ABC UHF Young							
Broadcasting							
Inc. 10 9 11 10							
WQRF-TV							
FOX UHF Quorum							
Broadcasting							
Company 8 8 10 7							

Topeka, Kansas

WIBW, a CBS affiliate, began operations in 1953. It is ranked first in total viewers and in news programming in the Topeka, Kansas market. The Topeka DMA has an agricultural base which is augmented by production and manufacturing. In addition to being the state capital, Topeka is home to Forbes Air Force Base, Kansas State University with an enrollment of 22,400 and Washburn University with an enrollment of 6,300 students. Major employers in the area include: Goodyear Tire and Rubber Corporation, Payless ShoeSource, Blue Cross Blue Shield of Kansas and Burlington Northern Santa Fe Railroad.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	443	442	(0.05)%
Retail Sales	\$5,537	\$6,723	3.96
EBI	6,708	7,631	2.61
Gross Market Revenue	16,200	19,900	4.20
Average Household Income	39.8	NA	

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Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WIBW	CBS	VHF	Stations Holding Company, Inc.	22	18	20	20
KSNT	NBC	UHF	Emmis Communications Corp	14	20	12	12
KTKA-TV	ABC	UHF	Brechner Management Company	5	5	8	7
KTMJ-CA	FOX, UPN	VHF	Montgomery Communications, Inc.	2	3	3	2

Dothan, Alabama

WTVY, a CBS affiliate, began operations in 1954. It is ranked first in total viewers and in news programming in the Dothan, Alabama market. Dothan serves as the regional economic, retail, and medical center. It houses Ft. Rucker Army Base, the Southeast Alabama Medical Center, and serves as an important agricultural center. Major employers in the area include: Southeast Alabama Medical Center, Collins Signs, Dothan and Houston Counties School System, Perdue Farms, Inc. and Flowers Hospital. The Dothan market is adjacent to the Panama City, Florida market where we own and operate WJHG.

Market Overview

	2001	2006	CAGR
(In Thousands)			
DMA Population	246	249	0.24%
Retail Sales	\$2,963	\$3,288	2.10
EBI	3,481	4,187	3.76
Gross Market Revenue	11,900	14,500	4.03
Average Household Income	36.6	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WTVY	CBS	VHF	Stations Holding Company, Inc.	22	21	23	22
WDHN	ABC	UHF	Morris Multimedia, Inc.	6	6	7	6
WDFX-TV	FOX	UHF	Waite Broadcasting, Inc.	4	6	5	3

Harrisonburg, Virginia

WHSV, an ABC affiliate, began operations in 1953. It is the only commercial television station broadcasting in the Harrisonburg, Virginia market and is ranked first in total viewers and in news programming. The Harrisonburg market derives much of its economic base from poultry products, book manufacturing and the pharmaceutical industry. James Madison University, with an enrollment of over 16,000, is located in the DMA. Major employers in the area include: James Madison University, Pilgrims Pride, Cargill, Rockingham Memorial Hospital and R.R. Donnelley & Sons Company. In addition, the station signal covers Charlottesville, Virginia, the home of University of Virginia.

Table of Contents**Market Overview**

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	228	236	0.69%
Retail Sales	\$2,953	\$3,512	3.53
EBI	3,493	4,174	3.63
Gross Market Revenue	9,800	11,800	3.78
Average Household Income	40.7	NA	

Competitive Landscape

<u>Station</u>	<u>Network</u>	<u>VHF or UHF</u>	<u>Owner</u>	<u>Share Summary 9 AM to Midnight</u>			
				<u>May-02</u>	<u>Feb-02</u>	<u>Nov-01</u>	<u>Jul-01</u>
WHSV-TV	ABC	VHF	Stations Holding Company, Inc.	16	15	18	18

Bowling Green, Kentucky

WBKO, an ABC affiliate, began operations in 1962. It is ranked first in total viewers and in news programming in the Bowling Green, Kentucky market. Bowling Green is located approximately 65 miles outside of Nashville, Tennessee and benefits from its proximity to this major city. Bowling Green is home to Western Kentucky University which has an enrollment of almost 15,000 students. Some of the major employers in the region include: Commonwealth Health Corp., Warren County Board of Education, Western Kentucky University, General Motors Corvette Plant and DESA International. The Bowling Green market is adjacent to the Lexington, Kentucky market where we own and operate WKYT and WYMT.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	209	220	1.03%
Retail Sales	\$2,475	\$2,865	2.97
EBI	3,039	4,006	5.68
Gross Market Revenue	7,500	8,800	3.25
Average Household Income	37.5	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WBKO	ABC	VHF	Stations Holding Company, Inc.	21	22	22	22
WNKY	NBC	UHF	Northwest Broadcasting, L.P.	5	7	4	2

Meridian, Mississippi

WTOK, an ABC affiliate, began operations in 1953. It is ranked first in total viewers and in news programming in the Meridian, Mississippi market. Meridian Naval Air Station is located in the DMA of Meridian, which also is a regional medical and economic center. Major industries in the area include tourism, timber processing, paper products and electronics manufacturing. Top employers in the area

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include: Peavey Electronics, Mississippi Band of Choctaw Indians, Meridian Naval Air Station, Jeff Anderson Regional Medical Center and the Meridian School System.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	189	190	0.11%
Retail Sales	\$1,883	\$2,245	3.58
EBI	2,469	3,048	4.30
Gross Market Revenue	7,900	9,800	4.40
Average Household Income	34.7	NA	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WTOK-TV	ABC	VHF	Stations Holding Company, Inc.	21	21	23	21
WMDN	CBS	UHF	Spain, Frank & Family	7	9	9	5
WGBC	NBC	UHF	Global Communications, Inc.	6	7	5	4

Parkersburg, West Virginia

WTAP, an NBC affiliate, began operations in 1953. It is the only commercial television station broadcasting in the Parkersburg, West Virginia market and is ranked first in total viewers and in news programming. The Parkersburg DMA is a major chemical and petroleum center, with such employers as Dupont, Eramet, General Electric Company, Chevron, Globe Metallurgical and Krayton. Other significant employers include Coldwater Creek Clothiers and Ames Hardware. The Parkersburg DMA also plays host to Marietta College with an enrollment of nearly 23,500. In addition, the station signal covers the Athens, Ohio area, the home of Ohio University.

Market Overview

	<u>2001</u>	<u>2006</u>	<u>CAGR</u>
	(In Thousands)		
DMA Population	159	157	(0.25)%
Retail Sales	\$1,911	\$2,025	1.17
EBI			

2,539 3,051 3.74
 Gross Market Revenue
 5,600 6,600 3.34
 Average Household Income
 39.9 NA

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
WTAP-TV	NBC	UHF	Stations Holding Company, Inc.	21	27	19	21

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Industry Background

Currently, there is a limited number of channels available for broadcasting in any one geographic area, and the license to operate a television station is granted by the FCC. Television stations that broadcast over the very high frequency band (channels 2-13) of the spectrum generally have some competitive advantage over television stations that broadcast over the ultra-high frequency band (channels above 13) of the spectrum, because the former usually have better signal coverage and operate at a lower transmission cost.

Advertising Sales. Television station revenues primarily are derived from local, regional and national advertising and, to a much lesser extent, from network compensation and revenues from studio and tower space rental and commercial production activities. Advertising rates are based upon a variety of factors, including a program's popularity among the viewers an advertiser wishes to attract, the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability of alternative advertising media in the market area. Rates also are determined by a station's overall ratings and in-market share, as well as the station's ratings and share among particular demographic groups, which an advertiser may be targeting. Because broadcast stations rely on advertising revenues, they are sensitive to cyclical changes in the economy. The sizes of advertisers' budgets, which are affected by broad economic trends, affect the broadcast industry in general and the revenues of individual broadcast television stations.

Rating Service Data. All television stations in the country are grouped by Nielsen, a national audience measuring service, into approximately 210 DMAs, that are ranked in size according to various formulae based upon actual or potential audience. Each DMA is an exclusive geographic area consisting of all counties in which the home-market commercial stations receive the greatest percentage of total viewing hours. Nielsen periodically publishes data on estimated audiences for the television stations in the various television markets throughout the country.

Description of Network Affiliations. Four major broadcast networks, ABC, NBC, CBS and Fox Broadcasting Company, which we refer to as FOX, dominate broadcast television. Additionally, the United Paramount Network, which we refer to as UPN, Warner Brothers Network, which we refer to as WB, and the Pax TV Network, which we refer to as Pax TV, have been launched as additional television networks. An affiliate of FOX, UPN, WB or Pax TV receives a smaller portion of each day's programming from its network compared to an affiliate of ABC, NBC or CBS.

The affiliation of a station with ABC, NBC or CBS has a significant impact on the composition of the station's programming, revenues, expenses and operations. A typical affiliate of these networks receives the majority of each day's programming from the network. This programming, along with network compensation in the form of cash payments, in certain instances, is provided to the affiliate by the network in exchange for a substantial majority of the advertising time available for sale during the airing of network programs. The network then sells this advertising time and retains the revenues. The affiliate retains the revenues from time sold during breaks in and between network programs and programs the affiliate produces or purchases from non-network sources. In acquiring programming to supplement programming supplied by the affiliated network, the affiliates compete primarily with other affiliates and independent stations in their markets. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. In addition, a television station may acquire programming through barter arrangements. Under barter arrangements, a national program distributor may receive advertising time in exchange for the programming it supplies, with the station paying a reduced fee or no fee for such programming. Most successful commercial television stations obtain their brand identity from locally produced news programs.

In contrast to a station affiliated with a network, a fully independent station purchases or produces all of the programming that it broadcasts, resulting in generally higher programming costs. An independent

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station, however, retains its entire inventory of advertising time and all the revenues obtained therefrom. As a result of the smaller amount of programming provided by its network, an affiliate of FOX, UPN, WB or Pax TV must purchase or produce a greater amount of programming, resulting in generally higher programming costs. These affiliate stations, however, retain a larger portion of the inventory of advertising time and the revenues obtained therefrom compared to stations affiliated with the major networks.

Cable-originated programming is a significant competitor for viewers of broadcast television programming, although no single cable programming network regularly attains audience levels amounting to more than a small fraction of any single major broadcast network. The advertising share of cable networks has increased as a result of the growth in cable penetration (the percentage of television households which are connected to a cable system). Notwithstanding such increases in cable viewership and advertising, over-the-air broadcasting remains the dominant distribution system for mass-market television advertising.

Network Affiliations of the Television Stations. Each of our stations and each of the stations that we intend to acquire in the merger is affiliated with a major network pursuant to an affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which the station is affiliated. In return, the network has the right to sell a substantial majority of the advertising time during such broadcasts. In exchange for every hour that a station elects to broadcast network programming, the network pays the station a specific network compensation fee, which varies with the time of day. Typically, prime-time programming generates the highest hourly network compensation payments. Such payments are subject to increase or decrease by the network during the term of an affiliation agreement with provisions for advance notices and right of termination by the station in the event of a reduction in such payments. In January 2002 we reached a preliminary agreement with NBC on the terms of a new 10-year affiliation agreement for WJHG. The agreement extends WJHG's affiliation with NBC until December 31, 2011. Effective January 1, 2002, WJHG no longer receives network compensation payments from NBC under the affiliation agreement. In addition, we have preliminarily agreed with NBC to extend the existing affiliation agreements for WITN and WEAU until December 31, 2011. The network aggregate compensation payments made by NBC to WITN and WEAU will remain generally consistent with the terms of the existing agreements until June 30, 2006 for WITN and December 31, 2005 for WEAU, after which times NBC will cease making further compensation payments. We are working with NBC to finalize the definitive agreements with respect to these revised NBC affiliation agreements. As a result of these affiliation agreement renewals with NBC as well as with CBS, network compensation for our three NBC affiliates and our CBS affiliates, KWTX, KBTX and KXII will be phased out over the next few years. Each affiliation agreement is for a definite term and generally contains renewal provisions. Although we historically have renewed network affiliation agreements with the respective networks, we cannot guarantee that any agreements will be renewed in the future under their current terms. Please see the television station summary table for a listing of the expiration dates of the current network affiliation agreements for each of our stations and for each of the stations that we intend to acquire in the merger.

Network Compensation

The table below shows the total network compensation, less applicable network charges, we earned in 1999, 2000 and 2001 as well as what we currently estimate we will earn in 2002 through 2005 for our stations, the stations that we intend to acquire in the merger and the Reno station. The amounts estimated below for 2002 through 2005 are based on the network affiliation agreements currently in effect.

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We cannot guarantee that the future amounts we currently expect to earn will be realized. We currently do not expect to receive network compensation after 2005.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	(dollars in millions)						
Gray							
\$7.90	\$7.68	\$6.17	\$4.64	\$4.38	\$4.74	\$2.20	
Stations							
5.35	4.92	4.18	2.96	2.84	2.81	1.40	
Reno							
0.17	0.10	0.11	0.12	0.11	0.11		
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Combined Total							
\$13.42	\$12.70	\$10.46	\$7.72	\$7.33	\$7.66	\$3.60	
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Newspaper Publishing

We own and operate four daily newspapers located in Georgia and Indiana. In the aggregate, our newspapers have approximately 126,000 daily subscribers. Seeking to build a loyal readership and to distinguish our newspapers from other publications, we focus our papers on local news, sports and lifestyle.

For the 12 months ended June 30, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our publishing segment were \$42.5 million and \$11.0 million, respectively. During this

12-month period, retail advertising at 50% comprised the largest percent of our publishing revenue, while classifieds accounted for 29%, circulation revenue accounted for 19% and miscellaneous revenue accounted for 2%.

The Albany Herald

The Albany Herald Publishing Company, Inc., which we refer to as The Albany Herald, located in Albany, Georgia, publishes *The Albany Herald* seven days a week, serving southwest Georgia. *The Albany Herald* has a circulation of approximately 31,000 Sunday subscribers and 28,000 daily subscribers. The Albany Herald also produces a weekly advertising shopper and other niche publications.

Gwinnett Daily Post and The Rockdale Citizen/ Newton Citizen

The *Gwinnett Daily Post* and *The Rockdale Citizen/ Newton Citizen* are newspapers that serve communities in the metro Atlanta area with complete local news, sports and lifestyles coverage together with national stories that directly impact their local communities.

The *Gwinnett Daily Post* is published Tuesday through Sunday and has a circulation of approximately 65,000 subscribers. The *Gwinnett Daily Post* is located northeast of Atlanta in Gwinnett County, one of the fastest growing areas in the nation with an estimated population of approximately 650,000. According to Woods and Poole 2000 MSA Profile, Gwinnett County's population is projected to grow by 25% between 1999 and 2004. Since we purchased the *Gwinnett Daily Post* in 1995, its frequency of publication has increased from three to six days per week and its circulation has grown from approximately 13,000 to 65,000 subscribers.

The Rockdale Citizen/ Newton Citizen is published seven days per week with a circulation of approximately 17,000 subscribers. In 2000, we began publishing the *Newton Citizen* for distribution into neighboring Newton County. *The Rockdale Citizen* is located in Conyers, Georgia, the county seat of Rockdale County, which is 19 miles east of downtown Atlanta. Rockdale County and Newton County's combined population is estimated to be approximately 132,000.

The Goshen News

The Goshen News is published seven days a week with a circulation of approximately 16,000 subscribers and serves Goshen, Indiana and surrounding areas. *The Goshen News* also contains a weekly advertising shopper. Since we acquired *The Goshen News* in 1999, it has added a Sunday edition and converted the Saturday edition to morning delivery.

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Industry Background

Newspaper publishing is the oldest segment of the media industry and, as a result of the focus on local news, newspapers, in general, remain an important media for local advertising. Newspaper advertising revenues are cyclical and generally have been affected by changes in national and regional economic conditions. Financial instability in the retail industry, including bankruptcies of larger retailers and consolidations among large retail chains, can result in reduced retail advertising expenditures. Classified advertising, which makes up approximately one-third of newspaper advertising expenditures, can be affected by an economic slowdown and its effect on employment, real estate transactions and automotive sales. However, growth in housing starts and automotive sales, although cyclical in nature, generally provide continued growth in newspaper advertising expenditures. While the newspaper publishing industry is impacted by the economic cycles, it generally is not affected by the cyclical nature of political advertising revenue.

Pagers and Wireless Services

The paging business, which we acquired in September 1996, is based in Tallahassee, Florida and operates in Columbus, Macon, Albany, Thomasville, Valdosta and Savannah, Georgia, in Dothan, Alabama, in Tallahassee, Gainesville, Orlando and Panama City, Florida and in certain contiguous areas. Our paging operations had approximately 68,000 units in service as of June 30, 2002. For the 12 months ended June 30, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our paging segment were \$8.4 million and \$2.6 million, respectively.

Our paging system operates by connecting a telephone call placed to a local telephone number with a local paging switch. The paging switch processes a caller's information and sends the information to a link transmitter which relays the processed information to paging transmitters, which in turn alert an individual pager by means of a coded radio signal. This process provides service to a local coverage area. To further enhance coverage to our customer base, all of our local coverage areas are interconnected or networked, providing for wide area coverage or network coverage. A pager's coverage area is programmable and can be customized to include or exclude any particular paging switch and its respective geographic coverage area, thereby providing our paging customers with a choice of coverage areas. In addition, we are able to network with other paging companies which share our paging frequencies in other markets, by means of an industry standard network paging protocol, to increase the geographic coverage area in which our customers can receive paging service. During 1999, we introduced services which allow our paging customers to receive electronic mail on their pagers. In addition, we expanded our capability so that individuals may send text messages via the internet to our paging customers by accessing the paging businesses web page. In 2001, we introduced WebTouch, allowing our customers to access their account information through the web to make changes and payments.

A subscriber to our paging services either owns a pager, thereby paying solely for the use of our paging services, or leases a pager, thereby paying a periodic charge for both the pager and the paging services. Of our pagers that currently are in service, approximately 70% are customer owned and maintained, which we refer to as COAM, with the remainder being leased. COAM customers historically maintain service longer, thus enhancing the stability of the subscriber base and earnings. We are focusing our marketing efforts on increasing our base of COAM users.

Industry Background

Three tiers of carriers have emerged in the paging industry: (i) large nationwide providers serving multiple markets throughout the United States; (ii) regional carriers, like our paging business, which operate in regional markets such as several contiguous states in one geographic region of the United States; and (iii) small, single market operators.

The paging industry traditionally has marketed its services through direct distribution by sales representatives. In recent years, additional channels of distribution have evolved, including: (i) carrier-operated retail stores; (ii) resellers who purchase paging services on a wholesale basis from carriers and

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resell those services on a retail basis to their own customers; and (iii) sales agents who solicit customers and are compensated on a salary and commission basis.

Competition

Television Industry

Competition in the television industry exists on several levels: competition for audience, competition for programming (including news) and competition for advertising. Additional factors that are material to a television station's competitive position include signal coverage and assigned frequency.

Audience. Stations compete for audience based on program popularity, which has a direct effect on advertising rates. A substantial portion of the daily programming on each of our stations and each of the stations that we intend to acquire in the merger is supplied by the network. During those periods, the stations are totally dependent upon the performance of the network programs to attract viewers. We can give no assurance that such programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by each station with a combination of locally produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only.

In addition, the development of methods of transmitting television video programming other than over-the-air broadcasting, and in particular, cable television, has significantly altered competition for audience in the television industry. These other transmission methods can increase competition for a broadcasting station by bringing into its market distant broadcasting signals that otherwise would not be available to the station's audience and also by serving as a distribution system for non-broadcast programming.

Other sources of competition include home entertainment systems, which we refer to as wireless cable services, satellite master antenna television systems, low power television stations, television translator stations, direct broadcast satellite, which we refer to as DBS, video distribution services and the internet.

Programming. Competition for programming involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Each station competes against the broadcast station competitors in its market for exclusive access to off-network reruns, such as *Seinfeld*, and first-run shows, such as *Entertainment Tonight*. Competition also exists for exclusive news stories and features. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that otherwise would have been offered to local television stations.

Advertising. Advertising rates are based upon the size of the market in which a particular station operates, a station's overall ratings, a program's popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, the demographic makeup of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces and the development of projects, features and programs that tie advertiser messages to programming. Advertising revenues comprise the primary source of revenues for our stations and each of the stations that we intend to acquire in the merger. Our stations and each of the stations that we intend to acquire in the merger compete for such advertising revenues with other television stations and other media in their respective markets. The stations also compete for advertising revenue with other media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail, internet and local cable systems. Competition for advertising dollars in the broadcasting industry occurs primarily within individual markets.

Newspaper Industry

Our newspapers compete for advertisers with a number of other media outlets, including magazines, radio, television and the internet, as well as other newspapers, which also compete for readers with our

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publications. One of our newspaper competitors is significantly larger than us and operates in two of our newspaper markets. We differentiate our publications from the other newspaper by focusing on local news and local sports coverage. We clearly identify the markets we wish to target and seek to become the primary source for local news and advertising information within those markets.

Paging Industry

The paging industry is highly competitive. Companies in the industry compete on the basis of price, coverage area offered to subscribers, available services offered in addition to basic numeric or tone paging, transmission quality, system reliability and customer service. We compete by maintaining competitive pricing of our product and service offerings, by providing quality, reliable transmission networks and by furnishing subscribers a superior level of customer service.

Our primary competitors include those paging companies that provide wireless service in the same geographic areas in which we operate. We experience competition from one or more competitors in all locations in which we operate; however, many of our competitors have experienced financial difficulty in the past two years.

Our paging services also compete with other wireless communications services such as cellular service. The typical customer uses paging as a low cost wireless communications alternative either on a stand-alone basis or in conjunction with cellular services. In addition, technological developments in the wireless communications industry and enhancements of current technology have created new products and services, such as personal communications services and mobile satellite services, which also are competitive with the paging services that we currently offer. FCC policies are aimed at encouraging such technological developments, new services and promoting competition. We can give no assurance that our paging business would not be affected adversely by such technological developments or regulatory changes.

Federal Regulation of Our Business

Television Broadcasting

Existing Regulation. Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act and the Telecommunications Act. The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC. It also empowers the FCC, among other things, to issue, revoke and modify broadcasting licenses, determine the locations of stations, regulate the equipment used by stations, adopt regulations to carry out the provisions of the Communications Act and the Telecommunications Act and impose penalties for violation of such regulations. The Communications Act also prohibits the assignment of a license or the transfer of control of a licensee, including in connection with the merger, without prior FCC approval.

License Grant and Renewal. Television broadcasting licenses generally are granted or renewed for a period of eight years but may be renewed for a shorter period if the FCC finds that the public interest, convenience, and necessity would be served by a shorter renewal period. The Telecommunications Act requires a broadcast license to be renewed if the FCC finds that: (i) the station has served the public interest, convenience and necessity; (ii) there have been no serious violations of either the Telecommunications Act or the FCC's rules and regulations by the licensee; and (iii) there have been no other violations, which taken together would constitute a pattern of abuse. At the time an application is made for renewal of a television license, parties in interest may file petitions to deny, and such parties, including members of the public, may comment upon the service the station has provided during the preceding license term and urge denial of the application. If the FCC finds that the licensee has failed to meet the above-mentioned requirements, it could deny the renewal application or grant a conditional approval, including renewal for a lesser term. The FCC will not consider competing applications contemporaneously with a renewal application. Only after

denying a renewal application can the FCC accept and consider competing applications for the license. Although in substantially all cases broadcast licenses are renewed by the FCC even when petitions to deny are filed against broadcast license renewal applications, there can be no assurance that our licenses and Benedek's licenses will be renewed. We are not aware of any facts or

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circumstances that would be likely to prevent the renewal of the licenses for our stations or for the stations that we intend to acquire in the merger at the end of their respective license terms. Please see the television station summary table for a listing of the renewal dates of the current FCC licenses for each of our stations and for each of the stations that we intend to acquire in the merger.

Multiple Ownership Restrictions. Currently, the FCC has rules that limit the ability of individuals and entities to own or have an ownership interest above a certain level, an attributable interest, as described more fully below, in broadcast stations, as well as other mass media entities. The current rules limit the number of broadcast stations that may be owned both on a national and a local basis. On a national basis, the rules preclude any individual or entity from having an attributable interest in co-owned television stations whose aggregate audience reach exceeds 35% of all United States television households, which we refer to as TV national cap. An owner of a television station that has an attributable interest in another television station in the same Nielsen DMA, or that operates a satellite station in the same market, does not have to include those additional same-market outlets in calculating its 35% aggregate television audience reach cap. A station owner with an attributable interest in a station that is in a separate market (including time-brokered local marketing agreements, which we refer to as LMAs, and satellite stations) must count that additional audience as part of its national aggregate audience. The U.S. Court of Appeals for the D.C. Circuit recently has ordered the FCC to review the TV national cap to determine whether it is necessary to protect the public interest. The rule remains in effect while the FCC conducts proceedings in accordance with the court's order. The FCC recently announced that it will examine the TV national cap in a general review of media ownership restrictions described below.

On a local basis, the FCC has revised its local market television ownership rules, which we refer to as the television duopoly rule, permitting station owners to realize the efficiencies of certain types of common ownership. The FCC currently allows the common ownership of two television stations without regard to broadcast signal contour overlap if the stations are in separate DMAs. The FCC continues to allow common ownership of two stations in the same DMA provided their Grade B signal contours do not overlap. A Grade B signal contour generally represents the commercially viable physical coverage limit of a television station's transmission signal, usually extending from approximately 55 to 75 miles in each direction from a station's transmitter. Entities are permitted to own two television stations within the same DMA if eight full-power independently owned television stations (commercial and noncommercial) will remain post-merger, and one of the co-owned stations is not among the top four-ranked stations in the market based on audience share. For a television station to count toward the minimum number of independent stations necessary for FCC approval of a proposed duopoly, its Grade B signal contour must overlap the Grade B signal contour of at least one of the television stations involved in the proposed combination. The common ownership of two television stations in the same market with an overlapping contour is permitted where the same-market licensee is the only reasonably available buyer and the station purchased is a failed station (either off the air for at least four months prior to the waiver application or involved in involuntary bankruptcy or insolvency proceedings) or a failing station (having a low audience share and financially struggling during the previous several years). A waiver of the FCC's ownership restrictions is possible if the applicants for waiver can show that the combination will result in the construction of a station that previously was not built. The U. S. Court of Appeals for the D.C. Circuit recently held that the television duopoly rule is arbitrary and capricious and remanded the rule to the FCC for further consideration. The court held that the FCC had not adequately explained why the eight voice test excluded non-broadcast media. The FCC recently announced that it will examine the television duopoly rule in a general review of media ownership restrictions described below.

The FCC also substantially modified its rules implementing TV-radio cross-ownership restrictions, the so-called one-to-a-market rule. Depending upon the particular circumstances, an entity may own up to two television stations and six radio stations or one television station and seven radio stations in a market.

In addition, the FCC decided in May of 2000 to retain the cable/television cross-ownership rule, which prohibits joint ownership of a broadcast television station and cable system in the same market. An appeal challenging the FCC's decision to retain this rule, however, was filed shortly thereafter in the U.S.

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Court of Appeals for the D.C. Circuit. The D.C. Circuit vacated the rule in February of this year and ordered the FCC to provide a stronger justification for the rule before the FCC attempts to reinstate it.

The FCC also has initiated a proceeding to determine whether any changes should be made to its newspaper/broadcast cross-ownership rule. The rule, adopted by the FCC in the 1970s, generally prohibits one entity from owning both a commercial broadcast station and a daily newspaper in situations where the predicted or measured contours of the station encompass entirely the community in which the newspaper is published.

The FCC recently announced that it will review six media ownership rules as part of one omnibus proceeding which it hopes to complete in the spring of 2003. These six rules include: (i) the TV national cap; (ii) newspaper-broadcast ownership restrictions; (iii) the television duopoly rule; (iv) the radio-television cross-ownership rule; (v) the dual network rule, which prohibits one company from owning more than one of the nation's top four broadcast television networks; and (vi) certain aspects of the rules governing local ownership of radio stations.

Expansion of our broadcast operations in particular areas and nationwide will continue to be subject to the FCC's ownership rules and any changes the FCC or Congress may adopt. Any relaxation of the FCC's ownership rules may increase the level of competition in one or more of the markets in which our current stations and the stations that we intend to acquire in the merger are located, particularly to the extent that our competitors or Benedek's competitors may have greater resources and thereby be in a better position to capitalize on such changes.

Under the FCC's ownership rules, a direct or indirect purchaser of certain types of our securities could violate FCC regulations if that purchaser owned or acquired an attributable or meaningful interest in other media properties in the same areas as our stations or in a manner otherwise prohibited by the FCC. All officers and directors of a licensee, as well as general partners, uninsured limited partners or uninsured members of a limited liability company and stockholders who own 5% or more of the voting power of the outstanding common stock of a licensee (either directly or indirectly), generally will be deemed to have an attributable interest in the licensee. Certain institutional investors, which exert no control or influence over a licensee, may own up to 20% of the voting power of the outstanding common stock before attribution occurs.

The FCC recently has revised its broadcast ownership attribution rules. The attribution rules define what constitutes a cognizable interest for purposes of applying the ownership rules. The FCC's attribution rules now include a new equity/debt plus attribution rule that functions in addition to the current attribution rules. Under the new rule, a holder of a financial interest, whether equity or debt or both, of 33% of licensee's total assets will have an attributable interest in that licensee if it is either a major program supplier to that licensee (supplying more than 15% of a station's total weekly broadcast programming hours) or if it is a same media market entity (including broadcasters, cable operators and newspapers). All stock, including common and preferred, voting and nonvoting stock, will be counted toward the 33% threshold. Time brokerage of another television station in the same market (including LMAs) for more than 15% of the brokered station's broadcast hours per week will result in the attribution of the time brokerage arrangement. Except for certain LMAs, any interest acquired on or after November 7, 1996, is subject to the FCC's revised ownership and attribution rules. To the best of our knowledge, none of our officers, directors or 5% stockholders currently holds an attributable interest in another television station, radio station, cable television system or daily newspaper that is inconsistent with the FCC's ownership rules and policies or with our ownership of our stations.

Alien Ownership Restrictions. The Communications Act restricts the ability of foreign entities or individuals to own or hold interests in broadcast licenses. Foreign governments, representatives of foreign governments, non-citizens, representatives of non-citizens, and corporations or partnerships organized under the laws of a foreign nation are barred from holding broadcast licenses. Non-citizens, collectively, may directly or indirectly own or vote up to 20% of the capital stock of a licensee. In addition, a broadcast license may not be granted to or held by any

corporation that is controlled, directly or indirectly, by any other corporation more than one-fourth of whose capital stock is owned or voted by non-citizens or their

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representatives or by foreign governments or their representatives, or by non-U.S. corporations if the FCC finds that the public interest will be served by the refusal or revocation of such license. We have been advised that the FCC staff has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such corporation and the FCC has made such an affirmative finding only in limited circumstances. We currently are in compliance with the FCC's alien ownership restrictions. We serve as a holding company for wholly-owned subsidiaries that are licensees for our stations and, therefore, may be restricted from having more than one-fourth of our stock owned or voted directly or indirectly by non-citizens, foreign governments, representatives of non-citizens or foreign governments, or foreign corporations.

The 1992 Cable Act. On October 5, 1992, Congress enacted the Cable Television Consumer Protection and Competition Act of 1992, which we refer to as the 1992 Cable Act. The FCC implemented the requirements of the 1992 Cable Act. Certain statutory provisions, such as signal carriage, retransmission consent and equal employment opportunity requirements, have a direct effect on television broadcasting. Other provisions are focused exclusively on the regulation of cable television but still can be expected to have an indirect effect on us because of the competition between over-the-air television stations and cable systems.

The signal carriage, or *must carry*, provisions of the 1992 Cable Act require cable operators to carry the signals of local commercial and non-commercial television stations and certain low power television stations. Systems with 12 or fewer usable activated channels and more than 300 subscribers must carry the signals of at least three local commercial television stations. A cable system with more than 12 usable activated channels, regardless of the number of subscribers, must carry the signals of all local commercial television stations, up to one-third of the aggregate number of usable activated channels of such system. The 1992 Cable Act also includes a retransmission consent provision that prohibits cable operators and other multi-channel video programming distributors from carrying broadcast stations without obtaining their consent in certain circumstances. The *must carry* and retransmission consent provisions are related in that a local television broadcaster, on a cable-system-by-cable-system basis, must make a choice once every three years regarding whether to (1) proceed under the *must carry* rules or (2) waive that right to mandatory but uncompensated carriage and negotiate a grant of retransmission consent to permit the cable system to carry the station's signal, in most cases in exchange for some form of consideration from the cable operator. Cable systems must obtain a retransmission consent to carry all distant commercial stations other than certain *super stations* delivered via satellite. Under rules adopted to implement these *must carry* and retransmission consent provisions, local television stations are required to make an election of *must carry* or retransmission consent at three year intervals. Stations that fail to make an election are deemed to have elected carriage under the *must carry* provisions. Other issues addressed in the FCC rules are market designations, the scope of retransmission consent and procedural requirements for implementing the signal carriage provisions. Each of our stations and each of the stations that we intend to acquire in the merger has elected *must carry* status on certain cable systems in its DMA. On other cable systems our stations have entered into retransmission consent agreements. This election entitles our stations to carriage on those systems until at least December 31, 2002.

The 1992 Cable Act was amended in several important respects by the Telecommunications Act. Most notable, the Telecommunications Act repealed the cross-ownership ban between cable and telephone entities as well as the FCC's former video dial-tone rules (permitting telephone companies to enter the video distribution services market under several new regulatory options). The Telecommunications Act also (1) eliminated the broadcast network/cable cross-ownership limitation and (2) lifted the statutory ban on TV/cable cross-ownership within the same market area (without, however, eliminating the separate FCC rules on TV/cable cross-ownership which, as discussed above, recently were vacated by court order).

Digital Television Service. In December 1996, the FCC formally approved technical standards for DTV. DTV is a flexible system that will permit broadcasters to utilize a single digital channel in various ways, including providing one channel of high-definition television programming with greatly enhanced image and sound quality or several

channels of lower-definition television programming, or multicasting. DTV also is capable of accommodating subscription video and data services. Broadcasters may offer a

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combination of services, so long as they transmit at least one stream of free video programming on the DTV channel. The FCC has assigned to each existing full power television station (including each of our stations and each of the stations that we intend to acquire in the merger) a second channel to implement DTV while present television operations are continued on that station's existing analog channel. Although in some cases a station's DTV channel may permit operation only over a smaller geographic service area than that available using its existing channel, the FCC's stated goal in assigning channels was to provide stations with DTV service areas that will replicate their existing service areas. The FCC's DTV rules also permit stations to request new channel assignments and other modifications to their assigned DTV facilities, allowing them to expand their DTV service areas if certain interference criteria are met. Under FCC rules and the Balanced Budget Act of 1997, station owners may be required to surrender one channel in 2006 and thereafter provide service solely in the DTV format. Generally, under current FCC rules each of our stations and each of the stations that we intend to acquire in the merger was required to construct DTV facilities and commence operations by May 2002. We completed our DTV implementation at WRDW, our Augusta, Georgia station, in early 2000. In 2001, we completed our DTV implementation at KWTX, our Waco, Texas station and WEAU, our Eau Claire, Wisconsin station. In May 2002, we commenced digital broadcasting on KXII in Sherman, Texas. In August 2002, we commenced digital broadcasting at WKYT, our Lexington, Kentucky station. Our remaining eight stations have been granted six-month extensions to the May 2002 deadline and these extensions will need to be renewed if the stations are not broadcasting in digital format by the time the extensions expire. We plan to complete the necessary DTV construction at all of our remaining stations within the next year. Of the stations we intend to acquire in the merger, one station, WMTV in Madison, Wisconsin, has commenced DTV operations, and 12 stations are currently under construction and are currently expected to be broadcasting in a digital format within the next year. We expect to begin and complete DTV construction at the remaining two stations as soon as practicable after completing the merger.

In November 1998, the FCC issued a decision to implement the requirement of the Telecommunications Act that the FCC charge broadcasters a fee for offering subscription services on the DTV channel. The FCC decision was to impose a fee of 5% of the gross revenues generated by such services. The FCC also is considering whether and how to extend cable systems' obligations for mandatory carriage of broadcast stations' DTV channels. Finally, the FCC is considering additional public interest obligations on broadcasters' digital operations. The FCC has asked for comments on four general categories of issues: (1) the application of television stations' public interest obligations to the new flexibility and capabilities of digital television, such as multiple channel transmission; (2) how television stations could best serve their communities in terms of providing their viewers with information on their public interest activities, and using digital technology to provide emergency information in new ways; (3) how DTV broadcasters could increase access to television programming for people with disabilities and further the longstanding legislative and regulatory goals of diversity; and (4) whether broadcasters could enhance the quality of political discourse through use of the airwaves for political issues and debate.

In January 2001, the FCC issued an order addressing the must-carry rights of digital television broadcasters in which it determined the following:

Digital-only television stations immediately may assert carriage rights on local cable systems;

Television stations that return their analog spectrum and convert to digital operations are entitled to must-carry rights; and

A digital-only station asserting must-carry rights is entitled to carriage of only a single programming stream and other program-related content, regardless of the number of programs it broadcasts simultaneously on its digital spectrum.

The FCC deferred making a decision as to whether broadcasters are entitled to simultaneous carriage on cable systems of both their digital and analog signals during the transition to DTV. Nevertheless, the agency did announce

its tentative conclusion that, although neither forbidden nor mandated by the Communications Act, dual carriage obligations would appear to impose an unconstitutional burden on a

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cable operator's First Amendment rights. The FCC also is considering whether rules for carriage of digital television signals by cable system operators also should apply to direct broadcast satellite operators.

Several parties have filed petitions for reconsideration of the FCC's DTV must-carry decision. Those petitions remain pending before the FCC, and we cannot predict what changes, if any, the FCC will make to its DTV must-carry rules on reconsideration.

Direct Broadcasting Satellite Systems. The FCC has authorized DBS, a service which provides multichannel video programming via satellite directly to home subscribers. Congress has enacted the Satellite Home Viewer Improvement Act, which we refer to as SHVIA, which gives satellite companies the option of providing local broadcast stations to subscribers living in the station's local market area. This is referred to as local-into-local service.

Beginning January 1, 2002 DBS operators became subject to a requirement for mandatory carriage of local television stations, similar to that applicable to cable systems, for those markets in which a satellite carrier chooses to provide any local signal. Stations in affected markets were required to make must-carry elections by June 2001. SHVIA also extended the current system of satellite distribution of distant network signals to unserved households (for example, those that do not receive a Grade B signal contour from a local network affiliate). In response to a challenge to certain provisions of SHVIA, a panel of the U.S. Court of Appeals for the Fourth Circuit upheld the requirement that DBS operators carry the signal of all local television stations in markets where they elect to carry any local signals. The court also upheld an FCC rule that permits DBS operators to offer all local television stations on a single tier basis or an a la carte basis. The rule allows consumers to choose between the two options. The Supreme Court recently denied *certiorari* in this case.

In response to broadcasters' June 2001 elections, DBS operators issued a large number of carriage denial letters, prompting the FCC to issue an order in September 2001 clarifying the DBS mandatory carriage rules. In particular, the FCC emphasized that a satellite carrier must have a reasonable basis for rejecting a broadcast station's request for carriage. We cannot predict the impact of DBS service upon our business.

Recent Developments. Congress recently has enacted legislation and the FCC currently has under consideration or is implementing new regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation and ownership of our broadcast properties and of the broadcast properties that we intend to acquire in the merger. In addition to the proposed changes noted above, such matters include, for example, spectrum use fees, political advertising rates, potential advertising restrictions on the advertising of certain products (such as hard liquor), the rules and policies to be applied in enforcing the FCC's equal employment opportunity regulations, cable carriage of digital television signals and viewing of distant network signals by direct broadcast satellite services. Other matters that could affect our broadcast properties and the broadcast properties that we intend to acquire in the merger include technological innovations and developments generally affecting competition in the mass communications industry, such as the recent initiation of direct broadcast satellite service, and the continued establishment of wireless cable systems and low power television stations.

In response to a decision of the U.S. Court of Appeals for the D.C. Circuit, the FCC suspended its requirement that licensees widely disseminate information about job openings to all segments of the community to ensure that all qualified applicants, including minorities and women, have sufficient opportunities to compete for jobs in the broadcast industry. The FCC recently proposed new rules designed to satisfy the court's ruling concerning these so-called equal employment opportunity requirements. The new rules would reinstate under a different format the requirement that licensees widely disseminate information about job openings to all segments of the community and periodically disclose details concerning recruiting and outreach activities.

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Paging

Federal Regulation. Our paging operations, which we acquired in September 1996, are subject to regulation by the FCC under the Communications Act. The FCC has granted us licenses to use the radio frequencies necessary to conduct our paging operations.

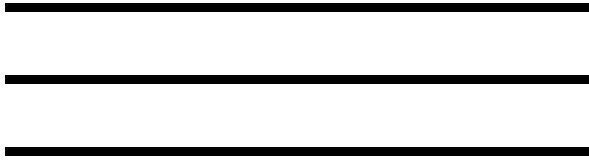
License Grant and Renewal. Our FCC paging licenses are granted for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. We hold various FCC radio licenses which are used in connection with our paging operations. Our paging licenses will expire during calendar year 2009. Licensees in the paging services normally enjoy a license renewal expectancy and the vast majority of license renewal applications are granted in the normal course. Although we are unaware of any circumstances which could prevent the grant of renewal applications, no assurance can be given that any of our licenses will be free of competing applications or will be renewed by the FCC. Furthermore, the FCC has the authority to restrict the operations of licensed facilities or to revoke or modify licenses. None of our licenses has ever been revoked or modified involuntarily, and such proceedings by the FCC are rarely undertaken.

Employees

The table below summarizes as of June 30, 2002 the number of full time employees we had and the number of full time employees we intend to acquire in the merger. None of our current employees are represented by unions. At three of the stations we intend to acquire in the merger three unions represent a total of approximately 175 employees. The collective bargaining agreements expire at various times from June 2003 through December 2003. At WIFR-TV, Rockford, Illinois, 23 employees have certified a union and negotiations for a collective bargaining agreement are scheduled to occur shortly. There are no unionized employees at the other stations we are acquiring as a result of the merger. We believe our relations with our employees are satisfactory.

Full Time Employees as of June 30, 2002:

			<u>Total</u>	<u>Broadcasting</u>	<u>Publishing</u>	<u>Paging</u>	<u>Corporate</u>
Gray			1,194	798	331	49	16
Stations							
867	849	18					
Reno							
74	74						
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Combined Total							
2,135	1,721	331	49	34			
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Properties

Our principal executive offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia, 30319. Stations principal executive offices are located in leased premises in Hoffman Estates, Illinois. Stations also has executive offices in New York City.

The types of properties required to support television stations include offices, studios, transmitter sites and antenna sites. A station s studios generally are housed with its offices in business districts. The transmitter sites and antenna generally are located in elevated areas to provide optimal signal strength and coverage. The types of properties required to support newspaper publishing include offices, facilities for printing presses and production and storage. Paging properties include leased retail, office and tower space.

The following tables set forth certain information regarding our significant properties and each of the stations that we intend to acquire in the merger.

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Station, Market Area and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height (ft.)/ Power	Lease Expiration Date
Knoxville, Tennessee WVLT				
Office and studio	Owned	18,000		
Transmission tower site	Leased	Tower space	1,078/316 kw	Month to month
Lexington, Kentucky WKYT				
Office, studio and transmission tower site	Owned	34,500	1,023/	
Hazard, Kentucky WYMT				
Office and studio	Owned	21,200		
Transmission tower site	Leased		1,029/263 kw	06/2005
Transmitter buildings and improvements	Owned	816 and 864		
Waco, Texas KWTX				
Office and studio	Owned	34,000		
Moody, Texas KWTX				
Transmission tower site	Owned	856	1,679/209 kw	
Bryan, Texas KBTX				
Office and studio	Owned	7,000	374	
Grimes County, Texas KBTX				
Transmission tower site	Owned	1,300	1,705/70	03/2023
Calvert, Texas KBTX				
Transmission tower site	Owned	80 and 96	252	
Falls County, Texas KBTX				
Transmission tower site	Owned	128	200	
Beaver Crossing, Nebraska KOLN				
Transmission tower site	Owned	120 acres	1,500/302 kw	
Lincoln, Nebraska KOLN				
Office and studio	Owned	28,044	400	
Bradshaw, Nebraska KOLN				
Transmission tower site	Owned	8 acres	345	
Heartwell, Nebraska KGIN				
Transmission tower site	Owned	71 acres	1,069/316 kw	
Grand Island, Nebraska KGIN				
Office and studio	Leased	3,616		12/2003
Washington, North Carolina WITN				
Office and studio	Owned	19,600	198	
Greenville, North Carolina WITN				
Office and studio	Leased	2,822		11/2003
Grifton, North Carolina WITN				
Transmitter building	Owned	4,190	2,000	
Grifton, North Carolina WITN				
Transmission tower site	Leased	9 acres	316 kw	01/2029
Tallahassee, Florida WCTV				
Office and studio	Owned	20,000		
	Leased	37 acres	310	12/2014
Metcalfe, Georgia WCTV				
Transmission tower site	Owned	182 acres	2,000/100 kw	
North Augusta, South Carolina WRDW				
Office and studio	Owned	17,000	501/20 kw	
Beech Island, South Carolina WRDW				
Transmission tower site	Owned	143 acres	1,506	
Eau Claire, Wisconsin WEAU				

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Office and studio

Owned

16,116

1,000

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Station, Market Area and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height (ft.)/ Power	Lease Expiration Date
Township of Fairchild, Wisconsin WEAU Transmitter building and transmission tower site	Owned with easement	2,304	2,000/316 kw	
Panama City, Florida WJHG Office and studio	Owned	14,000	400	
Youngstown, Florida WJHG Transmission tower site	Owned	17 acres	808/316 kw	
Sherman, Texas KXII Office and studio	Owned	12,813	202	
Madill, Oklahoma KXII Transmission tower site	Owned	1,200	1,694/316 kw	
Ardmore, Oklahoma KXII Studio and offices	Owned	3,000	60	
Paris, Texas KXII Translator tower site	Owned	65	300/.010 kw	
Baton Rouge, Louisiana Lynqx Communications Office and repair site	Leased	3,400		12/2003
Tallahassee, Florida Lynqx Communications Office	Owned	1,000		

Benedek s Television Stations

Station, Market Area and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height (ft.)/ Power	Lease Expiration Date
Wichita-Hutchinson, Kansas KAKE-TV Office and Studio	Owned	46,762		
Tower/ Transmitter site	Owned	2,176	1,000/316 kw	
Colby, Kansas KLBY-TV Office and Studio	Leased	2,850		04/2004
Tower/ Transmitter site	Leased	1,000	768/100 kw	04/2007
Garden City, Kansas KUPK-TV Office and Studio	Owned	1,831		
Tower/ Transmitter site	Owned	4,655	880/224 kw	
Omaha, Nebraska WOWT-TV Office and Studio	Owned	58,829		
Tower/ Transmitter site	Owned	2,500	1,342/100 kw	
Madison, Wisconsin WMTV-TV Office and Studio	Owned(b)	16,485(c)		
Tower/ Transmitter site	Owned(b)		1,040/955 kw	
Colorado Springs-Pueblo, Colorado KKTU Office and Studio	Owned(b)	30,465		
Tower/ Transmitter site	Leased	800	350/234 kw	02/2059
Lansing, Michigan WILX-TV Office and Studio	Owned(b)	13,700		
Tower/ Transmitter site	Leased	5,000	994/309 kw	10/2003
Rockford, Illinois WIFR-TV Office and Studio	Owned(b)	13,500(c)		
Tower/ Transmitter site	Owned(b)		674/562 kw	
Wausau-Rhineland, Wisconsin WSAW-TV Office and Studio	Owned(b)	24,400		

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Tower/ Transmitter site

Leased(d)

432

650/316 kw

08/2017

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Station, Market Area and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height (ft.)/ Power	Lease Expiration Date
Topeka, Kansas WIBW-TV Office and Studio	Owned(b)	19,800		
Tower/ Transmitter site	Leased	2,338	1,249/316 kw	02/2062
Dothan, Alabama and Panama City, Florida WTVY-TV Office and Studio	Leased	20,440		12/2003
Tower/ Transmitter site	Owned(b)	2,500	1,880/100 kw	
Harrisonburg, Virginia WHSV-TV Office and Studio	Leased(b)	18,000		04/2018(e)
Tower/ Transmitter site	Leased	2,016	337/8.32 kw	12/2001(f)
Bowling Green, Kentucky WBKO-TV Office and Studio	Owned(b)	17,598		
Tower/ Transmitter site	Owned(b)	1,175	603/316 kw	
Meridian, Mississippi WTOK-TV Office and Studio	Owned(b)	13,188		
Tower/ Transmitter site	Owned(b)	1,504	316/316 kw	
Parkersburg, West Virginia WTAP-TV Office and Studio	Owned	17,500		
Tower/ Transmitter site	Owned(b)	3,600	439/208 kw	

- (a) Approximate size is for building space only and does not include the land on which the facilities are located.
- (b) Stations has mortgaged its interest in this property to the collateral agent under its credit facility, which mortgage will be released at the time of the merger.
- (c) The tower/transmitter is located at and included within the size of the office and studio premises.
- (d) Stations leases this space with Shockley Communications Corporation and the Wisconsin Educational Communications Board from the State of Wisconsin Department of Natural Resources.
- (e) Stations has an option to purchase this property during the term of the lease. The purchase price is subject to adjustment depending upon the date the option is exercised. If Stations had exercised the option on December 31, 2001, the purchase price would have been \$1.4 million.
- (f) The United States Department of Agriculture Forest Service granted us a Special Use Permit to occupy this land. Stations has applied for and is currently awaiting renewal of this permit.

Publishing

Newspaper and Property Location	Use	Owned or Leased	Approximate Size (sq. ft.)	Lease Expiration Date
The Albany Herald Publishing Company, Inc., Albany, GA	Offices and production facility for <i>The Albany Herald</i>	Owned	83,000	
Post Citizen Media, Inc. Conyers, GA	Offices for <i>Rockdale Citizen/Newton Citizen</i>	Owned	20,000	
Conyers, GA	Offices and production facility for <i>Rockdale Citizen/Newton Citizen</i> and the	Leased	20,000	05/2007

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Lawrenceville, GA	<i>Gwinnett Daily Post</i> Offices for the <i>Gwinnett Daily Post</i>	Leased	11,000	Month to month
Goshen, IN	Offices and production facility for <i>The Goshen News</i>	Owned	21,000	

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Property Location	Use	Owned or Leased	Approximate Size (sq. ft.)	Lease Expiration Date
Albany, GA	Sales Office	Leased	3,200	05/2004
Columbus, GA	Sales Office	Leased	2,200	12/2002
Columbus, GA	Sales Office	Leased	2,800	08/2007
Dothan, AL	Sales Office	Leased	800	02/2005
Macon, GA	Sales Office	Leased	1,260	Month to month
Tallahassee, FL	Sales Office	Leased	1,800	08/2005
Tallahassee, FL	Corporate Office	Leased	2,400	03/2007
Thomasville, GA	Sales Office	Leased	1,200	Month to month
Valdosta, GA	Sales Office	Leased	1,250	02/2005
Panama City, FL	Sales Office	Leased	1,050	Month to month
Gainesville, FL	Sales Office	Leased	1,100	Month to month

The paging operations also lease space on various towers in Florida, Georgia and Alabama. Lease terms for these towers range from month-to-month to expiration dates through 2006.

Legal Proceedings

We are not a party to any legal proceedings in which an adverse outcome would have a material adverse effect, either individually or in the aggregate, on us except for the income tax matter described below.

The Internal Revenue Service, which we refer to as the IRS, is auditing our federal tax returns for the years ended December 31, 1996 and 1998. In conjunction with this examination, we extended the time period that the IRS has to audit our federal tax returns for the 1996 and 1997 tax years until December 31, 2001.

In connection with an audit of our 1996 and 1998 federal income tax returns, the IRS has asserted a deficiency in income taxes of \$12.1 million, plus related interest and penalties. The asserted deficiency relates principally to our acquisition in 1996 of certain assets of First American Media, Inc. If the IRS is successful in its claims, we would be required to account for the 1996 acquisition transaction as a stock purchase instead of an asset purchase which would significantly lower the tax basis in the assets acquired. On January 18, 2002, we filed a petition in the United States Tax Court to contest this deficiency, and we believe that we have a meritorious position with respect to the issues related to the deficiency. We cannot be certain when, and if, this matter will be resolved in our favor, and if it is not, we could incur negative consequences in future years.

Environmental Matters

Our operations are subject to federal, state and local laws and regulations relating to the protection of the environment, including those governing the management and disposal of, and exposure to, hazardous materials, the release of pollutants and the cleanup of contamination. As an owner and operator of property and in connection with the current and historical storage and use of hazardous materials at our sites, we could incur significant costs resulting from the cleanup of contaminated sites (regardless of the fault or lawfulness of the activity that resulted in contamination) or violations of environmental laws. For example, some of our properties contain, or formerly contained, underground storage tanks, or have above-ground storage tanks, used for the storage of fuel for back-up generators or have been the site of other industrial or commercial operations in the past. We believe, however, that our operations are in substantial compliance with all applicable environmental laws and regulations.

Table of Contents**MANAGEMENT***Directors and Executive Officers*

The following table sets forth certain information regarding our directors and executive officers as of September 26, 2002. All information relating to age is as of August 1, 2002.

Name	Age	Position
J. Mack Robinson	79	Chairman and Chief Executive Officer, Director
Hilton H. Howell, Jr.		
40 Vice Chairman, Director		
Robert S. Prather, Jr.		
57 President and Chief Operating Officer, Director		
James C. Ryan		
41 Senior Vice President and Chief Financial Officer		
Robert A. Beizer		
62 Vice President Law and Development, Secretary		
Thomas J. Stultz		
50 Vice President, President Publishing		
Wayne M. Martin		
55 Regional Vice President Television		
Rich D. Adams		
54 Regional Vice President Texas		
Frank J. Jonas		
55 Regional Vice President Midwest		
William E. Mayher, III		
63 Chairman, Director		
Richard L. Boger		
55 Director		
Ray M. Deaver		
61 Director		
Howell W. Newton		
55 Director		
Hugh Norton		
69 Director		
Harriett J. Robinson		
71 Director		

Background of Directors and Executive Officers

J. Mack Robinson, age 79, has been our Chairman and Chief Executive Officer since September 2002. Prior to that, he was our President and Chief Executive Officer since 1996. He has served as one of our directors since 1993. He is the Chairman of the Executive Committee of our board of directors. Mr. Robinson has served as Chairman of the Board of Bull Run, one of our principal stockholders, since 1994, Chairman of the Board and President of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1958, President of Atlantic American Corporation, an insurance holding company, from 1988 until 1995 and Chairman of the Board of Atlantic American Corporation since 1974. Mr. Robinson also serves as a director of the following companies: Bankers Fidelity Life Insurance Company, American Independent Life Insurance Company, Georgia Casualty & Surety Company,

American Southern Insurance Company and American Safety Insurance Company. He is a director *emeritus* of Wachovia Corporation. Mr. Robinson is the husband of Mrs. Harriett J. Robinson and the father-in-law of Mr. Hilton H. Howell, Jr., both members of our board of directors.

Hilton H. Howell, Jr., age 40, has been our Vice Chairman since September 2002. Prior to that, he was our Executive Vice President since September 2000. He has served as one of our directors since 1993. He is a member of the Executive Committee of our board of directors. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995 and Executive Vice President from 1992 to 1995. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1991, and Vice Chairman of Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company since 1992. He has been a director, Vice President and Secretary of Bull Run, one of our principal stockholders, since 1994. Mr. Howell also serves as a director of the following companies: Atlantic American Corporation, Bankers Fidelity Life Insurance Company, Delta Life Insurance Company, Delta Fire and Casualty Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company, American Safety Insurance Company, Association Casualty Insurance Company and Associa-

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tion Risk Management General Agency. He is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of our board of directors.

Robert S. Prather, Jr., age 57, has served as our President and Chief Operating Officer since September 2002. Prior to that, he served as our Executive Vice President Acquisitions since 1996. He has served as one of our directors since 1993. He is a member of the Executive Committee of our board of directors. He has served as President and Chief Executive Officer and a director of Bull Run, one of our principal stockholders, since 1992. He serves as a director of Swiss Army Brands, Inc. and The Morgan Group, Inc. and serves on the Board of Trustees of the Georgia World Congress Center Authority.

James C. Ryan, age 41, has served as our Senior Vice President and Chief Financial Officer since September 2002. Prior to that, he was our Vice President and Chief Financial Officer since October 1998. He was the Chief Financial Officer of Busse Broadcasting Corporation from 1987 until we acquired it in 1998.

Robert A. Beizer, age 62, has served as our Vice President for Law and Development and Secretary since 1996. From June 1994 to February 1996 he was of counsel to Venable, Baetjer, Howard & Civiletti, a law firm, in its regulatory and legislative practice group. From 1990 to 1994, Mr. Beizer was a partner in the law firm of Sidley & Austin and was head of their communications practice group in Washington, D.C. He is a past president of the Federal Communications Bar Association and has served as a member of the American Bar Association House of Delegates.

Thomas J. Stultz, age 50, has served as our Vice President and President of our Publishing Division since 1996. Prior to joining us, he served as Vice President of Multimedia Newspaper Company, a division of Multimedia, Inc. from 1988 to 1995, having responsibility for developing and coordinating Multimedia's newspaper marketing initiatives and directly supervising several Multimedia daily and non-daily publications. Mr. Stultz has approximately 32 years of experience in the newspaper industry.

Wayne M. Martin, age 55, has served as our Regional Vice President-Television since 1998. In 1998, he also was appointed President of WVLT-TV, our subsidiary in Knoxville, Tennessee. Since 1993, Mr. Martin has served as President of Gray Kentucky Television, Inc., one of our subsidiaries, which operates WKYT-TV, in Lexington, Kentucky and WYMT-TV, in Hazard, Kentucky. Mr. Martin has approximately 16 years of experience in the broadcast industry.

Rich D. Adams, age 54, assumed the positions of our Regional Vice President-Texas and General Manager of KWTX-TV, Waco, Texas, in January 2002. He replaced Mr. Ray Deaver who retired from these positions on December 31, 2001. Prior to his appointment in January 2002 to these positions, Mr. Adams served as General Manager of KXII-TV, our Sherman, Texas station since 1980. We acquired KXII and KWTX in October 1999. Mr. Adams has approximately 31 years of experience in the broadcast industry.

Frank J. Jonas, age 55, has served as our Regional Vice President-Midwest since June 2000. He has served as the President and General Manager of KOLN/ KGIN-TV, Lincoln and Grand Island, Nebraska, since 1985. We acquired KOLN/ KGIN-TV in 1998. Mr. Jonas has approximately 29 years of experience in the broadcast industry.

William E. Mayher, III, age 63, is a member of the 2002 Long Term Incentive Plan Committee, the Executive Committee, the Management Personnel Committee and the Audit Committee of our board of directors and has served as Chairman of our board of directors since August 1993. Dr. Mayher was a neurosurgeon in Albany, Georgia from 1970 to 1998. Dr. Mayher is Chairman of the Medical College of Georgia Foundation and a past member of the American Association of Neurological Surgeons. He also serves as a director of Gaston Loughlin, Inc. and Palmyra Medical Centers.

Richard L. Boger, age 55, has served as one of our directors since 1991. Mr. Boger is a member of the Audit Committee of our board of directors. Mr. Boger has been President and Chief Executive Officer of Export Insurance Services, Inc., an insurance brokerage and agency until February 15, 2002, President and

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Chief Executive Officer of Lex-Tek International, Inc., an insurance software company, and a director of CornerCap Group of Funds, a Series investment company since prior to 1992.

Ray M. Deaver, age 61, has served as one of our directors since January 2002. Mr. Deaver is Chairman of the Management Personnel Committee of our board of directors and a member of the 2002 Long-Term Incentive Plan Committee. Prior to his appointment to our board of directors, Mr. Deaver served as our Regional Vice President-Texas from October 1999 until his retirement on December 31, 2001. He was the President and General Manager of KWTX Broadcasting Company and President of Brazos Broadcasting Company from November 1997 until their acquisition by us in October 1999. Prior to 1995, he was Vice President of KWTX Broadcasting Company and Brazos Broadcasting Company. He has approximately 40 years of experience in the broadcast industry. Mr. Deaver is currently the Chairman of the CBS Television Network Affiliates Advisory Board.

Howell W. Newton, age 55, has served as one of our directors since 1991. Mr. Newton is Chairman of the Audit Committee of our board of directors. Mr. Newton has been President and Treasurer of Trio Manufacturing Co., a textile manufacturing company, since 1978.

Hugh Norton, age 69, has served as one of our directors since 1987. He is Chairman of the 2002 Long Term Incentive Plan Committee of our board of directors and a member of the Management Personnel Committee of our board of directors. Mr. Norton has been President of Norco, Inc., an insurance agency since 1973. Mr. Norton is also a real estate developer in Destin, Florida.

Harriett J. Robinson, age 71, has served as one of our directors since 1997. Mrs. Robinson has been a director of Atlantic American Corporation since 1989. Mrs. Robinson has also been a director of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1967. Mrs. Robinson is the wife of Mr. J. Mack Robinson and the mother-in-law of Mr. Hilton H. Howell, Jr.

Our board of directors currently is composed of nine directors, three of whom are our employees. A majority of our board of directors is not independent. Directors serve until the next annual stockholders meeting or until their successors have been duly elected and qualified.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following information is current as of July 2, 2002.

General

J. Mack Robinson, Chairman and Chief Executive Officer and one of our directors, is Chairman of the Board of Bull Run and the beneficial owner of 24.9% of the outstanding shares of Bull Run common stock (including certain shares as to which such beneficial ownership is disclaimed by Mr. Robinson). Robert S. Prather, Jr., President and Chief Operating Officer and one of our directors, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of 8.7% of the outstanding shares of Bull Run common stock (including certain shares as to which such beneficial ownership is disclaimed by Mr. Prather). Bull Run is the owner of 18.2% of our total outstanding common stock. Hilton H. Howell, Jr., Vice Chairman and one of our directors, is Vice President, Secretary and a director of Bull Run. Bull Run and the executive officers and directors mentioned above, and their affiliates, hold or have the right to vote in the aggregate 49.9% in voting power of our currently outstanding common stock. Furthermore, if all options and warrants that are currently outstanding were exercised, their voting power would increase to 56.0%.

Harriett J. Robinson serves as a director of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company, which are both holders of a portion of our Series C.

J. Mack Robinson is the father-in-law and Harriett J. Robinson is the mother-in-law of Hilton H. Howell, Jr. Mr. and Mrs. Robinson are husband and wife.

Compensation Committee Interlocks and Insider Participation

Ray M. Deaver, William E. Mayher, III and Hugh Norton are the members of the Management Personnel Committee, which serves as our Compensation Committee.

Gray Kentucky Television, Inc., which we refer to as Gray Kentucky, one of our subsidiaries, is a party to a rights sharing agreement with Host Communications, Inc., which we refer to as Host, a wholly owned subsidiary of Bull Run. Under this agreement, the parties agreed to exploit Host's rights to broadcast and market certain University of Kentucky football and basketball games and related activities. Under such agreement, Gray Kentucky is licensed to broadcast certain University of Kentucky football and basketball games and related activities. Under this agreement, Gray Kentucky also provides Host with production and certain marketing services and Host provides accounting and various marketing services. During the year ended December 31, 2001, we paid \$125,000 under this rights sharing agreement.

During 2001, we paid preferred stock dividends of \$616,347 to the holders of our series A and series B preferred stock. The holders of our series A and series B preferred stock consisted of Bull Run, J. Mack Robinson and certain of his affiliates. During the six months ended June 30, 2002, we paid preferred stock dividends of \$321,905 to affiliated holders of our series A, series B and Series C preferred stock.

On December 3, 2001, we exercised our option to acquire 301,119 shares of the outstanding common stock of Tarzian from Bull Run. Bull Run had purchased these same shares from U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate of Mary Tarzian, the Estate, in January 1999.

We paid \$10.0 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. We have previously capitalized and paid to Bull Run \$3.2 million of costs associated with our option to acquire these shares. In connection with the option agreement, we granted warrants to Bull Run to purchase up to 100,000 shares of our Common Stock at \$13.625 per share. The warrants vested immediately upon our exercise of our option to purchase the Tarzian shares. The warrants expire on December 3, 2011 (10 years following the date on which we exercised our option).

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On February 12, 1999, Tarzian filed a complaint against Bull Run and the Estate in the United States District Court for the Southern District of Indiana. Tarzian claims that it had a binding and enforceable contract to purchase the Tarzian shares from the Estate prior to Bull Run's purchase of the shares, and requests judgment providing that the contract be enforced. On May 3, 1999, the action was dismissed without prejudice against Bull Run, leaving the Estate as the sole defendant. The litigation between the Estate and Tarzian is ongoing and we cannot predict when the final resolution of the litigation will occur. The purchase agreement with the Estate provides that if a court of competent jurisdiction awards title to the Tarzian shares to a person or entity other than the purchaser (or its successors or assigns), the purchase agreement will be rescinded. In that event, the Estate will be required to pay for our benefit, as successor in interest, the full \$10.0 million purchase price, plus interest.

On April 22, 2002, we issued a total of \$40.0 million of new Series C. We issued \$31.4 million to a limited number of outside accredited investors, and \$8.6 million to J. Mack Robinson and certain of his affiliates in exchange for all of the outstanding shares of our series A preferred stock and series B preferred stock on a one-for-one basis. Shares of the Series C are convertible into our Common Stock at an initial conversion price of \$14.39 per share, subject to customary adjustments.

For advisory services rendered by Bull Run to us in connection with the proposed acquisition of Stations, we advanced to Bull Run \$5.0 million on June 10, 2002. In the event that the acquisition is not consummated, Bull Run will be required to repay to us the advisory fee in full.

We do not intend to compensate Bull Run for any such advisory or similar services in the future.

We obtain certain workers compensation insurance coverage from Georgia Casualty & Surety Co., which is a wholly-owned subsidiary of Atlantic American Corporation, a publicly traded company in which J. Mack Robinson and certain of his affiliates have a substantial ownership interest. During 2001, we paid insurance premiums of approximately \$240,395 to Georgia Casualty.

Table of Contents**PRINCIPAL STOCKHOLDERS**

The following table sets forth certain information regarding the ownership of our Common Stock and class A common stock as of July 2, 2002 by (i) any person who is known to us to be the beneficial owner of more than five percent of our Common Stock or class A common stock, (ii) all directors and (iii) all directors and executive officers as a group. Warrants and options to acquire our Common Stock or class A common stock included in the amounts listed below are currently exercisable. As of July 2, 2002, our directors and executives as a group owned or controlled 59.3% of our combined voting common stock.

Name	Common Stock (GTN)		Class A Common Stock (GTN.A)		Combined Voting Percent of Common Stock
	Beneficially Owned		Beneficially Owned		
	Shares	Percent	Shares	Percent	
Robert A. Beizer (a)	42,691	*		*	*
Richard L. Boger (a)	13,763	*	3,736	*	*
Ray M. Deaver (b)	406,168	4.6%		*	*
Hilton H. Howell, Jr. (c)(d) (e)	296,247	3.3%	3,778,577	47.3%	42.8%
Wayne M. Martin (a)	37,314	*	7,005	*	*
William E. Mayher, III (a)	23,750	*	13,500	*	*
Howell W. Newton (a)	7,500	*	2,625	*	*
Hugh Norton (a)	23,750	*	13,500	*	*
Robert S. Prather, Jr. (c)(f)	392,650	4.2%	3,352,910	42.1%	38.2%
Harriett J. Robinson (a)(c)(e) (g)	563,600	6.1%	4,998,752	59.9%	54.6%
J. Mack Robinson (c)(e)(h)	563,600	6.1%	4,998,752	59.9%	54.6%
Thomas J. Stultz (a)	26,011	*	2,250	*	*
Bull Run Corporation (i)	111,750	1.2%	3,123,897	39.3%	35.4%
Mario J. Gabelli (j)	2,824,855	31.8%	462,485	6.8%	9.6%
George H. Nader (k)	* 359,998	5.3%		4.7%	
Shapiro Capital Management Company, Inc. (l)	970,496	10.9%	*	1.3%	
All directors and executive officers as a group	1,643,562	16.9%	5,363,956	64.2%	59.3%

* Less than 1%.

- (a) Includes options to purchase our Common Stock, as follows: each of Messrs. Boger, Mayher, Newton and Norton and Mrs. Robinson 5,000 shares of our Common Stock; Mr. Martin 36,250 shares of our Common Stock; Mr. Beizer 42,000 shares of our Common Stock and Mr. Stultz 22,500 shares of our Common Stock.
- (b) Includes 213,228 shares of our Common Stock owned by Mr. Deaver's wife, as to which shares he disclaims beneficial ownership.
- (c) Includes 11,750 shares of our Common Stock and 2,017,647 shares of our class A common stock owned by Bull Run and warrants to purchase 100,000 shares of our Common Stock and 1,106,250 shares of our class A common stock owned by Bull Run, as described in footnote (i) below, because Messrs. Howell, Prather and Robinson are directors and officers of Bull Run and Messrs. Prather and Robinson are principal shareholders of Bull Run. In addition, Mrs. Robinson is the spouse of Mr. Robinson. Each of Messrs. Howell, Prather and Robinson and Mrs. Robinson disclaims beneficial ownership of the shares owned by Bull Run.
- (d) Includes 59,075 shares of our class A common stock owned by Mr. Howell's wife directly and as trustee for her children, as to which shares he disclaims beneficial ownership.
- (e) Includes as to Messrs. Robinson and Howell and Mrs. Robinson, an aggregate of 16,000 shares of our Common Stock and 523,605 shares of our class A common stock owned by certain companies of which Mr. Howell is an officer and a director, Mr. Robinson is an officer, director and a principal or

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sole shareholder and Mrs. Robinson is a director. Also includes warrants to purchase 37,500 shares of our class A common stock owned by one of these companies.

- (f) Includes 100 shares of our Common Stock and 225 shares of our class A common stock owned By Mr. Prather s wife, as to which shares he disclaims beneficial ownership. Includes options to purchase 266,000 shares of our Common Stock and 9,337 shares of our class A common stock .
- (g) Includes: (1) an aggregate of 92,950 shares of our Common Stock and 401,975 shares of our class A common stock, options to purchase 265,000 shares of our Common Stock, options to purchase 10,000 shares of our class A common stock and warrants to purchase 75,000 shares of our class A common stock owned by Mrs. Robinson s husband; (2) warrants to purchase 112,500 shares of our class A common stock; and (3) 40,000 shares of our Common Stock, 336,950 shares of our class A common stock and warrants to purchase 150,000 shares of our class A common stock owned by Mrs. Robinson, as trustee for her daughters. Mrs. Robinson disclaims beneficial ownership of all such securities. Mrs. Robinson s address is 4370 Peachtree Road NE, Atlanta, Georgia 30319.
- (h) Includes: (1) options to purchase 265,000 shares of our Common Stock and options to purchase 10,000 shares of our class A common stock; (2) warrants to purchase 75,000 shares of our class A common stock held by Mr. Robinson; and (3) 72,900 shares of our Common Stock and 564,275 shares of our class A common stock owned by Mr. Robinson s wife directly and as trustee for their daughters, options to purchase 5,000 shares of our Common Stock and warrants to purchase 262,500 shares of our class A common stock held by Mr. Robinson s wife directly and as trustee for their daughters. Mr. Robinson disclaims beneficial ownership of all such securities. Mr. Robinson s address is 4370 Peachtree Road NE, Atlanta, Georgia 30319.
- (i) Includes warrants to purchase 100,000 shares of our Common Stock and 1,106,250 shares of our class A common stock. The address of Bull Run is 4370 Peachtree Road NE, Atlanta, Georgia 30319.
- (j) This information was furnished to us on a Schedule 13D filed by Gabelli Funds, Inc. and also by Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer. The Schedule 13D reports the beneficial ownership of our class A common stock as follows: Gabelli Funds, LLC 102,125 shares; GAMCO Investors, Inc. 310,400 shares; Gabelli Securities, Inc. 7,070 shares, Gabelli Performance Partnership, L.P. 40,750 shares and Gabelli Advisers, Inc. 2,500 shares. The Schedule 13D reports the beneficial ownership of our Common Stock as follows: Gabelli Funds, LLC 1,153,347 shares; GAMCO Investors, Inc. 1,570,791 shares; Gabelli Securities, Inc. 16,340; Gabelli International Limited 44,100 shares; Gabelli Advisers, Inc. 29,000 shares, Gabelli Performance Partnership, L.P. 11,000 shares and Gemini Capital Management, LLC 277 shares. GAMCO Investors, Inc. only has the authority to vote 1,513,041 of the shares beneficially held by it. The address of Mr. Gabelli and Gabelli Funds, Inc. is One Corporate Center, Rye, New York 10580.
- (k) Mr. Nader s address is P.O. Box 271, 1011 Fifth Avenue, West Point, Georgia 31833.
- (l) This information was furnished to us on a Schedule 13G, filed on July 11, 2002 by Shapiro Capital Management Company, Inc., the address of which is 3060 Peachtree Road NW, Atlanta, Georgia 30306.

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SUMMARY OF CERTAIN UNITED STATES TAX CONSIDERATIONS

The following summary describes the material U.S. federal income tax consequences, and, in the case of a holder that is a non-U.S. holder (as defined below), the U.S. federal estate tax consequences, of purchasing, owning and disposing of the offered stock, which we refer to in this section as the shares.

This summary deals only with shares held as capital assets (generally, investment property) and does not deal with holders that are subject to special tax treatment such as:

dealers in securities or currencies;

U.S. holders (as defined below) whose functional currency is not the U.S. dollar;

persons holding shares as part of a hedge, straddle, conversion, synthetic security or other integrated transaction;

certain U.S. expatriates;

financial institutions;

insurance companies;

entities that are tax-exempt for U.S. federal income tax purposes; and

persons who own or will own directly, indirectly or by attribution 5% or more of the shares.

This summary does not discuss all of the aspects of U.S. federal income and estate taxation that may be relevant to you in light of your particular circumstances. In addition, this summary does not discuss any state, local or foreign tax consequences. This summary is based on U.S. federal income tax law, including the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Internal Revenue Code, Treasury regulations, administrative rulings and judicial authority, all as in effect as of the date of this prospectus supplement. Subsequent developments in U.S. federal income tax law, including changes in law or differing interpretations, which may be applied retroactively, could have a material effect on the U.S. federal income tax consequences of purchasing, owning and disposing of shares as set forth in this summary.

Before you purchase shares, you should consult your own tax advisor regarding the particular U.S. federal, state, local and foreign income and other tax consequences to you of purchasing, owning and disposing of the shares.

U.S. Holders

The following summary applies to you only if you are a U.S. holder (as defined below).

Definition of a U.S. Holder

A U.S. holder is a beneficial owner of a share or shares who or which is for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

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a corporation (or other entity classified as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the United States or any political subdivision of the United States, including any state;

an estate, the income of which is subject to U.S. federal income taxation regardless of the source of that income;
or

a trust, if, in general, a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons (within the meaning of the Internal Revenue Code) have the authority to control all of the substantial decisions of the trust.

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If a partnership holds shares, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. If you are a partnership, or a partner in a partnership, that is considering the purchase of shares, you should consult your tax advisor regarding the particular tax consequences to you.

Payments of Dividends

Dividends on your shares will be taxable as ordinary dividend income to the extent of our company's current and accumulated earnings and profits.

Any distributions in excess of such earnings and profits will constitute a nontaxable return of capital and reduce your tax basis in your shares. To the extent such distributions exceed your tax basis in your shares, such excess will constitute capital gain.

Sale or Other Disposition of Shares

Your tax basis in your shares generally will be the price you paid for them, subject to the reduction of tax basis discussed above. You generally will recognize taxable gain or loss when you sell or otherwise dispose of your shares equal to the difference, if any, between:

the amount realized on the sale or other disposition; and

your tax basis in the shares.

Your gain or loss generally will be capital gain or loss. This capital gain or loss will be long-term capital gain or loss if at the time of the sale or other disposition you have held the shares for more than one year. Subject to limited exceptions, capital losses cannot be used to offset ordinary income. If you are a non-corporate U.S. holder, your long-term capital gain generally will be subject to a maximum U.S. federal income tax rate of 20%.

Backup Withholding and Information Reporting

For each calendar year in which the shares are outstanding, we, our agents or paying agents or a broker may be required to provide the Internal Revenue Service, which we refer to as the IRS, with certain information, including your name, address and taxpayer identification number, the aggregate amount of dividends paid to you during the calendar year, the amount of certain other payments that may be made to you with respect to your shares and the amount of tax withheld, if any. This obligation, however, does not apply to you if you are an exempt recipient, including a corporation, tax-exempt organization, qualified pension and profit sharing trust or individual retirement account.

In general, backup withholding may apply to any payments made to you of dividends on your shares and to payment of the proceeds of a sale or other disposition of your shares before maturity effected by a broker unless you are an exempt recipient or you provide us with a correct taxpayer identification number or otherwise comply with applicable requirements of the backup withholding rules.

Backup withholding applies at a rate not to exceed 31%. Backup withholding is not an additional tax and may be credited against your U.S. federal income tax liability, provided that the required information is provided to the IRS.

Non-U.S. Holders

The following summary applies to you if you are a non-U.S. holder, which is a beneficial owner of a share or shares who or which is not a U.S. holder for U.S. federal income tax purposes. An individual

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may, subject to exceptions, be deemed to be a U.S. resident, and thus a U.S. holder, by, among other ways, being present in the United States:

on at least 31 days in the calendar year; and

for an aggregate of at least 183 days during a three-year period ending in the current calendar year, counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year.

Payments of Dividends

Payments of dividends made to you generally will be subject to 30% U.S. federal withholding tax unless you provide us or our paying agent with a properly executed (1) IRS Form W-8ECI (or other applicable form) stating that dividends paid on your shares are not subject to withholding tax because they are effectively connected with your conduct of a trade or business in the United States or (2) IRS Form W-8BEN (or other applicable form) claiming an exemption from, or reduction in, withholding under an applicable income tax treaty.

If you are engaged in a trade or business in the United States and dividends paid in respect of your shares are effectively connected with the conduct of your trade or business, and, if an income tax treaty applies, you maintain a U.S. permanent establishment to which the dividends are attributable, you will generally be subject to U.S. federal income tax on a net basis (although the dividends will, as discussed above, be exempt from U.S. federal withholding tax if you provide the appropriate IRS form to claim the exemption).

In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% of your effectively connected earnings and profits for the taxable year, as adjusted for certain items, unless a lower rate applies to you under an applicable income tax treaty. For this purpose, you must include the dividend income in the earnings and profits subject to the branch tax if these amounts are effectively connected with the conduct of your U.S. trade or business.

Sale or Other Disposition of Shares

Except for the possible application of backup withholding (see [Summary of Certain United States Tax Considerations Non-U.S. Holders Backup Withholding and Information Reporting](#) below), you generally will not have to pay U.S. federal income tax on any gain or income realized from the sale, redemption, retirement at maturity or other disposition of your shares unless:

in the case of gain, you are an individual who is present in the United States for 183 days or more during the taxable year of the sale or other disposition of your shares, and certain other conditions are met; or

the gain or other income is effectively connected with your conduct of a U.S. trade or business and, if an income tax treaty applies, is generally attributable to a U.S. permanent establishment maintained by you.

A holder described in the first bullet point above will be subject to U.S. federal income tax at a rate of 30%, or a lower rate specified by an applicable income tax treaty, on the gain derived from the sale, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). A holder described in the second bullet point above will be subject to U.S. federal income tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. In addition, a holder that is a foreign corporation may be subject to the branch profits tax at a rate of 30%, or a lower rate specified by an applicable income tax treaty, of its effectively connected earnings and profits.

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Backup Withholding and Information Reporting

Under Treasury regulations, backup withholding will not apply to payments of dividends made by us or our paying agent (in its capacity as such) to you if you have provided a signed written statement on an IRS Form W-8BEN (or other applicable form) that you are a non-U.S. holder and neither we nor our paying agent has actual knowledge that you are a U.S. holder (as described in Summary of Certain United States Tax Considerations U.S. Holders above).

If you are a foreign partnership, a partner in a foreign partnership, a foreign trust or the beneficial owner of a foreign trust, you should consult your own tax advisor regarding your status under these Treasury regulations and the certification requirements applicable to you.

We or our paying agent, however, must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to that holder and any tax withheld with respect to those dividends. Copies of the information returns reporting those dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

The gross proceeds from the disposition of your shares may be subject to information reporting and backup withholding. Backup withholding applies at a rate not to exceed 31%. If you sell your shares outside the United States through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States, the U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S. information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your shares through a non-U.S. office of a broker that:

is a U.S. person (as defined in the Internal Revenue Code);

derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the United States;

is a controlled foreign corporation for U.S. federal income tax purposes; or

is a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interests in the partnership; or

the foreign partnership is engaged in a U.S. trade or business, unless the broker has documentary evidence in its files that you are a non-U.S. person and certain other conditions are met or you otherwise establish an exemption. If you receive payments of the proceeds of a sale of your shares to or through a U.S. office of a broker, the payment is subject to both U.S. backup withholding and information reporting unless you provide a Form W-8BEN certifying that you are a non-U.S. person or you otherwise establish an exemption.

You should consult your own tax advisor regarding application of backup withholding in your particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under the Treasury regulations. Any amounts withheld under the backup withholding rules from a payment to you will be allowed as a refund or credit against your U.S. federal income tax liability, provided that the required information is furnished to the IRS.

U.S. Federal Estate Tax

If you are an individual and are a non-U.S. holder at the time of your death, your shares will be included in your gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise and, therefore, may be subject to the U.S. federal estate tax.

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We intend to offer the shares through the underwriters. Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives of the underwriters named below. Subject to the terms and conditions described in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares listed opposite their names below.

Underwriter	Number of Shares
Deutsche Bank Securities Inc.	9,089,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	9,089,000
Bear, Stearns & Co. Inc	4,917,000
Allen & Company LLC	2,980,000
Wachovia Securities, Inc	2,980,000
SunTrust Capital Markets, Inc.	745,000
Gabelli & Company, Inc.	100,000
The Shemano Group	100,000
<hr/>	
Total	30,000,000

The underwriters have agreed to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the shares of Common Stock to the public at the public offering price set forth on the cover of this prospectus supplement and to dealers at a price that represents a concession not in excess of \$0.295 per share under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than \$0.10 per share to other dealers. After the public offering, representatives of the underwriters may change the offering price and other selling terms.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal

opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their over-allotment options.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price	\$8.250	\$247,500,000	\$284,625,000
Underwriting discount			
\$0.495 \$14,850,000 \$17,077,500			
Proceeds, before expense, to Gray			
\$7.755 \$232,650,000 \$267,547,500			

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The expenses of the offering, not including the underwriting discount, are estimated at \$1,500,000 and are payable by us.

Over-allotment Option

We have granted an option to the underwriters to purchase up to 4,500,000 additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any over-allotments.

If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We, our executive officers and directors and two of our shareholders have agreed, with exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus without first obtaining the written consent of Deutsche Bank and Merrill Lynch. Specifically, we have agreed not to directly or indirectly

offer, pledge, sell or contract to sell any common stock,

sell any option or contract to purchase any common stock,

purchase any option or contract to sell any common stock,

grant any option, right or warrant for the sale of any common stock,

lend or otherwise dispose of or transfer any common stock,

request or demand that we file a registration statement related to the common stock, or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Approximately 3,534,077 shares of our class A common stock and 197,650 shares of our Common Stock, including warrants to purchase some of our class A common stock and Common Stock, owned by some of our shareholders have been pledged by those shareholders under various instruments. Therefore, these shares and warrants are not subject to the foregoing lockup provisions. In certain cases of default by the shareholders of their obligations under these instruments, lenders under these instruments have a right to foreclose on and sell the pledged shares, even if the default occurs within the 90-day lockup period. Some of these lenders are affiliates of the underwriters named in this prospectus supplement, including Deutsche Bank Securities Inc. and Wachovia Securities, Inc.

New York Stock Exchange Listing

The shares are listed on the New York Stock Exchange and traded under the symbol GTN.

Price Stabilization and Short Positions

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

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If the underwriters create a short position in the common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the representatives may reduce that short position by purchasing shares in the open market. The representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. The underwriters and their affiliates may, from time to time, engage in other transactions with us and perform other services for us in the ordinary course of their business. In particular, Merrill Lynch, Pierce, Fenner & Smith Incorporated has provided to Stations and Benedek investment banking and advisory services in connection with our merger with Stations for which, contingent upon the merger occurring, they will receive customary fees and expenses. Also, in particular, an affiliate of Wachovia Securities, Inc. is a lender and agent under our existing bank credit facility and affiliates of Deutsche Bank Securities and of Wachovia Securities are agents under our new credit facility.

LEGAL MATTERS

Certain legal matters with respect to the stock we are offering will be passed upon for us by Proskauer Rose LLP, New York, New York and Troutman Sanders LLP, Atlanta, Georgia. The underwriters have been represented by Cravath, Swaine & Moore, New York, New York.

EXPERTS

The consolidated financial statements and schedule of Gray Television, Inc. (formerly Gray Communications Systems, Inc.) as of December 31, 2000, and for each of the two years in the period ended December 31, 2000, incorporated by reference in the prospectus supplement from Gray Television, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon also incorporated by reference herein. Such consolidated financial statements have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Gray Television, Inc. as of December 31, 2001, and for the year then ended, incorporated into this prospectus supplement by reference to the Gray Television, Inc. Annual Report on Form 10-K for the year ended December 31, 2001 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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The consolidated financial statements of Stations Holding Company, Inc. and subsidiaries as of December 31, 2000 and 2001, and for each of the three years in the period ended December 31, 2001 included in the accompanying prospectus have been audited by McGladrey & Pullen, LLP, independent auditors, as stated in their report appearing in this prospectus and are included in reliance upon the authority of said firm as experts in accounting and auditing.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

We and our principal stockholder, Bull Run, each file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we and Bull Run file at the SEC's public reference rooms at 450 Fifth Street, N.W., Washington, D.C., 20549 and also at its locations in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our and Bull Run's SEC filings are also available to the public at the SEC's web site at <http://www.sec.gov>. Our Common Stock and class A common stock are listed on the New York Stock Exchange. Our reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

our Annual Report on Form 10-K for the fiscal year ended December 31, 2001;

our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2002 and June 30, 2002;

our Definitive Proxy Statement on Schedule 14A, filed on August 15, 2002;

our Current Reports on Form 8-K, filed on July 17, 2002, July 30, 2002, September 4, 2002, September 9, 2002, September 27, 2002 and October 17, 2002; and

any future filings that we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

You may request a copy of those filings, at no cost, by writing or telephoning us at the following:

Gray Television, Inc.

4370 Peachtree Road, NE

Atlanta, Georgia 30319

Attention: James C. Ryan

Telephone: (404) 504-9828

This prospectus supplement is part of a registration statement we filed with the SEC. You should rely on only the information or representations provided in this prospectus supplement and the accompanying prospectus. We have authorized no one to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus supplement is accurate as of any date other than the date on the front of the document.

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GRAY TELEVISION, INC.**

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GRAY TELEVISION, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2002	December 31, 2001
	<u> </u>	<u> </u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$15,469,987	\$557,521
Restricted cash for redemption of long-term debt	168,557,417	
Trade accounts receivable, less allowance for doubtful accounts of \$583,000 and \$743,000, respectively	26,338,099	29,722,141
Recoverable income taxes	849,485	552,177
Inventories	959,318	763,430
Current portion of program broadcast rights	1,728,497	3,809,238
Other current assets	1,174,397	742,150
	<hr/>	
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Total current assets	46,519,783	204,704,074
	<hr/>	
	<hr/>	
Property and equipment:		
Land	4,899,829	4,905,121
Buildings and improvements	17,001,782	16,904,976
Equipment	117,142,854	113,018,560
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	139,044,465	134,828,657
Allowance for depreciation	(78,397,405)	(71,412,314)
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60,647,060	63,416,343
Deferred loan costs, net	
11,049,517	14,305,495
Licenses and network affiliation agreements	
403,794,201	424,384,811
Goodwill	
53,150,505	72,025,145
Consulting and noncompete agreements	
688,412	901,216
Other	
20,061,652	14,599,894

\$595,911,130 \$794,336,978

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GRAY TELEVISION, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	June	December
	30,	31,
	2002	2001
	(Unaudited)	
Liabilities and stockholders equity		
Current liabilities:		
Trade accounts payable		
\$3,821,684	\$7,632,778	
Employee compensation and benefits		
6,421,866	6,002,892	
Accrued expenses		
1,958,782	1,588,302	
Accrued interest		
3,585,113	7,872,585	
Current portion of program broadcast obligations		
1,531,759	3,655,881	
Deferred revenue		
3,184,560	2,783,069	
Unrealized loss on derivatives		
851,355	1,581,000	
Current portion of long-term debt		
202,350	155,262,277	
Total current liabilities		
21,557,469	186,378,784	
Long-term debt, less current portion		
378,675,515	396,182,025	
Program broadcast obligations, less current portion		
550,019	619,320	
Supplemental employee benefits		
449,252	397,720	
Deferred income taxes		
55,542,563	66,790,563	
Other		
1,615,163	1,772,989	
	458,389,981	652,141,401
Commitments and contingencies		

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Redeemable Serial Preferred Stock, no par value; cumulative;
convertible; designated 5,000 shares, issued and outstanding
4,000 shares (\$40,000,000 aggregate liquidation value)

39,233,478

Stockholders' equity:

Serial Preferred Stock, no par value; authorized 20,000,000
shares; undesignated 19,995,000 shares, issued and
outstanding 861 shares (\$8,605,788 aggregate liquidation
value)

4,636,663

Class A Common Stock, no par value; authorized 15,000,000
shares; issued 7,961,574 shares, respectively

20,172,959 20,172,959

Class B Common Stock, no par value; authorized 15,000,000
shares; issued 8,882,841 and 8,792,227 shares, respectively

118,721,382 117,634,928

Retained earnings

(32,267,952) 8,089,745

106,626,389 150,534,295

Treasury Stock at cost, Class A Common Stock,
1,113,107 shares, respectively

(8,338,718) (8,338,718)

98,287,671 142,195,577

\$595,911,130 \$794,336,978

See notes to condensed consolidated financial statements.

Table of Contents**GRAY TELEVISION, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	Six Months Ended June 30,	
	2002	2001
Operating revenues:		
Broadcasting (net of agency commissions)		
\$55,006,317	\$52,574,770	
Publishing		
21,215,953	19,927,035	
Paging		
4,082,801	4,404,684	
	80,305,071	76,906,489
Expenses:		
Broadcasting		
31,975,450	32,374,788	
Publishing		
15,419,605	15,659,337	
Paging		
2,753,883	2,811,544	
Corporate and administrative		
2,116,143	1,828,775	
Depreciation and amortization		
7,432,785	15,696,401	
	59,697,866	68,370,845
Operating income		
20,607,205	8,535,644	
Miscellaneous income		
96,563	98,204	
Appreciation (depreciation) in value of derivatives, net		
729,645	(960,724)	

21,433,413	7,673,124
Interest expense	
16,865,663	18,166,879

INCOME (LOSS) BEFORE INCOME TAXES,
EXTRAORDINARY CHARGE AND
CUMULATIVE EFFECT OF ACCOUNTING
CHANGE

4,567,750	(10,493,755)
Income tax expense (benefit)	
1,616,200	(3,232,000)

NET INCOME (LOSS) BEFORE
EXTRAORDINARY CHARGE AND
CUMULATIVE EFFECT OF ACCOUNTING
CHANGE

2,951,550	(7,261,755)
Extraordinary charge on extinguishment of debt, net of income tax benefit of \$3,957,800	
(7,317,517)	

NET INCOME (LOSS) BEFORE CUMULATIVE
EFFECT OF ACCOUNTING CHANGE

(4,365,967)	(7,261,755)
Cumulative effect of accounting change, net of income tax benefit of \$8,873,400	
(30,591,800)	

NET INCOME (LOSS)
(34,957,767) (7,261,755)

Preferred dividends	
803,362	308,174
Non-cash preferred dividends associated with exchange of preferred stock	
3,969,125	

NET LOSS AVAILABLE TO COMMON
STOCKHOLDERS

\$(39,730,254)	\$(7,569,929)
----------------	---------------

Basic and diluted per share information:

Net income (loss) before extraordinary charge and
cumulative effect of accounting change available to
common stockholders

\$(0.12) (0.49)

Extraordinary charge on extinguishment of debt, net
of income tax benefit

(0.47) 0.00

Cumulative effect of accounting change, net of
income tax benefit

(1.95) 0.00

Net loss available to common stockholders

\$(2.54) \$(0.49)

Weighted average shares outstanding

15,661,676 15,587,111

See notes to condensed consolidated financial statements.

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GRAY TELEVISION, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (Unaudited)

	Preferred Stock		Class A Common Stock		Class B Common S	
	Shares	Amount	Shares	Amount	Shares	A
Balance at December 31, 2001	861	\$4,636,663	7,961,574	\$20,172,959	8,792,227	\$11
Net loss for the six months ended June 30, 2002		(34,957,767)				
Common stock cash dividends (\$0.04) per share		(627,443)				
Preferred stock dividends		(803,362)				
Non-cash preferred dividends associated with the exchange of preferred stock		(3,969,125)				
Issuance of common stock:						
401(k) plan		30,264	385,179			
Non-qualified stock plan		60,350	613,275			
Exchange of series A and series B preferred stock		(861)	(4,636,663)			
Income tax benefit relating to stock plans		88,000				
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Balance at June 30, 2002	\$	7,961,574	\$20,172,959	8,882,841	\$118,721,382	\$(32,267,952)
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[Additional columns below]

[Continued from above table, first column(s) repeated]

	Class A Treasury Stock		
	Shares	Amount	Total
Balance at December 31, 2001	(1,113,107)	\$(8,338,718)	\$142,195,577
Net loss for the six months ended June 30, 2002 (34,957,767)			
Common stock cash dividends (\$0.04) per share (627,443)			
Preferred stock dividends (803,362)			
Non-cash preferred dividends associated with the exchange of preferred stock (3,969,125)			
Issuance of common stock:			
401(k) plan 385,179			
Non-qualified stock plan 613,275			
Exchange of series A and series B preferred stock (4,636,663)			
Income tax benefit relating to stock plans 88,000			
Balance at June 30, 2002	(1,113,107)	\$(8,338,718)	\$98,287,671

See notes to condensed consolidated financial statements.

Table of Contents**GRAY TELEVISION, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Six Months Ended June 30,	
	2002	2001
Operating activities		
Net loss		
	\$(34,957,767)	\$(7,261,755)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Cumulative effect of accounting change		
	30,591,800	
Amortization of bond discount		
	72,090	
Depreciation		
	7,219,981	8,537,690
Amortization of intangible assets		
	212,804	7,158,711
Amortization of deferred loan costs		
	705,690	770,981
Amortization of program broadcast rights		
	2,660,901	2,725,317
Write-off of loan acquisition costs related to debt extinguished		
	3,030,266	
Payments for program broadcast rights		
	(2,664,665)	(2,726,255)
Supplemental employee benefits		
	(45,491)	(140,906)
Common stock contributed to 401(k) Plan		
	385,179	370,391
(Appreciation) depreciation in value of derivatives, net		
	(729,645)	960,724
Deferred income taxes		
	(2,374,550)	(3,776,000)
Gain on disposal of assets		
	(13,363)	(15,829)
Changes in operating assets and liabilities:		
Receivables, inventories and other current assets		
	2,458,599	3,357,074
Accounts payable and other current liabilities		
	(3,196,434)	(1,692,261)
	<hr/>	
	<hr/>	
Net cash provided by operating activities		
	3,355,395	8,267,882

Investing activities

Restricted cash for redemption of
long-term debt
168,557,417
Deferred acquisition costs
(5,539,442)
Purchases of property and equipment
(8,132,709) (2,597,013)
Other
(143,804) (82,264)

Net cash provided by (used in) investing
activities
154,741,462 (2,679,277)

Financing activities

Dividends paid
(1,394,851) (465,992)
Deferred loan costs
(479,978)
Proceeds from issuance of common stock
613,275 519,858
Proceeds from sale of treasury stock
166,917
Proceeds from issuance of preferred stock
30,633,478
Proceeds from borrowings of long-term
debt
6,272,346 17,700,000
Payments on long-term debt
(178,910,873) (24,029,625)
Other
82,212

Net cash used in financing activities
(143,184,391) (6,108,842)

Increase (decrease) in cash and cash
equivalents
14,912,466 (520,237)

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Cash and cash equivalents at beginning of
period
557,521 2,214,838

Cash and cash equivalents at end of period
\$15,469,987 \$1,694,601

See notes to condensed consolidated financial statements.

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Table of Contents**GRAY TELEVISION, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE A BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements of Gray Television, Inc. (formerly known as Gray Communications Systems, Inc.) (the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month and three-month periods ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Accounting for Derivatives

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and for Hedging Activities, as amended (SFAS 133). SFAS 133 provides a comprehensive standard for the recognition and measurement of derivatives and hedging activities. SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes special accounting for the different types of hedges. Changes in the fair value of derivatives that do not meet the hedged criteria are included in earnings in the same period of the change.

In 1999, the Company entered into an interest rate swap agreement that is designated as a hedge against fluctuations in interest expense resulting from a portion of its variable rate debt. Due to the terms of the interest rate swap agreement, it does not qualify for hedge accounting under SFAS 133. Therefore, the changes in the fair value of the interest rate swap agreement are recorded in the Company's earnings as income or expense in the period in which the change in value occurs.

Earnings Per Share

The Company computes earnings per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share (EPS). The following table reconciles net income (loss) before extraordinary charge and cumulative effect of accounting change to net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders for the three months and six months ended June 30, 2002 and 2001:

Three Months Ended June 30,		Six Months Ended June 30,	
2002	2001	2002	2001

(dollars in thousands)

Net income (loss) before extraordinary charge and cumulative effect of
 accounting change
 \$3,087 \$(2,234) \$2,952 \$(7,262)
 Preferred dividends
 649 154 803 308
 Non-cash preferred dividends associated with exchange of preferred stock
 3,969 3,969

Net income (loss) before extraordinary charge and cumulative effect of
 accounting change available to common stockholders
 \$(1,531) \$(2,388) \$(1,820) \$(7,570)

For the three and six month periods ended June 30, 2002 and 2001, the Company incurred a net loss before extraordinary charge and cumulative effect of accounting change available to common stockholders. As a result common shares related to employee stock-based compensation plans and warrants that could potentially dilute basic earnings per share in the future were not included in the computation of diluted

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GRAY TELEVISION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

earnings per share as they wo