GRAY TELEVISION INC
Form 424B5
September 27, 2002

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The information in this prospectus supplement and accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus Supplement dated September 27, 2002

PROSPECTUS SUPPLEMENT
(To prospectus dated September 5, 2002)

27,500,000 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 September 25, 2002, the last sale price of the shares as reported on the New York Stock Exchange was $11.15 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.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Gray	$	$

The underwriters may also purchase up to an additional 4,125,000 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 , 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 , 2002.

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Prospectus Supplement

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Prospectus

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, if it closes, to be completed during the fourth quarter of 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.

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 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 intend to finance the merger by incurring approximately $250 million of additional indebtedness and issuing approximately $307 million of equity. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger.

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, is expected to be entered on September 30, 2002.

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. We expect the FCC s grant for change of control will become 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 respects 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. 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.

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.

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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 and there can be no assurance that the transactions contemplated by the commitment letter will be consummated.

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	27,500,000 shares of Common Stock
Common stock to be outstanding after this offering	36,411,454 shares of Common Stock
	6,848,467 shares of class A common stock
Voting rights	
Common Stock	Holders are entitled to 1 vote on all matters on which shareholders are permitted to vote.
Class A common stock	Holders 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 4,125,000 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.

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Summary Historical Consolidated Financial Data

Set forth below is our summary historical consolidated financial 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(a)	1998(b)	1999(c)	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

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
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)						

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(a)	1998(b)	1999(c)	2000	2001	2001	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							

$(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, 2002.

(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	53,433	27,063	25,762
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	(6,445)	(6,981)	10,729
Income tax expense (benefit)	(808)	(1,658)	3,922
Net income (loss) from continuing operations	(5,637)	(5,323)	6,807
Preferred dividends	3,200	1,600	1,600

Net income (loss) from continuing operations available to common stockholders
$(8,837) $(6,923) $5,207

Basic income (loss) per share from continuing operations available to common stockholders (a)
$(0.21) $(0.16) $0.12

Diluted income (loss) per share from continuing operations available to common stockholders (a)
$(0.21) $(0.16) $0.12

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
6.29x(d)
Ratio of operating cash flow to interest expense
1.84(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	$56,252
Total intangible assets, net	1,028,377
Total assets	1,285,855
Long-term debt (including current portion)	658,907
Preferred stock	39,234
Total stockholders equity	381,396

(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	$(5,637)	$(5,323)	$6,807
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	$5,396	$193	$6,807
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)	$0.12
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax		0.30	0.15
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$0.09	$(0.01)	$0.12
Diluted earnings per common share:			
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$0.09	$(0.01)	$0.12

(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.

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USE OF PROCEEDS

We estimate that the net proceeds of this offering will be $286.7 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				

	$14.50	$10.24	$16.16	$12.95
Second Quarter	14.55	13.20	18.10	14.75
Third Quarter (through September 25, 2002)	13.35	9.95	18.15	13.00

On September 25, 2002, the last reported sale prices of our Common Stock and our class A common stock as reported by the NYSE were $11.15 and $13.18, 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 o 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
	(dollars in thousands)		
Cash and cash equivalents	$15,470	$569,323	$56,252
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

	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	405,449	405,449
Accumulated Deficit	(32,268)	(32,268)	(35,887)
Total Stockholders Equity	98,287	385,015	381,396
Total Capitalization	$516,197	$1,077,925	$1,077,356

(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(a)	1998(b)	1999(c)	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

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
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)					

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(a)	1998(b)	1999(c)	2000	2001	2001	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							

$(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.

(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, 2002.

(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 $306.6 million of our Common Stock for an estimated $11.15 per share, the closing price as of September 25, 2002. We may elect to offer, in whole or in part, other equity or equity-linked securities including preferred stock in place of offering our Common Stock. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger.

The incurrence of an estimated $27.8 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 $19.9 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.

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	(12,271)(c)(d)	25,762
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	(13,362)	24,879
Income (loss) from continuing operations before provision for (benefit from) income taxes	4,568	(15,960)	22,121	10,729
Provision for (benefit from) income taxes	1,616	(6,100)	8,406(e)	3,922
Income (loss) from continuing operations	2,952	(9,860)	13,715	6,807
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)		$5,207
Basic and diluted earnings (loss) per common share:			
Weighted average outstanding common shares:			
Basic	15,662		43,162(h)
Diluted	15,662		43,538(h)
Basic earnings (loss) per share from continuing operations available to common stockholders	$(0.12)		$0.12
Diluted earnings (loss) per share from continuing operations available to common stockholders	$(0.12)		$0.12

(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. Also reflects recognition of interest income of $0.6 million from $56.3 million of excess cash at an interest rate of 2.0%.

(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 assumed issuance of an additional 27,500,000 shares of our Common Stock at an assumed price of $11.15 per share, the closing price as of September 25, 2002. We may elect to offer, in whole or in part, other equity or equity-linked securities including preferred stock in place of offering our Common Stock. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger. 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
	76,907	52,028		128,935
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
	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	(11,680)(c)(d)	27,063
Miscellaneous income, net	(98)	(87)		(185)
Depreciation in value of derivatives, net	961			961
Total other (income) expense, net	19,030	20,489	(11,680)	27,839
Income (loss) from continuing operations before provision for (benefit from) income taxes	(10,494)	(15,400)	18,913	(6,981)
Provision for (benefit from) income taxes	(3,232)	(5,613)	7,187(e)	(1,658)
Income (loss) from continuing operations	(7,262)	(9,787)	11,726	(5,323)
Preferred dividends	308	$15,102	$(13,810)(f)(g)	1,600

Loss from continuing operations available to common stockholders	$(7,570)	$(6,923)
Basic and diluted loss per common share:		
Weighted average outstanding common shares:		
Basic and diluted	15,587	43,087(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. Also reflects recognition of interest income of $0.6 million from $56.3 million of excess cash at an interest rate of 2.0%.

(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 assumed issuance of an additional 27,500,000 shares of our Common Stock at an assumed price of $11.15 per share, the closing price as of September 25, 2002. We may elect to offer, in whole or in part, other equity or equity-linked securities including preferred stock in place of offering our Common Stock. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger.

(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	$(5,323)
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	$193
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	0.15
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$(0.01)
Diluted earnings per common share:	
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$(0.01)

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 (25,711)(c)(d) 53,433
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 (25,711) 54,661

Income (loss) from continuing operations before provision for (benefit from) income taxes
(19,290) (27,495) 40,340 (6,445)
Provision for (benefit from) income taxes
(5,972) (10,165) 15,329(e) (808)

Income (loss) from continuing operations
(13,318) (17,330) 25,011 (5,637)
Preferred dividends
616 $31,186 $(28,602)(f)(g) 3,200

Loss from continuing operations available to common stockholders	$(13,934)	$(8,837)
Basic and diluted loss per common share:		
Weighted average outstanding common shares:		
Basic and diluted	15,605	43,105(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. Also reflects recognition of interest income of $1.1 million from $56.3 million of excess cash at an interest rate of 2.0%.

(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 assumed issuance of an additional 27,500,000 shares of our Common Stock at an assumed price of $11.15 per share, the closing price as of September 25, 2002. We may elect to offer, in whole or in part, other equity or equity-linked securities including preferred stock in place of offering our Common Stock. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger.

(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	$(5,637)
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	11,033
Adjusted net income (loss) before extraordinary charge	

and
cumulative effect of
accounting change
$5,396

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
0.30

Adjusted net income
before extraordinary
charge and
cumulative effect of
accounting change
available to
common stockholders
$0.09

Diluted earnings per
common share:

Adjusted net income
before extraordinary
charge and
cumulative effect of
accounting change
available to common
stockholders
$0.09

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Unaudited Pro Forma Combined Condensed Balance Sheet

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	$36,011(a)	$56,252
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)	
Total current assets	46,520	65,366	1,010	112,896
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

Total assets	$595,911	$407,747	$282,197	$1,285,855
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 74 286,654(f)(g) 405,449
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)	615,587	389,735
Treasury stock at cost, class A common	(8,339)			(8,339)
Total stockholders equity	98,287	(332,478)	615,587	381,396
Total liabilities and stockholders equity	$595,911	$407,747	$282,197	$1,285,855

(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 assumed issuance of an additional 27,500,000 shares of our Common Stock at an assumed price of $11.15 per share, the closing price as of September 25, 2002, net of assumed issuance costs of $19.9 million. We may elect to offer, in whole or in part, other equity or equity-linked securities including preferred stock in place of offering our Common Stock. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger.

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, if it closes, to be completed during the fourth quarter of 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
	$55,006	68.5%	$52,575	68.4%
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

$21,216	26.4%	$19,927	25.9%

Paging net revenues:

Paging lease, sales and service	$4,083	5.1%	$4,405	5.7%
Total	$80,305	100.0%	$76,907	100.0%

Six Months Ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Revenues. Total revenues for the six months ended June 30, 2002 increased approximately 4% to $80.3 million as compared to the same period of the prior year.

Broadcasting revenues increased approximately 5% to $55.0 million. This increase in broadcasting revenues reflects the cyclical increase in political revenue. In the first half of 2002, we had revenues from political advertising of $2.2 million compared to $127,000 during the first half of 2001. Local and national advertising revenue, excluding political revenues, increased approximately 4% and 6%, respectively. These increases in advertising revenues are due in part to an improving economy. The increases in broadcasting revenue were partially offset by a decrease in network compensation and production and other revenue. The decrease in network compensation reflects the ongoing phase out of network compensation at certain of our television stations. Production and other revenue decreased due in part to a decrease in revenues from our satellite uplink business.

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 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 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						

	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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Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

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.

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.

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 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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Net loss available to common stockholders. Net loss available to our common stockholders for the year ended December 31, 2000 and 1999 was $9.4 million and $7.3 million, respectively.

Liquidity and Capital Resources

General

The following tables present certain data that we believe is helpful in evaluating our liquidity and capital resources:

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	Year Ended December 31, 2001
Media cash flow:			
Broadcasting	$23,292	$20,453	$40,768
Publishing	5,879	4,344	9,423
Paging	1,349	1,614	2,883
	$30,520	$26,411	53,074
Corporate overhead	2,116	1,829	3,615
Operating cash flow	$28,404	$24,582	$49,459
Less:			
Interest expense, excluding amortization of deferred loan costs and bond discounts	16,088	17,396	34,247
Preferred dividends declared payable in cash	803	308	616
Common dividends declared payable in cash	627	624	1,249
Capital expenditures	8,133	2,597	7,593

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

	June 30, 2002	December 31, 2001
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 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 intend to finance the merger by incurring approximately $250 million of additional indebtedness and issuing approximately $307 million of equity. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger.

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, if it closes, to be completed during the fourth quarter of 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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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

(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
	$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 2002, we will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets. The initial valuation date is January 1, 2002. We have not completed these initial valuation tests and have not yet determined what the effect of these tests will be on our earnings and financial position.

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 loss carryforwards. Recoverability of these deferred tax assets requires at least, in part, generation of

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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, if it closes, to be completed during the fourth quarter of 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 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

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 Network	Network Affiliation Expiration	FCC License Renewal Date	Station Rank in DMA(b)	Station News Rank in DMA(c)	Commercial Stations in 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
*		(Bryan, TX)	KBTX(g)	3	CBS	12/31/05	8/1/06	1	1	
	94	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
*		(Grand Island, NE)	KGIN(h)	11	CBS	12/31/05	6/1/06			
*	103	Greenville New Bern Washington, NC	WITN	7	NBC	12/31/11	12/1/04	2	2	4
*	107	Tallahassee, FL Thomasville, GA	WCTV	6	CBS	12/31/04	4/1/05	1	1	5
	111	Lansing, MI	WILX	10	NBC	1/1/12	10/1/05	1	1	4
*	115	Augusta, GA	WRDW	12	CBS	3/31/05	4/1/05	1	1	4
*	123	La Crosse Eau Claire, WI	WEAU	13	NBC	12/31/11	12/1/05	1	1	4
	134	Wausau Rhinelander, WI	WSAW	7	CBS	6/30/05	12/1/05	1	1	4
	135	Rockford, IL	WIFR	23	CBS	6/30/05	12/1/05	2	1	4
	138	Topeka, KS	WIBW	13	CBS	6/30/05	6/1/06	1	1	4
*	159	Panama City, FL	WJHG	7	NBC	12/31/11	2/1/05	1	1	3
*	160	Sherman, TX Ada, OK	KXII	12	CBS	12/31/05	8/1/06	1	1	2
	171	Dothan, AL	WTVY	4	CBS	6/30/05	4/1/05	1	1	3
	178	Harrisonburg, VA	WHSV	3	ABC	11/1/04	10/1/04	1	1	1
	180	Bowling Green, KY	WBKO	13	ABC	11/1/04	8/1/05	1	1	2
	185	Meridian, MS	WTOK	11	ABC	11/1/04	6/1/05	1	1	3
	188	Parkersburg, WV	WTAP	15	NBC	1/1/12	10/1/05	1	1	1
										(Approximately 5% of all US television households)

[Additional columns below]

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

In Market Share of	Television

	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

* 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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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

	2001	2006	CAGR
	(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

	2001	2006	CAGR
	(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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Market Overview

	2001	2006	CAGR
	(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

	2001	2006	CAGR
	(In Thousands)		

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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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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Market Overview

	2001	2006	CAGR
	(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

				Share Summary 9 AM to Midnight			
Station	Network	VHF or UHF	Owner	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
WTXL-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

	2001	2006	CAGR
	(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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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-Rhinelander, Wisconsin market where we intend to acquire WSAW, a CBS affiliate, in the merger.

Market Overview

	2001	2006	CAGR
	(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

	2001	2006	CAGR
	(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	

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	Waitt 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 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

	2001	2006	CAGR
	(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 second 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-Rhinelander 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

	2001	2006	CAGR
	(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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Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WISC-TV	CBS	VHF	Morgan Murphy Stations	18	14	16	16
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

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

	2001	2006	CAGR
	(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-Rhinelander, Wisconsin

WSAW, a CBS affiliate, began operations in 1954. It is ranked first in total viewers and in news programming in the Wausau-Rhinelander, 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-Rhinelander 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

	2001	2006	CAGR
	(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

	2001	2006	CAGR
	(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

	2001	2006	CAGR
	(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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Competitive Landscape

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	Waitt 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.

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Market Overview

	2001	2006	CAGR
	(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

Station	Network	VHF or UHF	Owner	Share Summary 9 AM to Midnight May-02	Feb-02	Nov-01	Jul-01
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

	2001	2006	CAGR
	(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

				Share Summary 9 AM to Midnight			
Station	**Network**	**VHF or UHF**	**Owner**	**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

	2001	2006	CAGR
	(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

				Share Summary 9 AM to Midnight			
Station	Network	VHF or UHF	Owner	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

	2001	2006	CAGR
	(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

				Share Summary 9AM to Midnight			
Station	**Network**	**VHF or UHF**	**Owner**	**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

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.

	1999	2000	2001	2002	2003	2004	2005
	(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 station	0.17	0.10	0.11	0.12	0.11	0.11	
Combined Total	$13.42	$12.70	$10.46	$7.72	$7.33	$7.66	$3.60

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 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 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 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, uninsulated limited partners or uninsulated 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 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 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:

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

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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Television Broadcasting

Our Television Stations

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
Metcalf, 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				

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 KKTV				
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-Rhinelander, Wisconsin WSAW-TV Office and Studio	Owned(b)	24,400		

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 *The Albany Herald*	Owned	83,000	
Post Citizen Media, Inc. Conyers, GA	Offices for *Rockdale Citizen/ Newton Citizen*	Owned	20,000	
Conyers, GA	Offices and production facility for *Rockdale Citizen/ Newton Citizen* and the	Leased	20,000	05/2007

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

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Paging

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.

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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 Association 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.

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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) Beneficially Owned		Class A Common Stock (GTN.A) Beneficially Owned		Combined Voting Percent of Common Stock
	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 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;

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

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 though 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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UNDERWRITING

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.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Bear, Stearns & Co. Inc	
Allen & Company LLC	
Wachovia Securities, Inc	
SunTrust Capital Markets, Inc.	
Total	27,500,000

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 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 representatives have advised that the underwriters propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus. After the public offering, the public offering price, concession and discount may be changed.

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.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expense, to Gray	$	$	$

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

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Over-allotment Option

We have granted an option to the underwriters to purchase up to 4,125,000 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 overallotments.

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.

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, and continues to provide to 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.

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 and September 27, 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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INDEX TO FINANCIAL STATEMENTS OF

GRAY TELEVISION, INC.

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GRAY TELEVISION, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2002	December 31, 2001
	(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
Total current assets	46,519,783	204,704,074
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
	139,044,465	134,828,657
Allowance for depreciation	(78,397,405)	(71,412,314)

	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 30, 2002	December 31, 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		

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.

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GRAY TELEVISION, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Six Months Ended June 30, 2002	Six Months Ended June 30, 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 I 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

Balance at June 30, 2002
$ 7,961,574 $20,172,959 8,882,841 $118,721,382 $(32,267,952)

[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.

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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)

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)

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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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 would have an antidilutive effect for the periods. The number of common shares that were not included in diluted earnings per share because they would be antidilutive for the respective periods are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(in thousands)			
Common shares excluded due to antidilutive effect on diluted earnings per share	523	633	377	697

The weighted average shares used to calculate basic and diluted earnings per share for the three months and the six months ended June 30, 2002 does not include 885,269 class B common shares that were issued to an escrow agent in connection with the proposed acquisition of Stations Holding Company, Inc. (Stations). See Note B for further information about the issuance of these shares.

Implementation of New Accounting Principle

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets (SFAS 142). These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, goodwill and intangible assets deemed to have an indefinite useful life will be subject to an annual review for impairment. The new standards were effective for the Company on January 1, 2002. Upon adoption of SFAS 142, the Company recorded a one-time, non-cash charge of $39.5 million ($30.6 million after income taxes) to reduce the carrying value of its goodwill, licenses and network affiliation agreements. Such charge is reflected as a cumulative effect of an accounting change in the accompanying condensed consolidated statement of operations. For additional discussion on the impact of adopting SFAS 142, see Note D.

Reclassifications

Certain prior year amounts in the accompanying condensed consolidated financial statements have been reclassified to conform with the 2002 presentation.

NOTE B BUSINESS ACQUISITION

On June 4, 2002, the Company executed a merger agreement with Stations, the parent company of Benedek Broadcasting Corporation (Benedek). The merger agreement provides that the Company will acquire Stations by merging its newly formed wholly-owned subsidiary, Gray MidAmerica Television, Inc., (Gray MidAmerica) into Stations. For Stations, the Company 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. The Company may pay additional cash consideration that currently is 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, the Company will own a total of 28 stations serving 23 television markets. Based on results for the year ended December 31, 2001, the combined Gray and Benedek television stations produced $213.9 million of net revenue and $84.7 million of broadcast cash flow. Including the Company s 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.

GRAY TELEVISION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company intends to finance the merger by incurring approximately $250 million of additional indebtedness and issuing approximately $307 million of equity. We may, depending on the relative conditions of the financial markets, increase or decrease our relative issuance of debt and equity securities to complete our financing of the merger. For advisory services rendered by Bull Run Corporation, Inc. (Bull Run) in connection with the merger, the Company advanced to Bull Run an advisory fee of $5.0 million on June 10, 2002. This advisory fee must be repaid to the Company 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 the Company s principal investors. The Company currently estimates that the total transaction fees it 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, the Company executed a $12.5 million letter of credit under its existing senior credit agreement and deposited 885,269 shares of the Company s class B common stock with an escrow agent.

If the closing does not occur due to a material default by the Company, 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 the Company may replace some or all of the escrow shares with a cash payment or payments in increments of $500,000.

The Company expects the merger, if it closes, to be completed during the fourth quarter of 2002.

NOTE C LONG-TERM DEBT

At June 30, 2002, the balance outstanding and the balance available under the Company s senior credit agreement were $200.0 million and $37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%. The Company has 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 as discussed in Note B.

NOTE D GOODWILL AND INTANGIBLE ASSETS

As discussed in Note A, in January 2002, the Company adopted SFAS 142, which requires companies to discontinue amortizing goodwill and certain intangible assets with indefinite useful lives. 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. The Company will perform its annual impairment review during the fourth quarter of each year, commencing in the fourth quarter of 2002. Other intangible assets will continue to be amortized over their useful lives.

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, the Company performed the first of the required impairment tests of goodwill and indefinite lived intangible assets. Under SFAS 142, the annual impairment tests are performed at the lowest level for which there are identifiable cash flows. As a result of implementing SFAS 142 and the required impairment tests at January 1, 2002, the Company 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.

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GRAY TELEVISION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company expects to receive future benefits from previously acquired goodwill and licenses over an indefinite period of time. Upon adoption of SFAS 142 on January 1, 2002, the Company stopped amortizing these assets. Amortization of these assets totaled $3.4 million ($2.8 million after income taxes) for the three months ended June 30, 2001 and $6.9 million ($5.5 million after income taxes) for the six months ended June 30, 2001.

A summary of changes in the Company s goodwill and other intangible assets during the six month period ended June 30, 2002, by business segment is as follows:

	December 31, 2001	Impairments	Amortization	June 30, 2002
	(dollars in thousands)			
Goodwill:				
Broadcasting	$55,241	$(18,874)	$	$36,367
Publishing	16,779			16,779
Paging	5			5
	$72,025	$(18,874)	$	$53,151
Licenses and network affiliation agreements:				
Broadcasting	$407,592	$(10,291)	$	$397,301
Paging	16,793	(10,300)		6,493

	$424,385	$(20,591) $	$403,794
Consulting and noncompete agreements:			
Publishing	$901 $	$(213)	$688
Total intangible assets net of accumulated amortization	$497,311	$(39,465) $(213)	$457,633

As of June 30, 2002 and December 31, 2001, the Company s intangible assets and related accumulated amortization consisted of the following:

	As of June 30, 2002			As of December 31, 2001		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(dollars in thousands)					
Intangible assets not subject to amortization:						
Licenses and network affiliation agreements	$454,246	$(50,452)	$403,794	$474,836	$(50,451)	$424,385
Goodwill	59,441	(6,290)	53,151	78,315	(6,290)	72,025

	$513,687	$(56,742)	$456,945	$553,151	$(56,741)	$496,410
Intangible assets subject to amortization:						
Consulting and noncompete agreements	$3,105	$(2,417)	$688	$3,105	$(2,204)	$901
Total intangibles	$516,792	$(59,159)	$457,633	$556,256	$(58,945)	$497,311

The Company recorded amortization expense of $106,000 during the three months ended June 30, 2002 compared to $106,000 on a pro forma basis during the three months ended June 30, 2001. The Company recorded amortization expense of $213,000 during the six months ended June 30, 2002 compared to $243,000 on a pro forma basis during the six months ended June 30, 2001. Based on the

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GRAY TELEVISION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

current amount of intangible assets subject to amortization, the estimated amortization expense for the succeeding five years are as follows: 2002: $425,616; 2003: $425,600; and 2004: $50,000. As acquisitions and dispositions occur in the future, these amounts may vary.

The results for the quarter and six months ended June 30, 2001 on a historical basis do not reflect the provisions of SFAS 142. Had the Company adopted SFAS 142 on January 1, 2001, the historical amounts would have been changed to the adjusted amounts as indicated in the table below:

	Six Months Ended June 30,	
	2002	2001
	(dollars in thousands except per share data)	
Reported net loss before extraordinary charge and cumulative effect of accounting change	$2,952	$(7,262)
Elimination of amortization of goodwill, net of income tax		873
Elimination of amortization of licenses and network affiliation agreements, net of income tax		4,643
Adjusted net loss before extraordinary charge and cumulative effect of accounting change	$2,952	$(1,746)
Basic and diluted per share information:		
Net loss before extraordinary charge and cumulative effect of accounting change available to common stockholders		

	$(0.12)	$(0.49)
Elimination of amortization of goodwill, net of income tax	0.00	0.06
Elimination of amortization of licenses and network affiliation agreements, net of income tax	0.00	0.30
Adjusted net loss before extraordinary charge and cumulative effect of accounting change available to common stockholders	$(0.12)	$(0.13)
Basic and diluted weighted average shares outstanding	15,662	15,587

NOTE E INFORMATION ON BUSINESS SEGMENTS

The Company operates in three business segments: broadcasting, publishing and paging. The broadcasting segment operates 13 television stations located in the southern and mid-western United States. The publishing segment operates four daily newspapers located in Georgia and Indiana. The paging operations are located in Florida, Georgia and Alabama. The following tables present certain financial information concerning the Company s three operating segments:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(dollars in thousands)			
Operating revenues:				
Broadcasting	$29,553	$27,533	$55,006	$52,575
Publishing	11,073	10,187	21,216	19,927
Paging	2,074	2,258	4,083	4,405

$42,700	$39,978	$80,305	$76,907

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GRAY TELEVISION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
	(dollars in thousands)			
Operating income:				
Broadcasting	$9,275	$4,145	$15,545	$5,513
Publishing	2,600	1,588	4,385	2,559
Paging	375	315	677	464
Total operating income	12,250	6,048	20,607	8,536
Miscellaneous income, net	59	27	97	98
Appreciation (depreciation) in value of derivatives, net	341	(175)	730	(961)
Interest expense	7,901	8,916	16,866	18,167
Loss before income taxes	$4,749	$(3,016)	$4,568	$(10,494)

Media Cash Flow:				
Broadcasting	$13,191	$11,578	$23,292	$20,453
Publishing	3,344	2,467	5,879	4,344
Paging	711	891	1,349	1,614
	$17,246	$14,936	$30,520	$26,411
Media cash flow reconciliation:				
Operating income	$12,250	$6,048	$20,607	$8,536
Add:				
Amortization of program broadcast rights	1,340	1,372	2,661	2,725
Depreciation and amortization	3,700	7,846	7,433	15,696
Corporate overhead	1,116	884	2,116	1,829
Non-cash compensation and contributions to the Company s 401(k) plan, paid in common stock	183	159	368	351
Less:				
Payments for program broadcast obligations	(1,343)	(1,373)	(2,665)	(2,726)
Media Cash Flow	$17,246	$14,936	$30,520	$26,411

Operating income is total operating revenues less operating expenses, excluding miscellaneous income and expense (net), appreciation (depreciation) in value of derivatives, net and interest. Corporate and administrative expenses are allocated to operating income based on net segment revenues.

NOTE F PREFERRED STOCK

On April 22, 2002, the Company 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 the Company s class B common stock at a conversion price of $14.39 per share subject to certain adjustments. The Series C will be redeemable at the Company s 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 the Company s board of directors may be paid at the Company s option in cash or additional shares of Series C.

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GRAY TELEVISION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of the transaction, holders of the Company s 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 the only currently outstanding preferred stock of the Company.

Net cash proceeds approximated $30.5 million, after transaction fees and expenses and excluding the value of the series A and series B preferred stock exchanged into the Series C. The Company used the net cash proceeds to repay all current outstanding borrowings of $13.5 million under the Company s revolving credit facility and intends to use the remaining net cash proceeds for other general corporate purposes.

NOTE G INCOME TAXES

The Internal Revenue Service (the IRS) is auditing the Company s federal tax return for the years ended December 31, 1996 and 1998.

In October 2001, the Company received a notice of deficiency from the IRS associated with its audit of the Company s 1996 and 1998 federal income tax returns. The IRS alleges in the notice that the Company owes $12.1 million of tax plus interest and penalties stemming from certain acquisition related transactions, which occurred in 1996. Additionally, if the IRS were successful in its claims, the Company 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. The Company believe the IRS claims are without merit and on January 18, 2002 filed a petition to contest the matter in United States Tax Court. The Company cannot predict when the tax court will conclude its ruling on this matter.

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors and Stockholders of
Gray Communications Systems, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, stockholders equity and cash flows present fairly, in all material respects, the financial position of Gray Communications Systems, Inc. and its subsidiaries at December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Atlanta, Georgia
February 4, 2002

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Gray Communications Systems, Inc.

We have audited the accompanying consolidated balance sheet of Gray Communications Systems, Inc., as of December 31, 2000 and the related consolidated statements of operations, stockholders equity and cash flows for each of the years ended December 31, 2000 and December 31, 1999. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gray Communications Systems, Inc., at December 31, 2000, and the consolidated results of its operations and its cash flows for the years in the period ended December 31, 2000 and December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
January 29, 2001

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GRAY COMMUNICATIONS SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2001	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	$557,521	$2,214,838
Restricted cash for redemption of long-term debt	168,557,417	
Trade accounts receivable, less allowance for doubtful accounts of $743,000 and $845,000, respectively	29,722,141	30,321,372
Recoverable income taxes	552,177	1,196,408
Inventories	763,430	1,472,377
Current portion of program broadcast rights, net	3,809,238	3,723,988
Other current assets	742,150	670,718
Total current assets	204,704,074	39,599,701
Property and equipment:		
Land	4,905,121	4,905,121
Buildings and improvements	16,904,976	16,639,424
Equipment	113,018,560	106,783,692
	134,828,657	128,328,237
Allowance for depreciation	(71,412,314)	(55,730,599)

	63,416,343	72,597,638
Deferred loan costs, net	14,305,495	8,203,055
Licenses and network affiliation agreements	424,384,811	436,255,773
Goodwill	72,025,145	73,978,230
Consulting and noncompete agreements	901,216	1,381,545
Other	14,599,894	4,755,793
	$794,336,978	$636,771,735

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GRAY COMMUNICATIONS SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS (Continued)

	December 31, 2001	December 31, 2000
Liabilities and stockholders equity		
Current liabilities:		
Trade accounts payable (includes $0 and $200,000 payable to Bull Run Corporation, respectively)	$7,632,778	$4,452,911
Employee compensation and benefits	6,002,892	6,630,078
Accrued expenses	1,588,302	1,631,490
Accrued interest	7,872,585	6,875,294
Current portion of program broadcast obligations	3,655,881	3,605,960
Deferred revenue	2,783,069	3,015,044
Unrealized loss on derivatives	1,581,000	
Current portion of long-term debt	155,262,277	200,000
Total current liabilities	186,378,784	26,410,777
Long-term debt, less current portion	396,182,025	374,687,052
Program broadcast obligations, less current portion	619,320	303,308
Supplemental employee benefits	397,720	525,151
Deferred income taxes	66,790,563	72,935,799
Other	1,772,989	5,948,849
	652,141,401	480,810,936

Commitments and contingencies		
Stockholders equity		
Serial Preferred Stock, no par value; authorized 20,000,000 shares; issued and outstanding 861 shares, respectively ($8,605,788 aggregate liquidation value, respectively)	4,636,663	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 8,792,227 and 8,708,820 shares, respectively	117,634,928	116,486,600
Retained earnings	8,089,745	23,273,239
	150,534,295	164,569,461
Treasury Stock at cost, Class A Common, 1,113,107 shares, respectively	(8,338,718)	(8,338,718)
Treasury Stock at cost, Class B Common, and 24,257 shares, respectively		(269,944)
	142,195,577	155,960,799
	$794,336,978	$636,771,735

See accompanying notes.

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GRAY COMMUNICATIONS SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2001	2000	1999
Operating revenues:			
Broadcasting (less agency commissions)	$106,429,524	$120,639,853	$97,014,737
Publishing	41,189,183	41,499,521	37,808,328
Paging	8,724,743	9,073,629	9,129,702
	156,343,450	171,213,003	143,952,767
Expenses:			
Broadcasting	66,232,307	67,770,063	58,660,663
Publishing	31,915,101	31,408,235	28,781,501
Paging	5,877,010	6,136,157	6,550,529
Corporate and administrative	3,615,117	3,594,113	3,448,203
Depreciation	16,512,198	16,889,172	12,855,449
Amortization of intangible assets	14,312,069	14,317,733	11,595,919
	138,463,802	140,115,473	121,892,264
Operating income	17,879,648	31,097,530	22,060,503
Depreciation in value of derivatives, net	(1,581,000)		
Miscellaneous income, net	194,131	781,251	335,871

	16,492,779	31,878,781	22,396,374
Interest expense	35,782,547	39,957,362	31,021,039
LOSS BEFORE INCOME TAXES	(19,289,768)	(8,078,581)	(8,624,665)
Federal and state income tax benefit	(5,971,919)	(1,866,767)	(2,309,966)
NET LOSS	(13,317,849)	(6,211,814)	(6,314,699)
Preferred dividends	616,346	1,012,374	1,010,000
Non-cash preferred dividends associated with the redemption of preferred stock		2,159,625	
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$(13,934,195)	$(9,383,813)	$(7,324,699)
Weighted average outstanding common shares:			
Basic	15,605,133	15,496,847	12,837,912
Diluted			

15,605,133	15,496,847	12,837,912

Basic and diluted net loss per share available to common stockholders	$(0.89)	$(0.61)	$(0.57)

See accompanying notes.

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GRAY COMMUNICATIONS SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	Preferred Stock		Class A Common Stock		Clas
	Shares	Amount	Shares	Amount	Sh
Balance at December 31, 1998	1,350	7,371,250	7,961,574	20,172,959	5,27

Net loss
(6,314,699)
Common Stock cash dividends ($0.08) per share
(1,027,322)
Preferred Stock dividends
(1,010,000)
Issuance of Common Stock:

401(k) plan
126,944
Non-qualified stock plan
(12,397)
Issuance of Class B Common Stock
3,435,774 49,452,053
Purchase of Class B Common Stock

Income tax benefits relating to stock plans
8,100

Balance at December 31, 1999
1,350 7,371,250 7,961,574 20,172,959 8,708,820 116,379,482 34,012,683
Net loss
(6,211,814)
Common Stock cash dividends ($0.08) per share
(1,239,921)
Preferred Stock dividends
(1,012,374)
Non-cash preferred dividends associated with the redemption of preferred stock
(2,159,625)
Issuance of Common Stock:

401(k) plan

53,071 (34,143)
Non-qualified stock plan
54,047 (81,567)
Purchase of Class B Common Stock

Issuance of Series B Preferred Stock
11 105,788
Purchase of Series A Preferred Stock
(500) (2,840,375)

Balance at December 31, 2000
861 4,636,663 7,961,574 20,172,959 8,708,820 116,486,600 23,273,239
Net loss
(13,317,849)
Common Stock cash dividends ($0.08) per share
(1,249,299)
Preferred Stock dividends
(616,346)
Issuance of Common Stock:

401(k) plan
41,207 585,316
Non-qualified stock plan
42,200 556,891
Income tax benefits relating to stock plans
6,121

Balance at December 31, 2001
861 $4,636,663 7,961,574 $20,172,959 8,792,227 $117,634,928 $8,089,745

[Additional columns below]

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

	Class A Treasury Stock		Class B Treasury Stock		
	Shares	Amount	Shares	Amount	Total
Balance at December 31, 1998	(1,129,532)	(8,578,682)	(135,080)	(1,432,143)	126,702,870

Net loss
(6,314,699)
Common Stock cash dividends ($0.08) per share
(1,027,322)
Preferred Stock dividends
(1,010,000)
Issuance of Common Stock:

401(k) plan
44,715 487,039 613,983
Non-qualified stock plan
2,250 32,397 20,000
Issuance of Class B Common Stock
49,452,053
Purchase of Class B Common Stock
(20,000) (257,004) (257,004)
Income tax benefits relating to stock plans
8,100

Balance at December 31, 1999
(1,127,282) (8,546,285) (110,365) (1,202,108) 168,187,981
Net loss
(6,211,814)
Common Stock cash dividends ($0.08) per share
(1,239,921)

Preferred Stock dividends
(1,012,374)
Non-cash preferred dividends associated with the redemption of preferred stock
(2,159,625)
Issuance of Common Stock:

401(k) plan
59,969 666,295 685,223
Non-qualified stock plan
14,175 207,567 37,500 408,453 588,500
Purchase of Class B Common Stock
(11,361) (142,584) (142,584)
Issuance of Series B Preferred Stock
105,788
Purchase of Series A Preferred Stock
(2,840,375)

Balance at December 31, 2000
(1,113,107) (8,338,718) (24,257) (269,944) 155,960,799
Net loss
(13,317,849)
Common Stock cash dividends ($0.08) per share
(1,249,299)
Preferred Stock dividends
(616,346)
Issuance of Common Stock:

401(k) plan
9,257 103,027 688,343
Non-qualified stock plan
15,000 166,917 723,808
Income tax benefits relating to stock plans
6,121

Balance at December 31, 2001
(1,113,107) $(8,338,718) $ $142,195,577

See accompanying notes.

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GRAY COMMUNICATIONS SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2001	2000	1999
Operating activities			
Net loss	$(13,317,849)	$(6,211,814)	$(6,314,699)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	16,512,198	16,889,172	12,855,449
Amortization of intangible assets	14,312,069	14,317,733	11,595,919
Amortization of deferred loan costs	1,535,747	1,537,047	1,253,277
Amortization of program broadcast rights	5,518,852	5,306,672	5,340,187
Payments for program broadcast rights	(5,422,959)	(5,614,129)	(4,953,672)
Supplemental employee benefits	(184,427)	(242,662)	(206,372)
Common Stock contributed to 401(K) Plan	688,343	685,223	613,983
Deferred income taxes	(6,145,236)	(2,454,030)	(2,738,500)
Depreciation in value of derivatives, net	1,581,000		
(Gain) loss on asset sales	157,159	(391,549)	(114,063)
Other	98,653		
Changes in operating assets and liabilities:			
Trade accounts receivable	599,231	17,053	(2,865,849)
Recoverable income taxes	562,250	856,617	(327,490)
Inventories	708,947	(139,437)	255,897
Other current assets	(71,432)	139,392	106,829
Trade accounts payable	3,188,426	185,677	1,734,641
Employee compensation and benefits	(627,186)	1,361,105	(260,827)
Accrued expenses	13,808	(921,133)	1,147,105
Accrued interest	997,291	(2,358,615)	3,625,775
Deferred revenue	(231,975)	(197,770)	94,328

Net cash provided by operating activities	20,472,910	22,764,552	20,841,918

Investing activities

Restricted cash for redemption of long-term debt	(168,557,417)		
Acquisition of television businesses		(97,079,854)	
Acquisition of investment in television business	(9,751,840)		
Acquisition of newspaper business		(16,869,140)	
Purchases of property and equipment	(11,242,758)	(5,702,494)	(11,711,893)
Proceeds from asset sales	104,582	634,832	1,722,932
Payments on purchase liabilities	(443,769)	(592,570)	(900,688)
Other	76,281	(2,615,431)	(1,941,081)
Net cash used in investing activities	(189,814,921)	(8,275,663)	(126,779,724)

Financing activities

Proceeds from borrowings on long-term debt	239,008,200	49,700,000	164,200,000
Repayments of borrowings on long-term debt	(62,450,950)	(56,514,890)	(53,153,313)
Deferred loan costs	(7,736,840)	(83,516)	(2,674,431)
Dividends paid	(1,865,645)	(2,146,507)	(2,304,823)
Income tax benefit relating to stock plans	6,121	8,100	
Proceeds from issuance of Common Stock			

	723,808	126,000	20,000
Purchase of Common Stock		(142,584)	(257,004)
Redemption of Preferred Stock		(5,000,000)	
Net cash provided by (used in) financing activities	167,684,694	(14,061,497)	105,838,529
Increase (decrease) in cash and cash equivalents	1,657,317	427,392	(99,277)
Cash and cash equivalents at beginning of year	2,214,838	1,787,446	1,886,723
Cash and cash equivalents and restricted cash at end of year	$557,521	$2,214,838	$1,787,446

See accompanying notes.

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

Description of Business

The Company s operations, which are located in thirteen southern, southwestern and midwestern states, include 13 television stations, four daily newspapers and a wireless messaging and paging.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

The Company recognizes revenue from three industries: broadcasting, publishing and paging. Broadcasting revenue is generated primarily from the sale of television advertising time. Publishing revenue is generated primarily from circulation and advertising revenue. Paging revenue results primarily from the sale of pagers and paging services. Advertising revenue is billed to the customer and recognized when the advertisement is aired or published. The Company bills its customers in advance for newspaper subscriptions and paging services and the related revenues are recognized over the period the service is provided on the straight-line basis. Revenue from the sale of cellular telephones and pagers is recognized at the time of sale.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit with banks. Deposits with banks are generally insured in limited amounts.

Inventories

Inventories, principally newsprint and supplies, are stated at the lower of cost or market. The Company uses the first-in, first-out method of determining costs for substantially all of its inventories.

Program Broadcast Rights

Rights to programs available for broadcast under program license agreements are initially recorded at the beginning of the license period for the amounts of total license fees payable under the license agreements and are charged to operating expense as each episode is broadcast. The cost of each episode is determined by dividing the total cost of the program license agreement by the number of episodes per the agreement. The portion of the unamortized balance expected to be charged to operating expense in the succeeding year is classified as a current asset, with the remainder classified as a non-current asset. The liability for the license fees payable under the program license agreements is classified as current or long-term, in accordance with the payment terms of the various license agreements. The capitalized costs of the rights are recorded at the lower of unamortized costs or estimated net realizable value.

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. Buildings, improvements and equipment are generally depreciated over estimated useful lives of approximately 35 years, ten years and five years, respectively.

Deferred Loan Costs

Loan acquisition costs are amortized over the life of the applicable indebtedness. As of December 31, 2001, the life of the senior bank loan agreement (the Senior Credit Facility) is eight years and the life of the 9 1/4% Senior Subordinated Notes Due 2011 (the 9 1/4% Notes) is ten years. The final maturity dates of the Senior Credit Facility and the 9 1/4% Notes are September 2009 and December 2011, respectively.

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. Accumulated amortization of intangible assets resulting from business acquisitions was $58.9 million and $44.6 million as of December 31, 2001 and 2000, respectively.

If facts and circumstances indicate that the goodwill, property and equipment or other 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.

Income Taxes

Deferred income taxes are provided on the differences between the financial statement and income tax basis of assets and liabilities. The Company and its subsidiaries file a consolidated federal income tax return. Consolidated state income tax returns are filed when appropriate and separate state tax returns are filed when consolidation is not available. Local tax returns are filed separately.

Stock Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations in accounting for its stock options. Under APB 25, if the exercise price of the stock options the Company granted equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

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). The effect as of January 1, 2001, of adopting SFAS 133 was not material and, accordingly, it is not presented as a cumulative effect adjustment. 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 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.

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In 1999, the Company entered into an interest rate swap agreement to 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. As a result of the adoption of SFAS 133 and the general decrease in market interest rates during the current year, the Company recognized depreciation in the value of its derivative during the year ended December 31, 2001 of $1,581,000.

Concentration of Credit Risk

The Company provides print advertising and advertising air-time to national, regional and local advertisers within the geographic areas in which it operates. Credit is extended based on an evaluation of the customer s financial condition, and generally advance payment is not required. Credit losses are provided for in the financial statements and consistently have been within management s expectations.

Fair Value of Financial Instruments

The estimated fair value of the Company s long-term debt at December 31, 2001 and 2000 was $556.5 million and $370.5 million, respectively. Currently, the Company does not anticipate settlement of long-term debt, except for its 10 5/8% Senior Subordinated Notes due 2006, at other than book value. The fair value of other financial instruments classified as current assets or liabilities approximates their carrying value.

Earnings Per Share

The Company computes earnings per share in accordance with SFAS No. 128, Earnings Per Share (EPS). The weighted average number of shares used in computing basic and diluted earnings or loss per share was 15,605,133, 15,496,847 and 12,837,912 in the years ended December 31, 2001, 2000 and 1999, respectively. Dilutive securities of 511,882, 140,063 and 356,971 are not included in the calculation of diluted EPS in the years ending December 31, 2001, 2000 and 1999, respectively, because they are antidilutive.

Implementation of New Accounting Principle

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations (SFAS 141) and No. 142, Goodwill and Other Intangible Assets (SFAS 142), effective for fiscal years beginning after December 15, 2001 and therefore will be implemented by the Company in 2002. 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. The Company is required to adopt the new rules effective January 1, 2002. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets. The initial valuation date is January 1, 2002. The Company has not completed these initial valuation tests and has not yet determined what the effect of these tests will be on its earnings and financial position.

B. Business Acquisitions

Acquisition of Equity Investment in Sarkes Tarzian, Inc.

On December 3, 2001, the Company exercised its option to acquire 301,119 shares of the outstanding common stock of Sarkes Tarzian, Inc. (Tarzian) from Bull Run Corporation (Bull Run), one of its

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

principal shareholders. Bull Run had purchased these same shares from the Estate of Mary Tarzian (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 television markets (DMA s) in the United States, respectively, as ranked by the A.C. Nielsen Company.

The Company paid $10.0 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. The Company previously had capitalized and paid to Bull Run $3.2 million of costs associated with the Company s option to acquire these shares. This acquisition has been accounted for under the cost method of accounting and reflected as a non-current other asset.

Litigation concerning Acquisition of Equity Investment in Sarkes Tarzian, Inc.

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 the Company 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 the Company and after final judgment, a court orders the Company to relinquish ownership of the Tarzian shares, then the Company would be entitled to reimbursement for its initial investment and related carrying costs by U.S. Trust Company of Florida Savings Bank.

1999 Acquisitions

On October 1, 1999, the Company completed its acquisition of all the outstanding capital stock of KWTX Broadcasting Company (KWTX) and Brazos Broadcasting Company (Brazos), as well as the assets of KXII Broadcasters Ltd. (KXII). The Company acquired the capital stock of KWTX and Brazos in merger transactions, with the shareholders of KWTX and Brazos receiving a combination of cash and the Company s class B common stock for their shares. The Company acquired the assets of KXII in an all cash transaction. These transactions are referred to herein as the Texas Acquisitions.

KWTX operates CBS affiliate KWTX-TV located in Waco, Texas and Brazos operates KBTX-TV, a satellite station of KWTX-TV located in Bryan, Texas, each serving the Waco-Temple-Bryan, Texas television market. KXII operates KXII-TV, which is the CBS affiliate serving Sherman, Texas and Ada, Oklahoma. The Texas 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.

GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Aggregate consideration (net of cash acquired) paid in the Company s class B common stock and cash was $146.4 million, which included a base purchase price of $139.0 million, transaction expenses of $2.8 million and certain net working capital adjustments (excluding cash) of $4.6 million. In addition to the amount paid, the Company assumed $600,000 in liabilities in connection with the asset purchase of KXII.

The Company funded the acquisitions by issuing 3,435,774 shares of its class B common stock (valued at $49.5 million) to the sellers, borrowing an additional $94.4 million under its Senior Credit Facility and using cash on hand of $2.5 million. Based on the allocation of the purchase price, the excess of the purchase price over the fair value of the net tangible assets was $148.9 million. The Company paid Bull Run a fee of $1.39 million for advisory services performed for the Company in connection with the Texas Acquisitions (excluding a $300,000 advisory fee in connection with its Senior Credit Facility agreement). This fee was paid in full as of the acquisition date and included in the fee portion of the aggregate consideration for the Texas Acquisitions described above. We do not intend to compensate Bull Run for any such advisory or similar services in the future.

On March 1, 1999, the Company acquired substantially all of the assets of *The Goshen News* from News Printing Company, Inc. and affiliates thereof, for aggregate cash consideration of $16.7 million including a non-compete agreement (the Goshen Acquisition). Based on the allocation of the purchase price, the excess of the purchase price over the fair value of the net tangible assets was $14.1 million. *The Goshen News* is currently an 18,000 circulation newspaper published Monday through Sunday and serves Goshen, Indiana and surrounding areas. The Company paid Bull Run a fee of $167,000 for services rendered in connection with the Goshen Acquisition. The Company financed the acquisition through borrowings under its Senior Credit Facility.

The Texas Acquisitions and the Goshen Acquisition 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.

C. Long-term Debt

Long-term debt consists of the following:

	December 31,	
	2001	**2000**
	(dollars in thousands)	
Senior Credit Facility	$217,500	$214,500
9 1/4% Senior Subordinated Notes due 2011	180,000	
10 5/8% Senior Subordinated Notes due 2006 (retired on January 22, 2002)	155,200	160,000
Other	186	387

	552,886	374,887
Less unamortized discount	(1,442)	
	551,444	374,887
Less current portion	(155,262)	(200)
	$396,182	$374,687

GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company amended and restated its Senior Credit Facility on September 25, 2001. The revised facility provides the Company with a $200.0 million term facility and a $50.0 million reducing revolving credit facility. In addition, the agreement provides the Company with the ability to access up to $100.0 million of incremental senior secured term loans upon the consent of the lenders. The Company may request this incremental senior secured term loan on any business day on or before December 31, 2003. Prior to the amendment on September 25, 2001, the Senior Credit Facility consisted of a $100.0 million revolving commitment and two $100.0 million term loan commitments.

Proceeds from the amended and restated facility were used to refinance existing senior secured indebtedness, transaction fees and for other general corporate purposes. The Company incurred $2.6 million in lender fees and other costs to amend and restate the facility.

Under the amended revolving and term facilities, the Company, at its option, can borrow funds at an interest rate equal to the London Interbank Offered Rate (LIBOR) plus a margin or at the lenders base rate plus a margin. The base rate will generally be equal to the lenders prime rate. Interest rates under the amended revolving facility are base rate plus a margin ranging from 0.25% to 1.75% or LIBOR plus a margin ranging from 1.5% to 3.0%. Interest rates under the amended term facility are base plus a margin ranging from 1.75% to 2.0% or LIBOR plus a margin ranging from 3.0% to 3.25%. The applicable margin payable by the Company will be determined by the Company s operating leverage ratio that is calculated quarterly.

At December 31, 2001, the Company had $217.5 million outstanding under the Senior Credit Facility with $32.5 million available under the agreement. Also as of December 31, 2001, interest rates were at a rate of base plus 1.75% and/or LIBOR plus 3.0% for funds borrowed under the revolving facility. For funds borrowed under the term facility, interest was at base plus 2.0% and/or LIBOR plus 3.25%. The effective interest rate on the Senior Credit Facility at December 31, 2001 and 2000 was 5.8% and 9.7%, respectively. The Company is charged a commitment fee on the excess of the aggregate average daily available credit limit less the amount outstanding. At December 31, 2001, the commitment fee was 0.50% per annum.

The lenders commitments for the revolving facility will reduce quarterly, as specified in the credit agreement, beginning March 31, 2004 and final repayment of any outstanding amounts under the revolving facility is due December 31, 2008. The term facility commences amortization in quarterly installments of $500,000 beginning March 31, 2003 through December 31, 2008 with the remaining outstanding balance payable in three equal quarterly installments beginning March 31, 2009. The final maturity date for any outstanding amounts under the term facility is September 30, 2009.

The amended and restated senior credit facilities are collateralized by substantially all of the assets, excluding real estate, of the Company and its subsidiaries. In addition, the Company s subsidiaries are joint and several guarantors of the obligations and the Company s ownership interests in its subsidiaries are pledged to collateralize the obligations. The agreement contains certain restrictive provisions which include but are not limited to, requiring the Company to maintain certain financial ratios and limits upon its ability to incur additional indebtedness, make certain acquisitions or investments, sell assets or make other restricted payments, including dividends, (all as are defined in the loan agreement). The 9 1/4% Notes also contain similar restrictive provisions limiting the Company s ability to, among other things incur additional indebtedness make certain acquisitions or investments, sell assets or make certain restricted payments that include but are not limited to purchases or redemptions of the Company s capital stock.

On December 21, 2001, the Company completed its sale of $180.0 million aggregate principal amount of the 9 1/4% Notes. The net proceeds from the sale of the 9 1/4% Notes were $173.6 million. The 9 1/4% Notes have a coupon of 9 1/4% and was priced at a discount to yield 9.375%. Interest on the 9 1/4% Notes is payable semi-annually on December 15 and June 15, commencing June 15, 2002. The 9 1/4% Notes mature

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

on December 15, 2011 and are redeemable, in whole or in part, at the Company s option after December 15, 2006. If the 9 1/4% Notes are redeemed during the twelve-month period beginning on December 15 of the years indicated below, they will be redeemed at the redemption prices set forth below, plus accrued and unpaid interest to the date fixed for redemption.

Year	Percentage of the Principal Amount Outstanding
2006	104.625%
2007	103.083%
2008	101.542%
2009 and thereafter	100.000%

Under certain circumstances, the Company at its option can redeem all or a portion of the 9 1/4% Notes prior to December 15, 2006. If the 9 1/4% Notes were to be redeemed prior to December 15, 2006, the Company would have to pay the principal amount, accrued but unpaid interest and certain premiums.

In October of 2001, the Company purchased $4.8 million of its existing 10 5/8% Senior Subordinated Notes due 2006 (the 10 5/8% Notes). On December 21, 2001, the Company instructed the trustee for the 10 5/8% Notes to commence the redemption, in full, of the remaining 10 5/8% Notes outstanding. The Company deposited cash of $168.6 million with the 10 5/8% Notes trustee, to redeem the aggregate principal amount of the 10 5/8% Notes outstanding of $155.2 million and to fund associated premium costs of $8.2 million, accrued interest of $3.7 million and certain other related expenses of $1.5 million. This cash was funded from the net proceeds of the 9 1/4% Notes and is included in consolidated balance sheet at December 31, 2001 as restricted cash for redemption of long-term debt . The redemption was completed on January 22, 2002 and all obligations associated with the 10 5/8% Notes as well as the rights associated with the restricted cash were extinguished on that date. The Company recorded an extraordinary charge of approximately $11.3 million ($6.8 million after income tax) in January 2002 in connection with this early extinguishment of debt.

The 9 1/4% Notes are jointly and severally guaranteed (the Subsidiary Guarantees) by all of the Company s subsidiaries (the Subsidiary Guarantors). The obligations of the Subsidiary Guarantors under the Subsidiary Guarantees are subordinated, to the same extent as the Company s obligations in respect of the 9 1/4% Notes, to the prior payment in full of all existing and future senior debt of the Subsidiary Guarantors (which will include any guarantee issued by such Subsidiary Guarantors of any senior debt).

The Company is a holding company with no material independent assets or operations, other than its investment in its subsidiaries. The aggregate assets, liabilities, earnings and equity of the Subsidiary Guarantors are substantially equivalent to the Company s assets, liabilities, earnings and equity on a consolidated basis. The Subsidiary Guarantors are the Company s directly or indirectly, wholly-owned subsidiaries and the Subsidiary Guarantees are full, unconditional and joint and several. All of the Company s current and future direct and indirect subsidiaries are guarantors of the Senior Subordinated Notes. Accordingly, separate financial statements and other disclosures of each of the Subsidiary Guarantors are not presented because the Company has no independent assets or operations, the guarantees are full and unconditional and joint and several and any subsidiaries of the parent company other than the

Subsidiary Guarantors are minor. The Senior Credit Facility is collateralized by substantially all of the Company s existing and hereafter acquired assets except real estate.

The Company entered into an interest rate swap agreement to modify the interest characteristics of a portion of its outstanding debt. The agreement involves the exchange of an amount based on a variable interest rate for an amount based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based.

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The interest rate swap agreement converts $40.0 million of the Company s floating rate debt under the Senior Credit Facility to a fixed rate basis at a rate of 6.155%. The initial term of the interest rate swap agreement was effective on October 6, 1999 and terminated on October 6, 2001. However, the bank providing the interest rate swap agreement had an option to extend the termination date. The bank chose to exercise its option and extended the term of the swap agreement to October 6, 2002. As a result of the agreement s unilateral option component, the agreement does not qualify for hedge accounting under SFAS 133.

The Company recognizes interest differentials as adjustments to interest expense in the period they occur. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the debt. The related amount payable to, or receivable from, counter-parties is included in other liabilities or assets. The fair value of the swap agreements is recognized in the financial statements.

Aggregate minimum principal maturities on long-term debt as of December 31, 2001, were as follows:

Year	Minimum Principal Maturities
	(dollars in thousands)
2002	$155,262
2003	68
2004	56
2005	
2006	
Thereafter	396,058
	$551,444

The Company made interest payments of approximately $36.8 million, $40.8 million and $26.1 million during 2001, 2000 and 1999, respectively.

D. Stockholders Equity

The Company is authorized to issue 50,000,000 shares of all classes of stock, of which, 15,000,000 shares are designated class A common stock, 15,000,000 shares are designated class B common stock, and 20,000,000 shares are designated blank check preferred stock for which the board of directors has the authority to determine the rights, powers, limitations and restrictions. The rights of the Company s class A and class B common stock are identical, except that the class A common stock has ten votes per share and the class B common stock has one vote per share. The class A and class B common stock receive cash dividends on an equal per share basis.

The series A preferred stock includes detachable warrants issued to Bull Run to purchase 731,250 shares of class A common stock for $11.92 per share. Of these warrants, 450,000 vested upon issuance, with the remaining warrants vesting in five equal annual installments commencing January 3, 1997, providing the series A preferred stock remains outstanding. The series A preferred stock was originally issued to Bull Run; however, these shares were sold by Bull Run to one of its affiliates in 2001. The holder of the series A preferred stock receives cash dividends at an annual rate of $800 per share. During 2000, the Company redeemed 500 shares of series A preferred stock at a cost of $5.0 million. The liquidation or redemption price of the series A preferred stock is $10,000 per share.

The series B preferred stock includes warrants to purchase an aggregate of 750,000 shares of class A common stock at an exercise price of $16.00 per share. Of these warrants 450,000 vested upon issuance, with the remaining warrants vesting in five equal annual installments commencing on September 24, 1997.

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The shares of series B preferred stock were originally issued to Bull Run and to J. Mack Robinson, Chairman of the Board of Bull Run and the Company s President and Chief Executive Officer, and certain of his affiliates. The Company obtained a written opinion from an investment banker as to the fairness of the terms of the sale of such series B preferred stock with warrants. During 2001, Bull Run sold its shares of series B preferred stock to one of the other original series B preferred stock shareholders. The holders of the series B preferred stock receive dividends at an annual rate of $600 per share, with the Company having the option to pay these dividends in cash or in additional shares. The liquidation or redemption price of the series B preferred stock is $10,000 per share. During 2000, the Company issued 11 shares of series B preferred stock as payment of dividends to the holders of its then outstanding series B preferred stock. The liquidation or redemption price of the series B preferred stock is $10,000 per share.

In addition to the $13.2 million paid for the Tarzian shares, the Company granted warrants to Bull Run to purchase up to 100,000 shares of its class B common stock at $13.625 per share. These warrants are fully vested and will expire in 10 years if not exercised.

The Company is authorized by its board of directors to purchase up to two million shares of its class A or class B common stock to either be retired or reissued in connection with its benefit plans, including the Capital Accumulation Plan and the Incentive Plan. During 2000 and 1999, the Company purchased 11,361 shares and 20,000 shares of its class B common stock, respectively, under this authorization. The 2000 and 1999 treasury shares were purchased at prevailing market prices with an average effective price of $12.55 and $12.85 per share, respectively, and were funded from the Company s operating cash flow.

E. Long-term Incentive Plan and Stock Purchase Plan

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related Interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company s employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

The Company has a long-term incentive plan (the Incentive Plan) that was amended by its shareholders during 2001. The amendment increased the aggregate number of shares of the Company s common stock subject to awards under the Incentive Plan to 2.9 million from 1.9 million. As a result of this amendment, the Incentive Plan has 300,000 shares of the Company s class A common stock and 2.6 million shares of its class B common stock reserved for grants to key personnel for (i) incentive stock options, (ii) non-qualified stock options, (iii) stock appreciation rights, (iv) restricted stock awards and (v) performance awards, as defined by the Incentive Plan. Shares of common stock underlying outstanding options or performance awards are counted against the Incentive Plan s maximum shares while such options or awards are outstanding. Under the Incentive Plan, the options granted typically vest after a two year period and expire three years after full vesting. However, options will vest immediately upon if the Company incurs a change in control as such term is defined in the Incentive Plan. Options granted through December 31, 2001, have been granted at a price, which approximates fair market value on the date of the grant.

The Company also has a Stock Purchase Plan, which grants non-employee directors up to 11,250 shares of its class B common stock. Under this Stock Purchase Plan, the options granted vest at the beginning of the upcoming calendar year and expire at the end of January following that calendar year.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123) which also requires that the information be determined as if the Company had accounted for its employee stock options granted under the fair value method of SFAS No. 123. The fair value for these options was estimated at the date of grant using

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 3.52%, 6.55% and 6.04%; dividend yields of 0.78%, 0.78% and 0.63%; volatility factors of the expected market price of the Company s class B common stock of 0.32, 0.27 and 0.27; and a weighted-average expected life of the options of 3.4, 4.9 and 4.0 years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period. The Company s pro forma information follows:

	Year Ended December 31,		
	2001	2000	1999
	(dollars in thousands, except per common share data)		
Pro forma loss available to common stockholders	$(15,077)	$(10,404)	$(8,329)
Pro forma loss per common share:			
Basic	$(0.97)	$(0.67)	$(0.65)
Diluted	$(0.97)	$(0.67)	$(0.65)

A summary of the Company s stock option activity for class A common stock, and related information for the years ended December 31, 2001, 2000 and 1999 is as follows:

	Year Ended December 31,					
	2001		2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(in thousands, except weighted average data)					
Stock options outstanding beginning of year	19	$17.81	34	$14.04	36	$13.71
Options granted	0		0		0	
Options exercised	0		(15)	8.89	(2)	8.89
Options forfeited	0		0		0	

Stock options outstanding end of year	19	$17.81	19	$17.81	34	$14.04
Exercisable at end of year	19	$17.81	19	$17.81	14	$8.89

The exercise price for class A common stock options outstanding as of December 31, 2001 is $17.81. The weighted-average remaining contractual life of the class A common stock options outstanding is 1.9 years.

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the Company s stock option activity for class B common stock, and related information for the years ended December 31, 2001, 2000, and 1999 is as follows:

	Year Ended December 31,					
	2001		2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
	(in thousands, except weighted average data)					
Stock options outstanding beginning of year	1,697	$11.86	820	$13.78	659	$14.36
Options granted	60	10.23	965	10.37	241	12.85
Options exercised	(57)	12.65	0		0	
Options forfeited	(47)	11.21	(36)	12.52	(18)	14.41
Options expired	(19)	10.58	(52)	14.00	(62)	16.13
Stock options outstanding end of year	1,634	$11.81	1,697	$11.86	820	$13.78
Exercisable at end of year	699	$13.89	569	$14.05	449	$14.20
Weighted-average fair value of options granted during the year		$2.58		$3.40		$3.67

Exercise prices for class B common stock options outstanding as of December 31, 2001, ranged from $9.95 to $14.50. The weighted-average remaining contractual life of the class B common stock options outstanding is 2.6.

F. Income Taxes

The Company uses the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Federal and state income tax expense (benefit) included in the consolidated financial statements is summarized as follows:

	Year Ended December 31,		
	2001	**2000**	**1999**
	(dollars in thousands)		
Current			
Federal	$	$	$6
State and local	173	587	423
Deferred	(6,145)	(2,454)	(2,739)
	$(5,972)	$(1,867)	$(2,310)

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Significant components of the Company s deferred tax liabilities and assets are as follows:

	December 31, 2001	December 31, 2000
	(dollars in thousands)	
Deferred tax liabilities:		
Net book value of property and equipment	$9,059	$11,272
Goodwill and other intangibles	82,330	78,456
Other	122	122
Total deferred tax liabilities	91,511	89,850
Deferred tax assets:		
Liability under supplemental retirement plan	188	(257)
Allowance for doubtful accounts	286	322
Federal operating loss carryforwards	20,048	13,163
State and local operating loss carryforwards	3,734	3,319
Other	804	707
Total deferred tax assets	25,060	17,254
Valuation allowance for deferred tax assets	(340)	(340)

Net deferred tax assets	24,720	16,914
Deferred tax liabilities, net	$66,791	$72,936

The Company has $68.0 million in federal operating loss carryforwards which expire during the years 2012 through 2021. Additionally, the Company has an aggregate of $125.0 million of various state operating loss carryforwards.

A reconciliation of income tax expense at the statutory federal income tax rate and income taxes as reflected in the consolidated financial statements is as follows:

	Year Ended December 31,		
	2001	2000	1999
	(dollars in thousands)		
Statutory rate applied to loss	$(6,559)	$(2,746)	$(2,932)
State and local taxes, net of federal tax benefits	(37)	368	296
Other items, net	624	511	326
	$(5,972)	$(1,867)	$(2,310)

The Company received income tax refunds (net of payments) of $950,000 in 2001 and made income tax payments (net of refunds) of $643,000 and $800,000 during 2000 and 1999, respectively. At December 31, 2001 and 2000, the Company had current recoverable income taxes of $552,000 and $1.2 million, respectively.

The IRS is auditing the Company s federal tax return for the year ended December 31, 1996. In conjunction with this examination, the Company extended the time period that the IRS has to audit the Company s federal tax returns for the 1996 and 1997 tax years until December 31, 2001.

In October 2001, the Company received a notice of deficiency from the IRS associated with its audit of the Company s 1996 federal income tax return. The IRS alleges in the notice that the Company owes $12.1 million of tax plus interest and penalties stemming from certain acquisition related transactions,

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

which occurred in 1996. Additionally, if the IRS were successful in its claims, the Company 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. The Company believes the IRS claims are without merit and on January 18, 2002 filed a petition to contest the matter in United States Tax Court. The Company cannot predict when the tax court will conclude its ruling on this matter.

G. Retirement Plans

Pension Plan

The Company has a retirement plan covering substantially all full-time employees. Retirement benefits are based on years of service and the employees highest average compensation for five consecutive years during the last ten years of employment. The Company s funding policy is to contribute annually the minimum amount deductible for federal income tax purposes.

The following summarizes the plan s funded status and related assumptions:

	December 31,	
	2001	2000
	(dollars in thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$10,208	$8,951
Service cost	1,161	931
Interest cost	685	598
Actuarial (gains) losses	160	141
Benefits paid	(412)	(413)
Benefit obligation at end of year	$11,802	$10,208

Change in plan assets:		
Fair value of plan assets at beginning of year	$8,203	$8,059
Actual return on plan assets	96	334
Company contributions	883	223
Benefits paid	(412)	(413)
Fair value of plan assets at end of year	$8,770	$8,203
Components of accrued benefit costs:		
Underfunded status of the plan	$(3,032)	$(2,005)
Unrecognized net actuarial loss	1,097	456
Unrecognized net transition amount	(27)	(81)
Unrecognized prior service cost	0	(1)
Accrued benefit cost	$(1,962)	$(1,631)
Weighted-average assumptions as of December 31:		
Discount rate	6.8%	6.8%
Expected long-term rate of return on plan assets	7.0%	7.0%
Estimated rate of increase in compensation levels		

5.0% 5.0%

GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The net periodic pension cost includes the following components:

	Year Ended December 31,		
	2001	2000	1999
	(dollars in thousands)		
Components of net periodic pension cost:			
Service cost	$1,161	$931	$750
Interest cost	685	598	529
Expected return on plan assets	(577)	(553)	(516)
Amortization of prior service cost	(1)	(1)	(1)
Amortization of transition (asset) or obligation	(54)	(54)	(54)
Pension cost	$1,214	$921	$708

Capital Accumulation Plan

The Gray Communications Systems, Inc. Capital Accumulation Plan (the Capital Accumulation Plan) provides additional retirement benefits for substantially all employees. The Capital Accumulation Plan is intended to meet the requirements of section 401(k) of the Internal Revenue Code of 1986.

The Capital Accumulation Plan allows an investment option in the Company s class B common stock and allows for the Company s percentage match to be made by a contribution of its class B common stock. The Company reserved 300,000 shares of its class B common stock for issuance under the Capital Accumulation Plan.

Employee contributions to the Capital Accumulation Plan, not to exceed 6% of the employees gross pay, are matched by Company contributions. The Company s percentage match amount is declared by its board of directors before the beginning of each plan year and is made by a contribution of its class B common stock. The Company s percentage match was 50% for the three years ended December 31, 2001. The Company s contributions vest, based upon each employee s number of years of service, over a period not to exceed five years.

Company matching contributions aggregating $688,343, $685,223 and $613,983 were charged to expense for 2001, 2000 and 1999, respectively, for the issuance of 50,464, 59,969 and 44,715 shares of class B common stock, respectively.

H. Commitments and Contingencies

The Company has various operating lease commitments for equipment, land and office space. The Company also has commitments for various television film exhibition rights and for digital television (DTV) equipment. The license periods for the film exhibition rights had not yet commenced nor had a portion of the DTV equipment been delivered as of December 31, 2001. Rent expense resulting from operating leases for the years ended December 31, 2001, 2000 and 1999 were $1.6 million, $1.5 million and $1.8 million, respectively. Future minimum payments under operating leases with initial or remaining noncancelable lease terms in excess of one year, obligations under film exhibition rights for which the

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

license period had not yet commenced and commitments for DTV equipment that had been ordered but not yet received are as follows:

Year	DTV Equipment	Lease	Film	Total
	(dollars in thousands)			
2002	$12,452	$1,512	$2,504	$16,468
2003	3,436	911	4,740	9,087
2004		679	3,688	4,367
2005		544	1,857	2,401
2006		460	227	687
Thereafter		6,982		6,982
	$15,888	$11,088	$13,016	$39,992

Through a partnership agreement with Host Communications, Inc., a wholly owned subsidiary of Bull Run, the Company also has acquired certain collegiate broadcast rights for sporting events through a five-year marketing agreement that commenced April 1, 2000. The Company s annual obligation will be determined, in part, by the number of events broadcast under the agreement; however, the Company s obligation will not exceed $2.2 million annually.

The Company is subject to legal proceedings and claims that arise in the normal course of its business. In the opinion of the Company s management, the amount of ultimate liability, if any, with respect to these actions will not materially affect the Company s financial position.

I. Information on Business Segments

The Company operates in three business segments: broadcasting, publishing and paging. The broadcasting segment operates 13 television stations located in the southern, southwestern and midwestern United States. The publishing segment operates four daily newspapers in four different markets located in Georgia and Indiana, and an area weekly advertising only publication in Georgia. The paging operations are located in Florida, Georgia, and Alabama. The following tables present certain financial information concerning the Company s three operating segments:

	Year Ended December 31,		
	2001	2000	1999
	(dollars in thousands)		
Operating revenues:			
Broadcasting	$106,430	$120,640	$97,015
Publishing	41,189	41,499	37,808
Paging	8,724	9,074	9,130
	$156,343	$171,213	$143,953
Operating income:			
Broadcasting	$11,365	$23,719	$15,763
Publishing	5,929	6,726	5,792
Paging	586	653	505
Total operating income	17,880	31,098	22,060
Depreciation in value of derivatives, net	(1,581)		
Miscellaneous income, net	194	781	336
Interest expense	(35,783)	(39,957)	(31,021)

Loss before income taxes	$(19,290)	$(8,078)	$(8,625)

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Operating income is total operating revenue less operating expenses, excluding SFAS 133 derivative valuation expense, net, miscellaneous income and expense (net) and interest. Corporate and administrative expenses are allocated to operating income based on net segment revenues.

	Year Ended December 31,		
	2001	2000	1999
	(dollars in thousands)		
Depreciation and amortization expense:			
Broadcasting	$26,226	$26,490	$20,199
Publishing	2,336	2,451	2,302
Paging	2,048	2,083	1,848
	30,610	31,024	24,349
Corporate	214	183	102
Total depreciation and amortization expense	$30,824	$31,207	$24,451
Media cash flow:			
Broadcasting	$40,768	$53,053	$39,207
Publishing	9,423	10,227	9,130
Paging	2,883	2,967	2,607

Total media cash flow	$53,074	$66,247	$50,944
Media cash flow reconciliation:			
Operating income	$17,880	$31,098	$22,060
Add:			
Amortization of program license rights	5,519	5,307	5,340
Depreciation and amortization	30,824	31,207	24,451
Corporate overhead	3,615	3,594	3,448
Non-cash compensation and contribution to 401(k) Plan, paid in Common Stock	659	655	599
Less:			
Payments for program license liabilities	(5,423)	(5,614)	(4,954)
Total media cash flow	$53,074	$66,247	$50,944
Capital expenditures:			
Broadcasting	$6,280	$7,632	$9,152
Publishing	461	625	967
Paging	877	902	1,029

	7,618	9,159	11,148
Corporate	114	194	564
Total capital expenditures	$7,732	$9,353	$11,712
Identifiable assets:			
Broadcasting	$544,947	$564,323	$584,694
Publishing	29,448	33,260	34,584
Paging	20,632	22,404	23,822
	595,027	619,987	643,100
Corporate (1)	199,310	16,785	15,057
Total identifiable assets	$794,337	$636,772	$658,157

(1) At December 31, 2001, the corporate balance includes $168.6 million of restricted cash used to redeem the 10 5/8% Notes on January 22, 2002. See Note C. Long-term Debt

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GRAY COMMUNICATIONS SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

J. Selected Quarterly Financial Data (Unaudited)

	Fiscal Quarters			
	First	Second	Third	Fourth
	(dollars in thousands, except for per share data)			
Year Ended December 31, 2001:				
Operating revenues	$36,929	$39,978	$36,766	$42,671
Operating income	2,488	6,048	2,208	7,136
Net loss	(5,028)	(2,234)	(4,637)	(1,419)
Net loss available to common stockholders	(5,182)	(2,388)	(4,791)	(1,573)
Basic and diluted loss available to common stockholders per share	$(0.33)	$(0.15)	$(0.31)	$(0.10)
Year Ended December 31, 2000:				
Operating revenues	$38,888	$43,408	$41,610	$47,307
Operating income	4,101	8,481	8,562	9,954
Net income (loss)	(3,849)	(1,370)	(1,134)	141
Net loss available to common stockholders	(4,101)	(1,623)	(1,387)	(2,273)
Basic and diluted loss available to common stockholders per share	$(0.27)	$(0.10)	$(0.09)	$(0.15)

Because of the method used in calculating per share data, the quarterly per share data will not necessarily add to the per share data as computed for the year.

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PROSPECTUS

$600,000,000

Gray Television, Inc.

Common Stock

Preferred Stock
Debt Securities

Gray Television, Inc. may offer from time to time common stock, preferred stock and debt securities separately or together. The specific terms and amounts of the securities will be fully described in supplements to this prospectus. Please read any prospectus supplements and this prospectus carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We have two classes of common stock: class A and class B. Our class A common stock is traded on the New York Stock Exchange under the symbol GTN.A. Our class B common stock is traded on the New York Stock Exchange under the symbol GTN. On September 4, 2002, the last reported sale price for our class A common stock was $13.25 per share and the last reported sale price for our class B common stock was $11.16 per share. We also have Series C convertible preferred stock which is not publicly traded.

We have changed our name to Gray Television, Inc. from Gray Communications Systems, Inc. and we have changed our ticker symbols to GTN.A from GCS for our class A common stock and to GTN from GCS.B for our class B common stock on the New York Stock Exchange. O September 16, 2002, we intend to submit to our shareholders for approval a proposal to change the designation of our class B common stock to Common Stock.

Investing in our common stock, preferred stock or debt securities involves risks. See Risk Factors beginning on page 3.

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

The securities may be sold directly by us to investors, through agents designated from time to time or to or through underwriters or dealers. See Plan of Distribution. If any underwriters are involved in the sale of any securities in respect of which this prospectus is being delivered, the names of these underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement. The net proceeds we expect to receive from a sale also will be set forth in a prospectus supplement.

The date of this prospectus is September 5, 2002

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, which we sometimes refer to as the SEC, utilizing a shelf registration process. Under this shelf process, we may, over the next two years, offer any combination of common stock, preferred stock or debt securities, or either common stock, preferred stock or debt securities only, described in this prospectus in one or more offerings up to a total amount of $600,000,000. This prospectus provides you with a general description of the securities we may issue and sell. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described in the section titled Where You Can Find More Information.

INDUSTRY, MARKET AND RANKING DATA

In this prospectus 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 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 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 Selected Station and Market Information Regarding Gray and Stations section in the tables titled Competitive Landscape are 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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PROSPECTUS SUMMARY

In this prospectus, 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.A from GCS for our class A common stock and to GTN from GCS.B for our class B common stock on the New York Stock Exchange. On September 16, 2002, we plan to hold a stockholder vote to approve a change in the name of our class B common stock. If the proposal passes, the new name of our class B common stock will be 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, any prospectus supplements hereto 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, a transportable satellite uplink business 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 Holding Company, Inc., which we refer to as Stations, the parent company of Benedek Broadcasting Corporation, which we refer to as 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 in accordance with an amended plan of reorganization filed by Stations with the United States bankruptcy court in Delaware on July 9, 2002. On August 12, the bankruptcy court issued an order approving Stations disclosure statement and scheduling a hearing to approve ballots for voting on the amended and restated plan of reorganization. Objections to the bankruptcy plan and ballots are due on September 13, 2002. A confirmation hearing has been scheduled for September 25, 2002. We expect the merger, if it closes, to be completed during the fourth quarter of 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 24 of our 28 television stations

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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.

We were incorporated in 1891 to publish the *The Albany Herald* in Albany, Georgia and entered the broadcasting industry in 1954. We have a dedicated and experienced senior management team, which has an average of over 18 years experience in the media industry.

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.

We believe that 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 and the Reno acquisition, we 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 station group will have 22 stations ranked number one in both viewing audience and local news audience within their respective markets. Our combined station group will reach over 5% of total U.S. TV households.

The Reno acquisition is subject to certain consents, including approval by the FCC of the assignment of the Reno station s licenses, permits and other authorizations issued by the FCC for the operation of the Reno station. 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.

Our Offices and Additional Information

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. Additional information regarding Gray is set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2002 and June 30, 2002 (which are incorporated by reference in this prospectus).

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information contained in this prospectus or any supplemental prospectus hereto or incorporated herein by reference, before purchasing any of our common stock, preferred stock or debt securities.

Risks Related to Our Business

We have recorded net losses in the last three years and these losses may continue.

We have recorded net losses in the last three years. Our losses are primarily due to increased operating expenses, higher amortization and depreciation costs, increased interest expense relating to our acquisitions and, in 2001, declining advertising revenue caused, in large part, by the weaker economic environment and the cyclical decline in broadcast political revenue. Our net losses may continue for these reasons and also because of the phasing out of network compensation payments under certain of our network affiliation agreements.

We depend on advertising revenues, which have decreased recently as a result of a number of factors and also experience seasonal fluctuations.

Our main source of revenue is sales of advertising time at our television stations and advertising space within our newspapers. Our ability to sell advertising time and space depends on:

- the health of the economy in the areas where our stations and newspapers are located and in the nation as a whole;
- the popularity of our programming and newspapers;
- changes in the makeup of the population in the areas where our stations and newspapers are located;
- pricing fluctuations in local and national advertising;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, particularly network, cable television, direct satellite television and the Internet; and
- other factors that may be beyond our control.

For example, a labor dispute or other disruption at a major national advertiser, or a recession in a particular market, would make it more difficult to sell advertising time and space and could reduce our revenue.

In addition, our results are subject to seasonal fluctuations, which typically result in fourth quarter broadcast operating income being greater than first, second and third quarter broadcast operating income. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period. Furthermore, revenues from political advertising are significantly lower in odd-numbered years.

We must purchase non-network television programming in advance but cannot predict if a particular show will be popular enough to cover its cost.

One of our most significant costs is non-network television programming. If a particular non-network program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of the program. Since we purchase non-network programming content from others, we also have little control over the costs of such programming. We usually must purchase non-network programming several years in advance, and may have to commit to purchase more than one year s worth of non-network programming. In addition, we may replace programs that are doing poorly before we have recaptured any

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significant portion of the costs we incurred, or fully expensed the costs for financial reporting purposes. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues.

We may lose a large amount of television programming if a network terminates its affiliation with us.

Our business depends in large part on the success of our network affiliations. Each of our stations and each of Stations television stations 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.

The preliminary NBC affiliation agreements we recently entered into for WJHG, WITN and WEAU expire on December 31, 2011 and Stations affiliation agreements for WOWT, WTAP, WMTV and WILX expire on January 1, 2012. In addition, our CBS affiliation agreements expire as follows: (1) WVLT, WKYT, WYMT and WCTV, on December 31, 2004; (2) WRDW, on March 31, 2005; and (3) KWTX, KBTX, KOLN, KGIN and KXII, on December 31, 2005. Stations CBS affiliation agreements expire on June 30, 2005. In addition, Stations affiliation agreements with ABC for KAKE, KLBY and KUPK expire on January 1, 2006 and for WHSV, WBKO and WTOK on November 1, 2004. If we do not enter into affiliation agreements to replace any expiring agreements, we may no longer be able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences. Furthermore, our concentration of CBS affiliates makes us sensitive to adverse changes in our business relationship with, and the general success of, CBS and its network programming.

We may lose a significant amount of compensation payments if affiliation agreements are renewed with lower or no compensation payments.

In exchange for every hour that a station elects to broadcast network programming, the network may pay the station a specific network compensation fee, which varies with the time of day. For the 12 months ended June 30, 2002, this network compensation comprised 6.5% of our broadcasting revenue.

Our CBS affiliation agreements for KWTX, KBTX and KXII were renegotiated during the fourth quarter of 2000 and the agreements were extended through December 31, 2005. As a result of these negotiations, network compensation for KWTX, KBTX and KXII is being phased out over 2001 and 2002. In addition, our new NBC affiliation agreement for WJHG does not provide for any network compensation payments by NBC after December 31, 2001. Furthermore, our recent extensions of the WITN and WEAU agreements through December 31, 2011 do not provide for any network compensation payments during the extended terms of those agreements, which begin after June 30, 2006 and December 31, 2005, respectively. Stations NBC affiliation agreements for WOWT, WMTV, WILX and WTAP were renegotiated effective as of January 1, 2002 and the agreements were extended to January 1, 2012. As a result of these negotiations compensation for WOWT, WMTV, WILX and WTAP continues, although at a reduced level through 2005. For the period from January 1, 2006 through the expiration of the contract on January 1, 2012 the agreements do not provide for any network compensation payments. Stations ABC affiliation agreements for WBKO, WHSV and WTOK expire on November 1, 2004 and provide for compensation that decreases throughout the term of the contract and reduces to zero by the expiration date of the contract.

As evidenced by these negotiations, we may not be able to enter into new affiliation agreements that provide us with as much compensation from the networks as our present agreements.

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We operate in a highly competitive environment and competition from other media entities may cause our advertising sales to decrease or our costs to increase.

We face significant competitive pressures from the following:

Television Industry. Competition in the television industry exists on several levels: competition for audience; competition for programming, including news; and competition for advertisers. 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 is supplied by the network affiliate. During those periods, the stations are totally dependent upon the performance of the network programs to attract viewers. There can be no assurance that this programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by the station with a combination of self-produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only, and involve significant costs.

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

Technological innovation and the resulting proliferation of programming alternatives, such as home entertainment systems, wireless cable services, satellite master antenna television systems, low power television stations, television translator stations, direct broadcast satellite, video distribution services, pay-per-view and the Internet, have fractionalized television viewing audiences and have subjected free over-the-air television broadcast stations to new types of competition.

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 product, such as *Entertainment Tonight*. 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. Competition exists for exclusive news stories and features as well.

Advertising. Advertising rates are based upon the size of the market in which the 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. Our stations compete for advertising revenues with other television stations in their respective markets. The stations also compete for advertising revenues 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. Technological advances and developments made by other media entities may result in increased competition and decreased advertising revenue.

Deregulation. Recent changes in law have also increased competition. The Telecommunications Act of 1996, the Telecommunications Act, created greater flexibility and removed some limits on station ownership. The prices for stations have risen as a result. Telephone, cable and some other content providers are also free to provide video services in competition with us. The Federal

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Communications Commission, FCC, is actively reviewing its ownership rules and further deregulation could lead to industry consolidation that could pose new competitive challenges in the markets in which we operate.

Future Technology Under Development. Cable providers and direct broadcast satellite companies are developing new techniques that allow them to transmit more channels on their existing equipment. These so-called video compression techniques will reduce the cost of creating channels, and may lead to the division of the television industry into ever more specialized niche markets. Video compression is available to us as well, but competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. Lowering the cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue.

Newspaper Industry. Our newspapers compete for advertisers with a number of other media outlets, including magazines, Internet, radio and television, as well as other newspapers, which also compete for readers with our publications. One of our newspaper competitors is significantly larger than us and operates in two of our newspaper markets. New technological media for the delivery of news and information, such as the Internet, have fragmented historical newspaper audiences and subjected newspaper companies to new types of competition.

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.

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. Some of our competitors have greater financial and other resources than we have.

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. However, future technological developments in the wireless communications industry and enhancements of current technology could create new products and services, such as personal communications services and mobile satellite services, which are competitive with the paging services we currently offer. Recent and proposed regulatory changes by the FCC are aimed at encouraging these technological developments and new services and promoting competition. There can be no assurance that our paging business would not be adversely affected by these technological developments or regulatory changes.

The phased introduction of digital advanced television will increase our capital and operating costs and may expose us to increased competition.

The FCC has adopted rules and regulations that require television stations to implement digital advanced television service, including high definition, in the United States. Under current regulations, all commercial television stations in the United States were required to start broadcasting in digital format by May 1, 2002 and must abandon the present analog format by 2006, although the FCC may extend these dates. As of May 1, 2002, four of our stations and one of the television stations that we intend to acquire in the merger were broadcasting in digital format. Our remaining nine stations and the remaining 14 television stations that we intend to acquire in the merger have been granted six-month extensions to the May 2002 deadline. The extensions will need to be renewed if the stations are not broadcasting in digital format by the time they expire. These extension renewals may not be granted. The stations that do not begin broadcasting in digital format by their extended deadlines could be subject to fines. If the stations do not eventually begin broadcasting in digital format, the stations could lose their digital allocation and be required to cease broadcasting at the end of the transition period when the analog spectrum is reclaimed.

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There is considerable uncertainty about the final form of the FCC digital regulations. Even so, we believe that these new developments may have the following effects on us:

Signal Quality Issues. Certain industry tests have indicated that the digital standard mandated currently is unable to provide for reliable reception of a digital advanced television signal through a simple indoor antenna. It also appears likely that additional interference will occur to both analog and digital advanced television stations as new digital advanced television broadcast stations are constructed. We are unable to assess at this time the magnitude of such interference or the efficacy of possible remedies.

Because of this possible reception quality and coverage issue, we may be forced to rely on cable television or other alternative means of transmission to deliver our digital signals to all of the viewers we are able to reach with our current analog signals. While the FCC ruled that cable companies are required to carry the signals of digital-only television stations, the agency has tentatively concluded, subject to additional inquiry, that cable companies should not be required to carry both the analog and digital signals of stations during the transition period when stations will be broadcasting in both modes. If the FCC does not require cable companies to carry both analog and digital signals, cable customers in our broadcast markets may not receive our digital signal, which could negatively impact our business.

Capital and Operating Costs. We will incur substantial costs to replace equipment in our stations in order to provide digital advanced television. Even with the flexible operating requirements, our stations will also incur increased utilities costs as a result of converting to digital operations. We cannot be certain we will be able to increase revenues to offset these additional costs.

Conversion and Programming Costs. We expect to incur approximately $31.7 million in costs, of which we have incurred $13.1 million through June 30, 2002, to convert our stations from the current analog format to digital format. However, our aggregate costs may be higher than this estimate. We also may incur additional costs to obtain programming for the additional channels made available by digital technology. Increased revenues from the additional channels may not make up for the conversion costs and additional programming expenses. Also, multiple channels programmed by other stations could increase competition in our markets. Stations expects to incur approximately $11.3 million in costs, of which it already has incurred $5.6 million through June 30, 2002, to convert the stations that we plan to acquire in the merger from the current analog format to digital format.

Certain directors and officers may be subject to potential conflicts.

J. Mack Robinson, President, Chief Executive Officer and a director of Gray, is Chairman of the Board of Bull Run Corporation, our principal stockholder, Bull Run, and the beneficial owner of 24.9% of Bull Run s common stock. Robert S. Prather, Jr., Executive Vice President-Acquisitions and a director of Gray, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of 8.7% of Bull Run s common stock. Hilton H. Howell, Jr., Executive Vice President and a director of Gray, is Vice President, Secretary and a director of Bull Run. Mr. Howell also is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of our board of directors. Accordingly, each of these individuals may be subject to conflicts of interest in connection with, for example, the negotiation of agreements or the provision of services between us and Bull Run. Each of these individuals has other duties and responsibilities with Bull Run, or other businesses, that may conflict with the time that might otherwise be devoted to his duties with us. A minority of our directors are independent.

Bull Run and certain of our directors and executive officers hold substantial equity in us and may use this influence in ways that are not consistent with the interests of other security holders.

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 and all of their Series C preferred stock, which we refer to as Series C, was converted into class B common stock

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(although this conversion currently is not permitted under the terms of the Series C), their voting power would increase to 56.0%. Accordingly, these persons may have substantial influence on us in ways that might not be consistent with the interests of other security holders. These persons may also have significant influence and control over the outcome of any matters submitted to our shareholders for approval.

Pending litigation could adversely affect our ownership interest in Sarkes Tarzian, Inc.

On December 3, 2001, we acquired 301,119 shares of the outstanding common stock of Tarzian from Bull Run for $10.0 million plus $3.2 million of related costs which had previously been capitalized. Bull Run had previously acquired these shares from the Estate of Mary Tarzian. Subsequent to Bull Run s acquisition of these shares, Tarzian filed a complaint against Bull Run and the representative of the Estate claiming that Tarzian had a binding and enforceable contract to purchase these shares from the Estate prior to Bull Run s acquisition. Tarzian requested judgment to enforce its alleged contract. Although the action has since been dismissed without prejudice against Bull Run, the litigation between Tarzian and the Estate is ongoing. If Tarzian were to prevail in that litigation, that could ultimately lead to litigation against us, which might involve a claim for rescission of the acquisition of the Tarzian shares from the Estate and/or a claim for damages. The stock 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, the stock purchase agreement will be rescinded. In that event, the Estate will be required to pay for our benefit, as successor in interest to the purchaser, the full $10.0 million purchase price paid to the Estate, plus interest.

Our success depends on our senior management.

Our success depends to a significant extent on the efforts of our senior management. As a result, if any of these individuals were to leave, we could face substantial difficulty in hiring and retaining qualified successors and could experience a loss in productivity while any successors gain the necessary experience.

A deficiency has been asserted by the Internal Revenue Service for 1996.

In connection with an audit of our 1996 and 1998 federal income tax returns, the Internal Revenue Service 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.

We have a material amount of intangible assets, and if we are required to write-down intangible assets to comply with new accounting standards, it would reduce our net income, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

Our intangible assets principally include FCC licenses, network affiliations and goodwill. In July 2001, the Financial Accounting Standards Board issued Statement No. 142, Goodwill and Other Intangible Assets, which generally is effective for us from January 1, 2002. The regulation requires, among other things, the discontinuance of the amortization of goodwill and FCC licenses and network affiliations, and the introduction of annual impairment testing in its place. In addition, the standard includes provisions for the reclassification under limited circumstances of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of identifiable intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The regulation also requires us to complete a transitional goodwill impairment test six months from the date of adoption. Potential writedown of intangible assets in compliance with these new accounting standards may reduce our net income in the future, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

Because a significant portion of our assets are intangible, they may have little value upon a liquidation.

Our assets consist primarily of intangible assets, including affiliation agreements with television networks such as NBC and CBS and FCC licenses, the value of which will depend significantly upon the success of our business and the financial prospects of the television broadcasting and paging industries in general. If we default on our indebtedness, or if we are liquidated, the value of these assets may not be sufficient to satisfy our obligations to our creditors and debtholders, including the holders of the debt securities that we may offer hereby, and to enable us to make any distribution to the holders of shares of our common stock or preferred stock. Furthermore, if our FCC licenses are not renewed, it could materially and adversely affect our results of operations and the trading prices of our common stock.

We may be unable to identify or integrate acquisitions successfully or on commercially acceptable terms.

We have made a number of acquisitions and in the future may make additional acquisitions. We cannot assure you that we will be able to identify suitable acquisition candidates in the future. Even if we do identify suitable candidates, we cannot assure you that we will be able to make acquisitions on commercially acceptable terms. The failure to acquire suitable candidates, or the consummation of a future acquisition, including the Stations acquisition and the Reno acquisition, at a price or on other terms that prove to be unfavorable, could adversely affect our business and results of operations.

In order to integrate successfully these future acquisitions, including the Stations acquisition and the Reno acquisition, into our business, we will need to coordinate the management and administrative functions and sales, marketing and development efforts of each company. Combining companies presents a number of challenges, including integrating the management of companies that may have different approaches to sales and service, and the integration of a number of geographically separated facilities. In addition, integrating acquisitions, including the Stations acquisition and the Reno acquisition, requires substantial management time and attention, which may distract management from our day-to-day business, and could disrupt our ongoing business and increase our expenses. If we cannot successfully integrate our future acquisitions, including the Stations acquisition and the Reno acquisition, our business and results of operations could be adversely affected.

We may need to incur debt or issue equity securities to pay for any future acquisitions and to pay for increased capital expenditures following any acquisitions, and will require such financing in connection with the Stations acquisition. However, debt or equity financing may not be available in sufficient amounts or on terms acceptable to us, or at all, and equity financing could be dilutive to our shareholders.

We may not be able to complete the merger or the Reno acquisition.

Consummation of the merger is dependent upon, among other things, the bankruptcy court approving Stations plan of reorganization and such confirmation order becoming a final bankruptcy court order, the FCC approving the transactions contemplated by the merger agreement and our ability to obtain financing for the acquisition. For these or other reasons, the merger may not be consummated. Consummation of the Reno acquisition is dependent upon, among other things, approval by the FCC of the assignment of the Reno station s licenses, permits and other authorizations issued by the FCC for the operation of the Reno station. For these reasons, the Reno acquisition may not be consummated.

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If we consummate the Stations acquisition, the risks related to our business likely will intensify.

If the merger is consummated, we will expand our broadcast operations from 13 stations in 11 markets to 28 stations serving 24 television markets. In addition, we intend to increase our indebtedness, through the issuance of additional debt securities and the amendment of our existing credit facility, in order to consummate the acquisition. Accordingly, if we consummate the Stations acquisition, the risks related to our broadcasting segment, the related regulatory environment and our indebtedness likely will intensify.

Failure to complete the merger could negatively impact our operating results.

If the merger is not consummated because of a material default by us under the merger agreement, and Stations is not in material default under the merger agreement, then Stations may draw on the letter of credit that we have provided and receive shares of our class B common stock that we have placed in escrow. The aggregate proceeds to Stations from drawing on the letter of credit and from the escrow shares would total $25.0 million. If we are unable to raise sufficient financing, we would not be able to complete the merger. In addition, costs related to the merger, such as legal and accounting fees, must be paid even if the merger is not completed. Therefore, if we do not consummate the merger, our operating results will be negatively affected.

Risks Related to Our Stock

The price of our common stock has experienced substantial volatility and may continue to do so in the future.

There has been significant volatility in the market prices for publicly traded shares of media companies, including ours.

In 2001, the price of our class A common stock fluctuated from a high of $19.05 to a low of $12.20. In addition, for the first two quarters of 2002, the price of our class A common stock fluctuated from a high of $18.10 to a low of $12.90. On August 30, 2002, our class A common stock closed at a price of $13.40 per share.

In 2001, the price of our class B common stock fluctuated from a high of $17.65 to a low of $9.60. In addition, for the first two quarters of 2002, the price of our class B common stock fluctuated from a high of $14.55 to a low of $10.24. On August 30, 2002, our class B common stock closed at a price of $11.75 per share.

The prices of our common stock may not remain at or exceed current levels. In the event that we issue preferred stock and it is publicly traded, our preferred stock may also experience substantial volatility. The following factors may have an adverse impact on the market prices of our stock:

- market conditions for media stocks, and particularly, broadcasting stocks;
- market conditions generally;
- governmental regulation;
- communications legislation;
- fluctuations in our operating results; and
- announcements of technical or product developments by our competitors.

There can be no assurance as to the liquidity of our common stock or preferred stock.

Currently our common stock is traded on the New York Stock Exchange. There can be no assurance as to the future liquidity of the market for our common stock. Any preferred stock that we may offer would be a new issue of securities for which there currently is no public market. There can be no assurance that an active market for our preferred stock would develop or as to the liquidity of any such market.

Purchasers of our common stock or preferred stock may experience immediate and substantial dilution of their investment.

In the event that common stock or preferred stock is offered pursuant to this prospectus and the registration statement of which this prospectus is a part, the public offering price of our common stock or preferred stock may be substantially higher than its book value immediately after the applicable offering. As a result, if you were to purchase shares of our common stock or preferred stock in the offering under such circumstances, you most likely would incur immediate and substantial dilution in the net tangible book value of the shares purchased from the public offering price.

In the event of a liquidation of our company, holders of our common stock and preferred stock may not receive a distribution of assets.

Our common stock ranks junior to our preferred stock and our debt as to dividends and distribution of assets upon liquidation. As a result, in the event of a liquidation of our company, holders of our common stock would receive distributions only after distributions are made in full to holders of our preferred stock and our debt. In addition, in the event of a liquidation, holders of our debt will be entitled to receive amounts owed to them prior to any distributions to holders of our preferred stock. There can be no assurance that we would have enough assets to make distributions to holders of our stock in a liquidation.

Risks Related to Our Existing Indebtedness and Debt Securities

Our indebtedness could materially and adversely affect our business and prevent us from fulfilling our obligations under our debt securities.

We are highly leveraged and have significant fixed debt service obligations in addition to our operating expenses. Our indebtedness could have significant adverse effects on our business. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- reduce the availability of our cash flow to fund working capital, capital expenditures and other general business purposes;
- limit our flexibility in planning for, or reacting to, changes in our industries, making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressure;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

If our indebtedness affects our operations in these ways, our business, financial condition and results of operations could suffer, making it more difficult for us to satisfy our obligations under our debt securities. Furthermore, our amended and restated senior secured credit facility, dated as of September 25, 2001, which we refer to as the senior secured credit facility, and the indenture governing our $180.0 million 9 1/4% senior subordinated notes due 2011, which we refer to as the 2001 notes, and our 9 1/4% senior subordinated notes due 2011, which we refer to as the exchange notes, to be issued in exchange for the 2001 notes, permit, and the indenture related to the debt securities that we may offer hereby may permit, us to incur substantial amounts of additional debt in specified circumstances. If we incur additional debt in the future, the related risks could intensify.

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Restrictions under our senior secured credit facility limit our flexibility.

Our senior secured credit facility prevents us from taking certain actions and requires us to meet certain tests. These limitations and tests include the following:

- limitations on liens;
- limitations on additional debt;
- limitations on dividends and distributions;
- limitations on management and consulting fees;
- limitations on stock repurchases;
- limitations on transactions with affiliates;
- limitations on guarantees;
- limitations on asset sales;
- limitations on sale-leaseback transactions;
- limitations on acquisitions;
- limitations on changes in our business;
- limitations on mergers and other corporate reorganizations;
- limitations on loans, investments and advances, including investments in joint ventures and foreign subsidiaries; and
- financial ratio and condition tests.

These restrictions and tests may prevent us from taking action that could increase the value of our securities, or may require actions that decrease the value of our securities. In addition, we may fail to meet the tests and thereby default under our senior secured credit facility. If we default on our obligations, creditors could require immediate payment of the obligations or foreclose on collateral. If this happens, we could be forced to sell assets or take other action that would reduce the value of our securities.

Servicing our debt will require a significant amount of cash, and our ability to generate sufficient cash depends on many factors, some of which are beyond our control.

Our ability to service our debt depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. In addition, the ability to borrow funds under our senior secured credit facility in the future will depend on our meeting the financial covenants in that agreement. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our senior secured credit facility or otherwise, in an amount sufficient to enable us to pay our debt or to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. Additional debt or equity financing may not be available in sufficient amounts or on terms acceptable to us, or at all. If we are unable to implement one or more of these alternatives, we may not be able to service our debt obligations.

We depend on the cash flow of our subsidiaries to satisfy our obligations, including our obligations under our debt securities.

Our operations are conducted through our direct and indirect wholly-owned subsidiaries, which may guarantee our debt securities that we may offer hereby, jointly and severally, fully and unconditionally. As a holding company, we own no significant assets other than our equity in our subsidiaries, and we are dependent upon the cash flow of our subsidiaries to meet our obligations. Accordingly, our ability to make

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interest and principal payments when due to holders of our debt securities and our ability to purchase our debt securities upon a change of control will be dependent upon the receipt of sufficient funds from our subsidiaries, which may be restricted by the terms of any senior indebtedness of our subsidiaries, including the terms of existing and future guarantees of our indebtedness given by our subsidiaries. There can be no assurance that the funds received from our subsidiaries will be adequate to allow us to make payments on our debt securities. As a result, our debt securities and any subsidiary guarantees effectively will be subordinated to all senior indebtedness and other liabilities and commitments of our subsidiaries.

Your right to receive payment on our debt securities and under any related guarantees may be junior to all of our and the guarantors senior debt.

All indebtedness under our senior secured credit facility is secured by substantially all of our assets, as well as the assets of our subsidiaries. Additionally, our debt securities and any related guarantees may be subordinated to the claims of the lenders under our senior secured credit facility.

In the event that we or a guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, any debt that ranks ahead of our debt securities and the related guarantees will be entitled to be paid in full in cash or cash equivalents or in any other manner acceptable to holders of senior debt from our assets or the assets of the guarantor, as applicable, before any payment may be made with respect to our debt securities or under the related guarantees. In any of these events, we cannot assure you that we would have sufficient assets to pay amounts due on our debt securities. As a result, holders of our debt securities may receive less, proportionally, than the holders of debt that is senior to our debt securities and the related guarantees. The subordination provisions of the indenture related to any subordinated debt securities that we may offer hereby will provide that we can make no payment to holders of our debt securities during the continuance of payment defaults on our senior debt, and payments to holders of our debt securities may be suspended for a period of up to 179 days if a nonpayment default exists under our senior debt. See Description of Debt Securities Subordinated Debt Securities for additional information.

As of June 30, 2002, we and our subsidiaries 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. In addition, our senior secured credit facility and the indenture governing our 2001 notes and our exchange notes permit, and the indenture related to the debt securities that we may offer hereby may permit, subject to specified limitations, the incurrence of additional indebtedness, which may be senior indebtedness. If we incur such additional indebtedness, the risks described above could intensify.

Covenant restrictions under our indentures may limit our ability to operate our business.

The indenture governing our 2001 notes and our exchange notes contains, and the indenture related to the debt securities that we may offer hereby may contain, covenants that restrict our ability and the guarantors ability to finance future operations or capital needs or to engage in other business activities.

In addition, the indenture governing our 2001 notes and our exchange notes restricts, and the indenture related to the debt securities that we may offer hereby may restrict, among other things, our ability and the guarantors ability to:

- incur additional indebtedness;
- make specified restricted payments;
- make specified asset sales;
- incur liens;
- engage in intra-company transactions, such as the payment of dividends and the making of loans or advances;

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- engage in transactions with affiliates;
- issue and sell capital stock of our subsidiaries; and
- engage in a merger, consolidation or sale of substantial assets.

We cannot assure you that we will meet the covenants in the indentures or that the holders of our debt securities that are party to the indentures will waive any failure to meet these covenants. A breach of any of these covenants would result in a default under the indentures, and may in turn result in a default under our senior secured credit facility. If an event of default occurs under our senior secured credit facility and continues beyond any applicable cure period, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If our indebtedness were to be accelerated, there can be no assurance that we would be able to pay it. Such acceleration would have a material adverse effect on our financial condition. See Description of Debt Securities for additional information.

Any guarantees of our debt securities may not be enforceable because of fraudulent conveyance laws.

We are a holding company with no direct operations and no significant assets other than the stock of our subsidiaries. We will depend on funds from our subsidiaries to meet our obligations, including cash interest payments on our debt securities. If a court voids any guarantees of our debt securities, the right of holders of our debt securities to participate in any distribution of the assets of any of our subsidiaries upon the liquidation, reorganization or insolvency of a subsidiary will be subject to the prior claims of that subsidiary s creditors.

Our subsidiaries guarantees may be subject to review under U.S. federal bankruptcy laws or relevant state fraudulent conveyance laws if a bankruptcy case or lawsuit is commenced by or on behalf of the guarantors unpaid creditors. Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws a court could subordinate or avoid a guarantee if it is found that:

- the debt under a guarantee was incurred with the actual intent to hinder, delay or defraud creditors; or
- a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee and a guarantor:
  - was insolvent or was rendered insolvent because of its guarantee;
  - was engaged, or about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital; or
  - intended to incur, or believed that we or it would incur, debts beyond its ability to pay upon maturity (as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes).

It may be asserted that, since the guarantors incurred their guarantees for our benefit, they incurred the obligations under the guarantees for less than reasonably equivalent value or fair consideration.

The standards for determining insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in any such proceeding. Generally, a company would be considered insolvent if, at the time it issued the guarantee, either:

- the sum of its debts, including contingent liabilities, is greater than its assets, at fair valuation; or
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured.

We anticipate that, at the time the guarantors initially incur the debt represented by the guarantees, the guarantors will not be insolvent or rendered insolvent by the incurrence of the debt, lacking sufficient capital to run their businesses effectively or unable to pay obligations on the guarantees as they mature or become due.

In reaching the foregoing conclusions, we have relied upon our analyses of internal cash flow projections and estimated values of the assets and liabilities of the guarantors. We cannot assure you, however, that a court passing on the same questions would reach the same conclusions.

If a guarantee is voided as a fraudulent conveyance or found to be unenforceable for any other reason, you will not have a claim against that particular guarantor and you will be a creditor of only guarantors whose obligations were not set aside or found to be unenforceable.

We may not be able to finance change of control payments required by our debt facilities.

If we were to experience a change of control, the indenture related to our 2001 notes and our exchange notes would require us to offer to purchase all of our 2001 notes and our exchange notes then outstanding at 101% of their principal amount, plus accrued interest to the date of purchase. Any new debt securities that we may offer under this prospectus may subject us to a similar requirement. If a change of control were to occur, we cannot assure you that we would have sufficient funds to purchase our debt securities. The purchase of our debt securities may require additional third-party financing and we cannot assure you that we would be able to obtain that financing on favorable terms or at all.

In addition, our senior secured credit facility restricts our ability to purchase our debt securities. Furthermore, similar change of control events will result in an event of default under our senior secured credit facility and could cause the acceleration of our debt under that facility. The inability to repay that debt, if accelerated, and to purchase all of the tendered notes in the event of a change of control, would constitute an event of default under the indenture governing our 2001 notes and our exchange notes and may constitute an event of default under the indenture governing any debt securities we may offer hereby.

We may enter into transactions, including acquisitions, refinancings or recapitalizations, or highly leveraged transactions, that would not constitute a change of control under our senior secured credit facility, the indenture governing our 2001 notes and our exchange notes and any indenture governing new debt securities that we may issue. Any of these transactions may result in an increase in our debt or otherwise affect our capital structure, harm our credit ratings or have a material adverse effect on holders of our debt securities, our common stock and our preferred stock.

Guarantors of our debt securities may be released under certain circumstances.

Any guarantee of a guarantor may be released if we sell, exchange or transfer the stock of that guarantor or substantially all of its assets to a non-affiliate and the guarantor no longer guarantees any of our other debt. The indenture related to the debt securities that we may offer hereby also may permit us to sell a majority interest and retain a minority interest in a subsidiary engaged in our paging or satellite business and not require that subsidiary to remain as a guarantor of our debt securities.

Risks Related to Legal and Regulatory Matters

Certain regulatory agencies and the bankruptcy court must approve the merger and could delay or refuse to approve the merger.

We and Stations must obtain approvals or consents to the merger from certain federal regulatory commissions, including the FCC, and the United States bankruptcy court in Delaware. These agencies and the bankruptcy court may seek to impose conditions on us or Stations before giving their approval or consent, and meeting those conditions could have an adverse effect on our business and/or financial condition. In addition, a delay in obtaining the requisite regulatory and bankruptcy court approvals will delay the completion of the merger. We cannot be certain that we and Stations will obtain the required regulatory and bankruptcy court approvals, or obtain them within the time frame contemplated in the merger agreement.

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Federal regulation of the broadcasting industry limits our operating flexibility.

The FCC regulates our business, just as it does all other companies in the broadcasting industry. We must ask the FCC s approval whenever we need a new license, seek to renew or assign a license, purchase a new station or transfer the control of one of our subsidiaries that holds a license. Our FCC licenses are critical to our operations; our broadcasting segment cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions.

Federal legislation and FCC rules have changed significantly in recent years and can be expected to continue to change. These changes may limit our ability to conduct our business in ways that we believe would be advantageous and therefore may affect our operating results.

The FCC s duopoly restrictions limit our ability to own and operate multiple television stations in the same market and our ability to own and operate a television station and newspaper in the same market.

The FCC s ownership rules generally prohibit us from owning or having attributable interests in television stations located in the same markets in which our stations are licensed. Accordingly, our ability to expand through acquisitions of additional stations in markets where we presently are operating is constrained by those rules. Under current FCC cross-ownership rules, we also are not allowed to own and operate a television station and a newspaper in the same market.

Our paging operations are subject to 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.

The FCC paging licenses granted to us are 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. 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. However, we cannot be certain 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. We cannot be certain that our licenses will not be revoked or modified involuntarily in the future.

Pursuant to Congressional mandate, the FCC has adopted rules regarding the award of license authorizations by competitive bidding. Pursuant to those rules, the FCC may award licenses for new or existing services by auction, as done with the 800 MHz band. The FCC began awarding geographic area and paging licenses by auction in February 2000. We cannot be certain that we will be able to procure additional spectrum or expand our existing paging network into new service areas, which would require us to make significant auction payments.

Campaign finance reform legislation could limit political advertising, upon which we rely heavily.

In March 2002, Congress enacted the Bipartisan Campaign Reform Act of 2002, which prohibits advocacy groups from using soft money to broadcast advertisements that identify a federal candidate within 60 days of an election and bans soft money contributions at the national party level. This legislation and other recent proposals for campaign finance reform could have an adverse effect on us by decreasing advertising revenue in connection with political campaigns.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this prospectus, 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, are also forward-looking statements. Readers of this prospectus 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 this 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.

The forward-looking statements included in this prospectus 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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USE OF PROCEEDS

Unless otherwise indicated in a prospectus supplement, the net proceeds from the sale of securities offered by this prospectus are expected to be used for general corporate purposes, including capital expenditures, to meet working capital needs, to refinance our senior debt, to finance one or more acquisitions, including the Stations acquisition, or all or a combination of the above. We will file a prospectus supplement that will contain additional information about the use of the net proceeds from the sale of securities offered hereby.

RATIO OF EARNINGS TO FIXED CHARGES

	For the Year Ended December 31,					For the Six Months Ended June 30,
	1997	1998	1999	2000	2001	2002
	(Dollars in thousands)					
Ratio of earnings to combined fixed charges and preferred dividends	NA(a)	3.0x	NA(a)	NA(a)	NA(a)	NA(a)
Deficiency of earnings to cover combined fixed charges and preferred dividends(b)	$(3,066)	NA	$(9,906)	$(11,982)	$(20,097)	$(2,816)

(a) The ratio would be less than one and therefore is not shown.

(b) Earnings consist of loss from continuing operations before tax benefit plus fixed charges less capitalized interest. Fixed charges consist of interest expense, amortization of debt issuance costs and that portion of rental expense we believe is representative of interest.

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THE MERGER

This section of the registration statement and prospectus 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, this prospectus and the other documents to which we refer you, including the merger agreement, for a more complete understanding of the merger.

The Other Parties

Stations is the parent company of Benedek. Stations principal executive offices are located at 2895 Greenpoint Parkway, Hoffman Estates, Illinois 60195, telephone number (847) 585-3450. Gray MidAmerica Television, Inc., which we refer to as Gray MidAmerica Television, is our newly-formed wholly-owned subsidiary, formed solely for the purpose of effecting the merger.

Our Reasons for the Merger

Our business strategy includes continued acquisitions of companies whose businesses are complementary to ours. We believe that Stations is an excellent strategic fit and that the acquisition of Stations will create significant benefits, including:

- the acquisition will create a stronger company and will diversify the geographic range of our television stations, broadening substantially our market presence in the television broadcasting market;
- the acquisition gives us access to additional operating cash flow for the purposes of funding debt service, as well as future acquisitions and investments;
- the acquisition presents an opportunity to increase revenue share and audience share;
- the acquisition presents an opportunity for cross-promotion and cross-selling; and
- the acquisition strengthens our management teams and local news operations.

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. Stations filed the required information and materials with the bankruptcy court on July 1, 2002 and an amended plan of reorganization on July 9, 2002. On August 12, 2002, the bankruptcy court issued an order approving Stations disclosure statement and scheduling a hearing to approve ballots for voting on the amended and restated plan of reorganization. A confirmation hearing has been scheduled for September 25, 2002.

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.

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.

The Department of Justice and the FTC frequently scrutinize the legality under the antitrust laws of transactions such as the merger. At any time before or after the effective time, either the Department of Justice or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, or certain other persons could take action under the antitrust laws, including seeking to enjoin the merger.

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 a third party 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.

Accounting Treatment

The merger will be accounted for as a purchase for financial accounting purposes in accordance with accounting principles generally accepted in the United States. For purposes of preparing our consolidated financial statements, we will establish a new accounting basis for Stations assets and liabilities based upon their fair values, the merger consideration and the costs of the merger. Any excess of cost over the fair value of the net assets of Stations will be recorded as goodwill and other intangible assets. A final determination of the intangible asset values and required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not yet been made. We will determine the fair value of Stations assets and liabilities and will make appropriate purchase accounting adjustments, including adjustments to the amortization period of the intangible assets, upon completion of that determination.

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THE MERGER AGREEMENT AND RELATED AGREEMENTS

This section of the registration statement and prospectus describes the material terms of the Agreement and Plan of Merger, dated as of June 4, 2002, among Stations, Gray MidAmerica Television and us and related agreements, including the Lock Up, Voting and Consent Agreements that Stations and we entered into with certain stockholders and creditors of Stations, an agreement regarding benefits to be provided to members of the Benedek family following consummation of the merger and an amendment to K. James Yager s employment agreement. Copies of the merger agreement and lock up agreements are attached as exhibits to the registration statement. You are urged to read the merger agreement in its entirety for a more complete description of the merger because it is the principal legal document that governs the merger.

The Merger

Subject to the terms and conditions of the merger agreement, we will acquire Stations through the merger of Gray MidAmerica Television with and into Stations. Stations will be the surviving corporation in the merger.

Effective Time

The merger will be consummated when a certificate of merger, that we will file with the State of Delaware, becomes effective. The merger agreement provides that the parties will use their reasonable efforts to cause the effective time to occur on the seventh business day after the satisfaction or waiver of all the conditions to the merger. See The Merger Agreement and Related Agreements Conditions to the Merger. However, the effective time may not occur prior to October 1, 2002.

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 foregoing exists on the date the merger agreement is signed, a material acceleration or worsening thereof.

Merger Consideration and Conversion of Gray MidAmerica Television and Stations Stock

At the effective time of the merger, the outstanding shares of Stations 11.5% Senior Exchangeable Preferred Stock, which we refer to as the senior preferred stock, and Junior Discount Preferred Stock, which we refer to as the junior preferred stock, will be converted into the right to receive a cash payment. No cash consideration will be paid to holders of outstanding shares of Stations class A common stock and class B common stock. The stock of Gray MidAmerica Television and Stations will be converted as described below:

Gray MidAmerica Television common stock. Each share of Gray MidAmerica Television common stock issued and outstanding immediately prior to the effective time will be converted into one share of Stations class B common stock.

Stations senior preferred stock. 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 will be converted into the right to receive the senior preferred stock purchase price, equal to the quotient obtained by dividing (1) $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 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).

Stations junior preferred stock. Each share of Stations junior preferred stock (excluding shares held by Stations or any of the Stations 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).

Stations class A common stock and class B common stock. 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 class B common stock. These escrow shares had an aggregate value of $12.5 million, based on the average price of our class B common stock for the 20 consecutive trading days on the New York Stock Exchange ending on June 2, 2002. The escrow shares are being held by the escrow agent in accordance with the terms of an escrow agreement that we executed on June 4, 2002. We will maintain the letter of credit in effect, and the escrow shares will remain in escrow, until the earlier of the effective time or 10 business days after the termination of the merger agreement. If the letter of credit or any replacement letter of credit expires before either of the dates described in the previous sentence, we will renew the letter of credit or obtain a replacement letter of credit, which we will deliver to Stations at least five business days before such expiration.

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. We have an obligation to deliver a letter of credit and escrow shares totaling $25.0 million, except that we may, in our sole discretion, replace some or all of the escrow shares with a cash payment, so long as any such cash payment is a whole number multiple of $500,000. Under specified circumstances, if Stations is entitled to receive the escrow shares and the value of the escrow shares decreases to below $12.5 million at the time Stations sells them, we may be required to pay to Stations the amount of such decrease. Likewise, if the value of the escrow shares increases, Stations may be required to pay to us the amount of such increase. At the effective time and subject to the conditions in the merger agreement and the escrow agreement, the letter of credit and the escrow shares will be returned to us.

Registration of the Escrow Shares

The escrow shares have not been registered under the Securities Act or any other applicable securities laws, and therefore are restricted securities. If the merger agreement is terminated and the escrow shares are delivered by the escrow agent to Stations, we are required to:

- file with the SEC a registration statement with respect to the resale or distribution of the escrow shares by Stations and/or an affiliate of Stations, within 30 days after such termination;

- use our best efforts to cause the registration statement to be declared effective at the earliest practicable time;

- keep the registration statement effective and current until the earlier of six months following the effectiveness of the registration statement or the date that all of the escrow shares covered by the registration statement have been sold or distributed;

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- cause the escrow shares to be listed promptly with the New York Stock Exchange; and
- indemnify, to the extent permitted by law, each person selling or distributing securities under this registration statement, and related parties, against all losses caused by any material misstatement or omission by us in the registration statement or any violation by us of the Securities Act, the Exchange Act, any state securities laws or any rules or regulations of the New York Stock Exchange.

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:

- the bankruptcy court approving the order confirming Stations plan of reorganization and such confirmation order becoming a final bankruptcy court order;
- the 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;
- no order being in effect enjoining, restraining or prohibiting the consummation of the merger and related transactions and no action or proceeding having been instituted by any regulatory authority seeking any such order that would reasonably be expected to have a material adverse effect on us or on Stations; and
- the transactions related to the Chelsey purchase agreement being consummated, unless the failure to consummate such transactions is the result of either the wrongful refusal of Chelsey to consummate such transactions or the election by Chelsey not to consummate the transactions because Benedek failed to satisfy certain conditions set forth in the Chelsey purchase agreement. If the transactions contemplated by the Chelsey purchase agreement are not consummated as a result of FCC action or inaction, Stations and we each agree to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, everything reasonably necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by the merger agreement and the Chelsey purchase agreement at the earliest practicable date.

Our obligations to consummate the merger and related transactions are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties made by Stations in the merger agreement being, subject to limited exceptions, correct and complete in all material respects at the effective time;
- each and all of the agreements and covenants of Stations and each of its subsidiaries under the merger agreement and related agreements being performed and complied with in all material respects prior to the effective time;
- our receiving from Stations customary officer certificates and board of directors resolutions relating to the transactions contemplated by the merger agreement;
- our receiving a legal opinion of FCC counsel to Stations;
- Stations returning to us the letter of credit;
- the FCC issuing a final FCC order approving the transfer of control of Benedek s television licenses to us;

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- Stations obtaining and delivering to us consents or waivers relating to the transactions contemplated by the merger agreement, as required by its network affiliation agreements; and

- no litigation being pending or threatened involving Stations or any its subsidiaries that would have, or reasonably be expected to have, a material adverse effect on Stations or its subsidiaries or their respective businesses or assets.

The obligations of Stations to consummate the merger and related transactions are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties made by us and Gray MidAmerica Television in the merger agreement being, subject to limited exceptions, correct and complete in all material respects at the effective time;

- each of our and Gray MidAmerica Television s agreements and covenants under the merger agreement and related agreements being performed and complied with in all material respects prior to the effective time; and

- Stations receiving from us and Gray MidAmerica Television customary officer certificates and board of directors resolutions relating to the transactions contemplated by the merger agreement.

Once the conditions to the merger have been satisfied or waived, we are required by the merger agreement to consummate the merger within seven days.

Representations and Warranties

In the merger agreement, Stations makes customary representations and warranties about itself and its business, including representations and warranties about:

- organization, good standing and corporate power;

- authorization and enforceability of the merger agreement;

- capitalization and subsidiaries;

- financial statements and tax matters; and

- absence of undisclosed liabilities or material adverse changes.

In addition, Stations makes numerous representations and warranties with respect to its assets, real property, intellectual property, computer software and databases, accounts receivable, insurance, bonds, letters of credit and guarantees, compliance with law, environmental matters, litigation and claims, benefit plans, contracts, labor matters, brokers and finders, interested transactions, officers, directors and bank accounts and the absence of any material misstatement or omission by it in the merger agreement.

We and Gray MidAmerica Television, jointly and severally, also make customary representations and warranties in the merger agreement about ourselves and our business, including representations and warranties regarding organization, good standing and corporate power, authorization and enforceability of the merger agreement, brokers and finders, litigation, and the absence of any material misstatement or omission by us and Gray MidAmerica Television. We also make representations with respect to our qualification under the Communications Act to enter into and consummate the transactions contemplated by the merger agreement, our filings with the SEC and our issuance of the escrow shares.

Mutual Covenants of Gray and Stations

Subject to limited exceptions and except for the sale of the excluded stations by Benedek to Chelsey, from June 4, 2002 until the closing of the merger or the termination of the merger agreement, Stations and we will, and will cause each of our respective subsidiaries, to:

- operate our respective businesses only in the usual, regular, and ordinary course;
- use commercially reasonable efforts to preserve intact our respective business organizations and assets and maintain our respective rights and franchises; and
- take no action that would materially adversely affect the ability of any party to (1) obtain any consents required for the transactions contemplated in the merger agreement, or (2) perform its covenants and agreements under the merger agreement in all material respects and to consummate the merger and to satisfy the conditions to closing set forth in the merger agreement. However, the covenant described in clause (2) above will not prohibit us or any of our subsidiaries from discontinuing or disposing of any of our assets or businesses, or, provided that we do not materially adversely affect our ability to obtain an FCC order approving the transactions contemplated by the merger agreement, from acquiring or agreeing to acquire any other person or their assets if such action is, in our judgment, desirable in the conduct of our business or our subsidiaries business.

Additional Covenants. The merger agreement also contains other covenants made by us and Stations, including a covenant to file all necessary FCC applications for approval of the transactions contemplated by the merger agreement and a covenant to use reasonable efforts to take all actions and to do all things necessary, proper or advisable to consummate the merger as promptly as practicable but not before October 1, 2002.

Covenants of Stations

The merger agreement contains numerous covenants of Stations that are customary for this type of transaction. Among other things, subject to limited exceptions, Stations and its subsidiaries will not do or agree to do any of the following without our prior written consent, which we will not withhold unreasonably:

- amend the organizational documents of Stations or of any of its subsidiaries;
- incur, guarantee or otherwise become responsible for any new debt obligation or other obligation for borrowed money (other than indebtedness of Stations or any of its subsidiaries to Stations or any of its subsidiaries) or enter into or extend any capital leases, in excess of an aggregate of $500,000 for Stations and its subsidiaries on a consolidated basis;
- acquire, sell or encumber any securities or assets of Stations or any of its subsidiaries, or declare or pay any dividend or make any other distribution in respect of any such securities;
- increase the compensation or benefits of the employees or officers of Stations or any or its subsidiaries;
- voluntarily accelerate the vesting of any stock options or other stock-based compensation or employee benefits;
- adopt any new employee benefit plan or program of Stations or any of its subsidiaries or make any material change in or to any existing employee benefit plans or programs of Stations or any of its subsidiaries;
- make any significant change in any accounting methods, principles, or practices or systems of internal accounting controls, except as may be necessary to conform to changes in regulatory accounting requirements or generally accepted accounting principles;
- settle any material litigation other than in accordance with past practice or to the extent it is covered by insurance;

- except in the ordinary course of business consistent with past practices, enter into or terminate any material contract or make any material change in any contract;

- fail to promptly notify us of any inquiry, investigation, or proceeding related to any of Stations television stations that is initiated by the FCC; and

- request the bankruptcy court to take any action or to grant any approval to any action or matter that is in any way inconsistent with the merger agreement.

Indemnification

For a period of six years after the effective time of the merger, we will indemnify the pre-merger directors, officers, employees and agents of Stations and its subsidiaries against all liabilities arising out of acts or omissions occurring at or prior to the effective time arising out of their service as directors, officers, employees or agents of Stations, any of its subsidiaries or, at Stations or any of its subsidiaries request, another entity, to the fullest extent permitted under Delaware law, by Stations or its subsidiaries certificates of incorporation and bylaws and by any applicable indemnification agreements.

Termination of the Merger Agreement

The merger agreement generally may be terminated at any time prior to the effective time by the mutual consent of Gray and Stations or by us or Stations:

- if the terminating party is not then in material breach of any of its representations or warranties or any of its covenants contained in the merger agreement, in the event of the inaccuracy of any representation or warranty of the non-terminating party contained in the merger agreement which would reasonably be expected to have or result in a material adverse effect on the non-terminating party and cannot be or has not been cured within 30 days after written notice of such inaccuracy is given to the non-terminating party;

- if the terminating party is not then in material breach of any of its representations or warranties or any of its covenants contained in the merger agreement, in the event of a material breach by the non-terminating party of any covenant or agreement contained in the merger agreement that cannot be or has not been cured within 30 days after written notice of such breach is given to the non-terminating party, except that we may not cure any breach of our obligation to pay the merger consideration;

- if the merger is not consummated by March 31, 2003, in each case only if the failure to consummate the transactions contemplated by the merger agreement on or before such date is not caused by any material breach of the merger agreement by the terminating party, except that the March 31, 2003 termination date automatically will be extended by one day for each day that the closing does not occur because, subject to certain exceptions, the transactions contemplated by the Chelsey purchase agreement are not consummated; or

- if it is reasonably anticipated that any of the conditions precedent to the obligations of the terminating party to consummate the merger, other than the condition that, subject to certain exceptions, the transactions contemplated by the Chelsey purchase agreement are consummated, cannot be satisfied or fulfilled by March 31, 2003 and such failure was not the fault of the terminating party.

Effects of Termination

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. In addition, in the event that the merger agreement is terminated by us or by Stations in connection with any material breach of any representation or warranty or any covenant or other agreement of the other party contained in the merger agreement or because the merger is not consummated prior to the applicable termination date, the

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breaching party will remain liable for any uncured breach of a representation, warranty, covenant or agreement giving rise to such termination.

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 so long as any such cash payment is a whole number multiple of $500,000.

If the closing does not occur due to the non-fulfillment of any of the conditions precedent to each party s obligation to consummate the merger, and we are not in material default in the performance of any of our representations or warranties or any of our covenants or agreements under the merger agreement, Stations will not be entitled to the letter of credit or the escrow shares and, after termination of the merger agreement, the letter of credit and the escrow shares will be returned to us.

Waivers

Prior to or at the effective time, we and Stations may waive any material default in the performance of any term of the merger agreement by the other party or any of its subsidiaries, waive or extend the time for the compliance or fulfillment by the other party and its subsidiaries of any and all of their obligations under the merger agreement, and waive any or all of the conditions precedent to the obligations of the other party and its subsidiaries under the merger agreement. However, neither we nor Stations may waive any condition which, if not satisfied, would result in the material violation of any law.

Fees and Expenses

Generally, regardless of whether the merger is consummated, Stations will be responsible for all expenses and fees incurred by it and its subsidiaries in connection with the merger and we will be responsible for all expenses and costs incurred by us in connection with the merger. However, we will pay all the fees related to the filings with the FTC. Also, Stations and we will each pay one-half of the processing fees related to the filing with the FCC of applications regarding the transfer of control of Benedek s television licenses to us.

Lock Up Agreements

On June 4, 2002, in connection with the transactions contemplated by the merger agreement, Stations and we entered into the lock up agreements with certain stockholders and creditors of Stations, whom we refer to as the consenting stockholders and creditors. Under these lock up agreements, the consenting stockholders and creditors agreed to, among other things, support and vote their shares in favor of a Stations bankruptcy plan that will give effect to the transactions contemplated by the merger agreement. Stations has received executed lock up agreements from holders of 97.9% of the outstanding senior preferred stock, 98.8% of the outstanding junior preferred stock, 100% of the outstanding class B common stock, and 94.6% of the outstanding aggregate principal amount of the senior subordinated discount notes.

In addition, consenting stockholders that hold Stations senior preferred stock have agreed to pay to us, if Stations receives an offer from a third party to purchase more than 50% of Stations outstanding senior preferred stock and such offer is approved by the bankruptcy court, a termination fee of $15.0 million. The liability of each consenting stockholder that holds Stations senior preferred stock is limited to an amount determined by multiplying $15.0 million by a fraction, the numerator of which is the number of shares of senior preferred stock owned by such consenting stockholder and the denominator of which is the number of shares of Stations senior preferred stock owned by all consenting stockholders.

The United States trustee in the Stations bankruptcy proceeding has asserted that the lock up agreements contravene the federal bankruptcy code and cannot be enforced against a party if it chooses

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not to vote for the Stations bankruptcy plan. The bankruptcy court has not ruled with respect to the U.S. trustee s assertions, but Stations believes that the lock up agreements are enforceable under applicable law.

Benedek Family Benefits Agreement

On May 29, 2002, in connection with the transactions contemplated by the merger agreement, we entered into a letter agreement with A. Richard Benedek, Chairman of the Board and Chief Executive Officer of Stations, Laura Benedek, Richard Benedek s wife, and Stephen D. Benedek, a Vice President of Stations and Richard Benedek s son, in which we agreed to provide to them, following consummation of the merger, certain health and welfare benefits, use of office space in New York City until no later than August 31, 2005, and severance benefits of up to $275,000. In addition, we are forgiving certain indebtedness owed by Richard Benedek to Stations. Upon the closing of the merger, we will cease the use of the name Benedek Broadcasting, the Benedek.com URL and the name Benedek Interactive Media. The right to use the Benedek Broadcasting name will be conveyed, at no cost, to Richard Benedek and the right to use the Benedek.com URL and the name Benedek Interactive Media will be conveyed, at no cost, to Stephen Benedek.

K. James Yager Employment Agreement

On June 4, 2002, Benedek and K. James Yager, Benedek s President and Chief Operating Officer, entered into a second amendment to K. James Yager s employment agreement, which will become effective only upon consummation of the merger. In addition, we entered into a letter agreement with K. James Yager relating to this amendment.

K. James Yager s employment agreement is for a term of four years commencing on January 1, 2001 and ending on December 31, 2004, the expiration date. K. James Yager s base salary is $630,000 for 2001 and $680,000 for 2002 and thereafter increases to a per annum rate not less than 105% of his base salary during the preceding year. K. James Yager is eligible to receive a bonus in respect of each fiscal year during the term of the agreement in such amount as Benedek may determine. The agreement also entitles K. James Yager to specified fringe benefits and to participation in employee benefit plans generally available to Benedek s executives. In addition, Benedek has agreed to pay to K. James Yager the amount necessary, on an after-tax basis, to discharge all amounts, including accrued interest, owed by him to Benedek under his $555,000 promissory note.

If Benedek terminates K. James Yager s employment without cause, or if K. James Yager terminates his employment by reason of a constructive discharge, which includes the assignment to K. James Yager of duties or reporting responsibilities inconsistent in any material respect with his status, title, position or duties or any breach by Benedek of his employment agreement, K. James Yager will be entitled to receive his base salary, and to participate, at no cost to him, in all employee benefits, through the expiration date and his non-competition obligations will be terminated. In our letter agreement with K. James Yager, we agreed that our failure to employ him as President and Chief Operating Officer of our broadcast division or subsidiary within 12 months after the consummation of the merger would constitute a constructive discharge, entitling him to the above benefits.

Our letter agreement with K. James Yager also provides that, after consummation of the merger, we will grant to him nonqualified options to purchase shares of our class B common stock pursuant to the terms of our long term incentive plan. The number of shares subject to the option award will be determined by our board of directors, and the exercise price of the option shares will be the market price of our class B common stock at the time the award is granted. The options will vest ratably over the term of K. James Yager s employment agreement, with vesting to be accelerated in the event of a constructive discharge.

Bull Run Advisory Fee

For advisory services rendered by 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.

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INFORMATION REGARDING GRAY

Selected Historical Consolidated Financial Data

Set forth below is our selected historical consolidated financial 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(a)	1998(b)	1999(c)	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