

GRAY TELEVISION INC

Form 8-K

January 06, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K  
CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **December 30, 2005**

**Gray Television, Inc.**

(Exact name of registrant as specified in its charter)

Georgia

1-13796

58-0285030

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

4370 Peachtree Road, NE, Atlanta, Georgia

30319

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code) (404) 504-9828

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 8.01 Other Events**

On January 3, 2006, Gray Television, Inc., a Georgia corporation ( Gray ) issued a press release announcing the completion of the previously announced spinoff by Gray of Triple Crown Media, Inc., effective December 30, 2005. Gray also announced that immediately prior to the spinoff, Gray contributed its newspaper publishing and Graylink wireless businesses to Triple Crown Media, Inc. in return for a \$45.0 million cash distribution to Gray, which Gray used to reduce its outstanding indebtedness. The full text of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

**Item 9.01. Financial Statements and Exhibits.**

**(a) None.**

**(b) Pro Forma Financial Information.**

**UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION**

The following unaudited pro forma condensed balance sheet of Gray as of September 30, 2005 and the unaudited pro forma condensed statements of operations for the nine months ended September 30, 2005 and 2004 and years ended December 31, 2004, December 31, 2003 and December 31, 2002 are based on the unaudited condensed historical consolidated balance sheet and consolidated statement of operations of Gray as of and for the nine months ended September 30, 2005, the unaudited condensed historical statement of operations of Gray as of and for the nine months ended September 30, 2004 and the consolidated statements of operations for the years ended December 31, 2004, December 31, 2003 and December 31, 2002. The unaudited pro forma condensed balance sheet and unaudited pro forma condensed statements of operations give effect to the spinoff of the publishing and Graylink wireless businesses of Gray on December 30, 2005.

The pro forma adjustments are based upon currently available information and upon certain assumptions that management believes are reasonable under the circumstances. This unaudited pro forma condensed balance sheet and statements of operations should be read in conjunction with Gray's Consolidated Financial Statements and the Notes thereto for the year ended December 31, 2004 (as filed in the Company's Annual Report on Form 10-K for the year ended December 31, 2004) and for the nine months ended September 30, 2005 (as filed in the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 2005).

**GRAY TELEVISION, INC.**  
**PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)**  
**As of September 30, 2005**  
(in thousands)

|                                                     | <b>Historical</b> | <b>Spinoff of<br/>Publishing<br/>and<br/>Graylink<br/>Wireless<br/>Businesses<br/>(a)</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro Forma</b> |
|-----------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|----------------------------------|------------------|
| <b>Assets:</b>                                      |                   |                                                                                           |                                  |                  |
| Current assets:                                     |                   |                                                                                           |                                  |                  |
| Cash and cash equivalents                           | \$ 4,056          | \$                                                                                        | \$ 45,000(b)<br>(45,330)(c)      | \$ 3,726         |
| Trade accounts receivable, net                      | 53,455            | (5,532)                                                                                   |                                  | 47,923           |
| Inventories                                         | 904               | (904)                                                                                     |                                  |                  |
| Current portion of program broadcast rights,<br>net | 10,291            |                                                                                           |                                  | 10,291           |
| Related party receivable                            | 1,169             |                                                                                           |                                  | 1,169            |
| Other current assets                                | 3,448             | (210)                                                                                     |                                  | 3,238            |
| Total current assets                                | 73,323            | (6,646)                                                                                   | (330)                            | 66,347           |
| Property and equipment:                             |                   |                                                                                           |                                  |                  |
| Land                                                | 19,648            | (560)                                                                                     |                                  | 19,088           |
| Buildings and improvements                          | 40,472            | (6,549)                                                                                   |                                  | 33,923           |
| Equipment                                           | 225,619           | (20,336)                                                                                  |                                  | 205,283          |
|                                                     | 285,739           | (27,445)                                                                                  |                                  | 258,294          |
| Accumulated depreciation                            | (129,091)         | 17,535                                                                                    |                                  | (111,556)        |
|                                                     | 156,648           | (9,910)                                                                                   |                                  | 146,738          |
| Deferred loan costs, net                            | 10,273            |                                                                                           |                                  | 10,273           |
| Broadcast licenses                                  | 934,742           | (4,006)                                                                                   |                                  | 930,736          |
| Goodwill                                            | 158,378           | (16,779)                                                                                  |                                  | 141,599          |
| Other intangible assets, net                        | 2,255             |                                                                                           |                                  | 2,255            |
| Investment in broadcasting company                  | 13,599            |                                                                                           |                                  | 13,599           |
| Other                                               | 2,965             | (60)                                                                                      |                                  | 2,905            |
| Total assets                                        | \$ 1,352,183      | \$ (37,401)                                                                               | \$ (330)                         | \$ 1,314,452     |

See pro forma adjustment footnotes.

**GRAY TELEVISION, INC.**  
**PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (Continued) (Unaudited)**  
**As of September 30, 2005**  
(in thousands)

|                                                                                                                                                                                     | <b>Historical</b> | <b>Spinoff of<br/>Publishing<br/>and<br/>Graylink<br/>Wireless<br/>Businesses<br/>(a)</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro Forma</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|----------------------------------|------------------|
| <b>Liabilities and stockholders equity:</b>                                                                                                                                         |                   |                                                                                           |                                  |                  |
| Current liabilities:                                                                                                                                                                |                   |                                                                                           |                                  |                  |
| Trade accounts payable                                                                                                                                                              | \$ 3,178          | \$ (364)                                                                                  | \$                               | \$ 2,814         |
| Employee compensation and benefits                                                                                                                                                  | 7,977             | (912)                                                                                     |                                  | 7,065            |
| Current portion of accrued pension costs                                                                                                                                            | 2,766             |                                                                                           |                                  | 2,766            |
| Accrued interest                                                                                                                                                                    | 6,968             |                                                                                           |                                  | 6,968            |
| Other accrued expenses                                                                                                                                                              | 11,286            | (464)                                                                                     |                                  | 10,822           |
| Dividends payable                                                                                                                                                                   |                   |                                                                                           |                                  |                  |
| Federal and state income taxes                                                                                                                                                      | 1,699             | (314)                                                                                     |                                  | 1,385            |
| Current portion of program broadcast obligations                                                                                                                                    | 11,988            |                                                                                           |                                  | 11,988           |
| Acquisition related liabilities                                                                                                                                                     | 641               |                                                                                           |                                  | 641              |
| Deferred revenue                                                                                                                                                                    | 2,155             | (2,003)                                                                                   |                                  | 152              |
| Current portion of long-term debt                                                                                                                                                   | 2,076             |                                                                                           |                                  | 2,076            |
| Total current liabilities                                                                                                                                                           | 50,734            | (4,057)                                                                                   |                                  | 46,677           |
| Long-term debt, less current portion                                                                                                                                                | 630,930           |                                                                                           | (45,330)(c)                      | 585,600          |
| Program broadcast obligations, less current portion                                                                                                                                 | 986               |                                                                                           |                                  | 986              |
| Deferred income taxes                                                                                                                                                               | 246,563           | (2,336)                                                                                   |                                  | 244,227          |
| Other                                                                                                                                                                               | 6,567             | (118)                                                                                     |                                  | 6,449            |
| Total liabilities                                                                                                                                                                   | 935,780           | (6,511)                                                                                   | (45,330)                         | 883,939          |
| Redeemable Serial Preferred Stock, no par value; cumulative; convertible; designated 5 shares, respectively, issued and outstanding 4 shares \$(39,640 aggregate liquidation value) | 39,068            |                                                                                           |                                  | 39,068           |
| Stockholders equity:                                                                                                                                                                |                   |                                                                                           |                                  |                  |
| Common Stock, no par value; authorized 100,000 shares, issued 45,139 shares                                                                                                         | 406,358           |                                                                                           | 39,695(b)                        | 446,053          |
| Class A Common Stock, no par value; authorized 15,000 shares; issued 7,332 shares                                                                                                   | 11,037            |                                                                                           | 5,305(b)                         | 16,342           |
| Retained earnings                                                                                                                                                                   | 12,048            | (30,890)                                                                                  |                                  | (18,842)         |
| Accumulated other comprehensive loss, net of tax                                                                                                                                    | (1,414)           |                                                                                           |                                  | (1,414)          |

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|                                                               |              |             |          |              |
|---------------------------------------------------------------|--------------|-------------|----------|--------------|
| Unearned compensation                                         | (834)        |             |          | (834)        |
|                                                               | 427,195      | (30,890)    | 45,000   | 441,305      |
| Treasury Stock at cost, Common Stock,<br>2,092 shares         | (27,461)     |             |          | (27,461)     |
| Treasury Stock at cost, Class A Common<br>Stock, 1,579 shares | (22,399)     |             |          | (22,399)     |
| Total stockholders' equity                                    | 377,335      | (30,890)    | 45,000   | 391,445      |
| Total liabilities and stockholders' equity                    | \$ 1,352,183 | \$ (37,401) | \$ (330) | \$ 1,314,452 |

See pro forma adjustment footnotes.

**GRAY TELEVISION, INC.**  
**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**  
**For the Nine Months Ended September 30, 2005**  
(in thousands except for per share data)

|                                                                                                        | <b>Historical</b> | <b>Spinoff of<br/>Publishing<br/>and<br/>Graylink<br/>Wireless<br/>Businesses<br/>(a)</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro<br/>Forma</b> |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|----------------------------------|----------------------|
| Operating revenues:                                                                                    |                   |                                                                                           |                                  |                      |
| Broadcasting (less agency commissions)                                                                 | \$ 188,578        | \$                                                                                        | \$                               | \$ 188,578           |
| Publishing and other                                                                                   | 39,314            | (39,314)                                                                                  |                                  |                      |
|                                                                                                        | 227,892           | (39,314)                                                                                  |                                  | 188,578              |
| Expenses:                                                                                              |                   |                                                                                           |                                  |                      |
| Operating expenses before depreciation,<br>amortization and (gain) loss on disposal of<br>assets, net: |                   |                                                                                           |                                  |                      |
| Broadcasting                                                                                           | 118,298           |                                                                                           |                                  | 118,298              |
| Publishing and other                                                                                   | 29,339            | (28,880)                                                                                  |                                  | 459                  |
| Corporate and administrative                                                                           | 11,400            |                                                                                           |                                  | 11,400               |
| Depreciation                                                                                           | 18,557            | (1,233)                                                                                   |                                  | 17,324               |
| Amortization of intangible assets                                                                      | 576               |                                                                                           |                                  | 576                  |
| Amortization of restricted stock awards                                                                | 294               |                                                                                           |                                  | 294                  |
| (Gain) loss on disposal of assets, net                                                                 | (107)             | 199                                                                                       |                                  | 92                   |
|                                                                                                        | 178,357           | (29,914)                                                                                  |                                  | 148,443              |
| Operating income                                                                                       | 49,535            | (9,400)                                                                                   |                                  | 40,135               |
| Miscellaneous income, net                                                                              | 709               |                                                                                           |                                  | 709                  |
| Interest expense                                                                                       | (33,547)          |                                                                                           | 1,521(d)                         | (32,026)             |
| Loss on early extinguishment of debt                                                                   | (4,770)           |                                                                                           |                                  | (4,770)              |
| Income before income taxes                                                                             | 11,927            | (9,400)                                                                                   | 1,521                            | 4,048                |
| Income tax expense                                                                                     | 4,716             | (3,666)                                                                                   | 593(e)                           | 1,643                |
| Income from continuing operations                                                                      | 7,211             | (5,734)                                                                                   | 928                              | 2,405                |
| Preferred dividends including accretion of<br>issuance cost of \$65                                    | 2,444             |                                                                                           |                                  | 2,444                |
| Income from continuing operations available to<br>common stockholders                                  | \$ 4,767          | \$ (5,734)                                                                                | \$ 928                           | \$ (39)              |
| Basic per share information:                                                                           | \$ 0.10           |                                                                                           |                                  | \$ 0.00              |

Income from continuing operations available to  
common stockholders

|                                     |        |        |
|-------------------------------------|--------|--------|
| Weighted average shares outstanding | 48,655 | 48,655 |
|-------------------------------------|--------|--------|

Diluted per share information:

|                                                                       |         |         |
|-----------------------------------------------------------------------|---------|---------|
| Income from continuing operations available to<br>common stockholders | \$ 0.10 | \$ 0.00 |
|-----------------------------------------------------------------------|---------|---------|

|                                     |        |        |
|-------------------------------------|--------|--------|
| Weighted average shares outstanding | 48,939 | 48,939 |
|-------------------------------------|--------|--------|

|                              |         |         |
|------------------------------|---------|---------|
| Dividends declared per share | \$ 0.09 | \$ 0.09 |
|------------------------------|---------|---------|

See pro forma adjustment footnotes.

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**GRAY TELEVISION, INC.**  
**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**  
**For the Nine Months Ended September 30, 2004**  
(in thousands except for per share data)

|                                                                                                        | <b>Historical</b> | <b>Spinoff of<br/>Publishing<br/>and<br/>Graylink<br/>Wireless<br/>Businesses<br/>(a)</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro<br/>Forma</b> |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|----------------------------------|----------------------|
| Operating revenues:                                                                                    |                   |                                                                                           |                                  |                      |
| Broadcasting (less agency commissions)                                                                 | \$ 206,802        | \$                                                                                        | \$                               | \$ 206,802           |
| Publishing and other                                                                                   | 38,148            | (38,148)                                                                                  |                                  |                      |
|                                                                                                        | 244,950           | (38,148)                                                                                  |                                  | 206,802              |
| Expenses:                                                                                              |                   |                                                                                           |                                  |                      |
| Operating expenses before depreciation,<br>amortization and (gain) loss on disposal of<br>assets, net: |                   |                                                                                           |                                  |                      |
| Broadcasting                                                                                           | 112,762           |                                                                                           |                                  | 112,762              |
| Publishing and other                                                                                   | 27,262            | (27,014)                                                                                  |                                  | 248                  |
| Corporate and administrative                                                                           | 7,420             |                                                                                           |                                  | 7,420                |
| Depreciation                                                                                           | 17,760            | (1,303)                                                                                   |                                  | 16,457               |
| Amortization of intangible assets                                                                      | 751               | (55)                                                                                      |                                  | 696                  |
| Amortization of restricted stock awards                                                                | 323               |                                                                                           |                                  | 323                  |
| (Gain) loss on disposal of assets, net                                                                 | (605)             | 41                                                                                        |                                  | (564)                |
|                                                                                                        | 165,673           | (28,331)                                                                                  |                                  | 137,342              |
| Operating income                                                                                       | 79,277            | (9,817)                                                                                   |                                  | 69,460               |
| Miscellaneous income, net                                                                              | 600               | (37)                                                                                      |                                  | 563                  |
| Interest expense                                                                                       | (31,353)          | 2                                                                                         | 1,368(d)                         | (29,983)             |
| Income before income taxes                                                                             | 48,524            | (9,852)                                                                                   | 1,368                            | 40,040               |
| Income tax expense                                                                                     | 19,042            | (3,842)                                                                                   | 533(e)                           | 15,733               |
| Income from continuing operations                                                                      | 29,482            | (6,010)                                                                                   | 835                              | 24,307               |
| Preferred dividends, including accretion of<br>issuance cost of \$87                                   | 2,458             |                                                                                           |                                  | 2,458                |
| Income from continuing operations available<br>to common stockholders                                  | \$ 27,024         | \$ (6,010)                                                                                | \$ 835                           | \$ 21,849            |
| Basic per share information:                                                                           |                   |                                                                                           |                                  |                      |
| Income from continuing operations available<br>to common stockholders                                  | \$ 0.54           |                                                                                           |                                  | \$ 0.44              |

|                                                                    |         |         |
|--------------------------------------------------------------------|---------|---------|
| Weighted average shares outstanding                                | 49,922  | 49,922  |
| Diluted per share information:                                     |         |         |
| Income from continuing operations available to common stockholders | \$ 0.54 | \$ 0.43 |
| Weighted average shares outstanding                                | 50,471  | 50,471  |
| Dividends declared per share                                       | \$ 0.09 | \$ 0.09 |

**See pro forma adjustment footnotes.**

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**GRAY TELEVISION, INC.**  
**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**  
**For the Year Ended December 31, 2004**  
(in thousands except for per share data)

|                                                                                                        | <b>Historical</b> | <b>Spinoff of<br/>Publishing<br/>and<br/>Graylink<br/>Wireless<br/>Businesses<br/>(a)</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro<br/>Forma</b> |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|----------------------------------|----------------------|
| Operating revenues:                                                                                    |                   |                                                                                           |                                  |                      |
| Broadcasting (less agency commissions)                                                                 | \$ 293,273        | \$                                                                                        | \$                               | \$ 293,273           |
| Publishing and other                                                                                   | 53,294            | (53,294)                                                                                  |                                  |                      |
|                                                                                                        | 346,567           | (53,294)                                                                                  |                                  | 293,273              |
| Expenses:                                                                                              |                   |                                                                                           |                                  |                      |
| Operating expenses before depreciation,<br>amortization and (gain) loss on disposal of<br>assets, net: |                   |                                                                                           |                                  |                      |
| Broadcasting                                                                                           | 158,305           |                                                                                           |                                  | 158,305              |
| Publishing and other                                                                                   | 38,701            | (38,353)                                                                                  |                                  | 348                  |
| Corporate and administrative                                                                           | 11,662            |                                                                                           |                                  | 11,662               |
| Depreciation                                                                                           | 23,656            | (1,701)                                                                                   |                                  | 21,955               |
| Amortization of intangible assets                                                                      | 975               | (55)                                                                                      |                                  | 920                  |
| Amortization of restricted stock awards                                                                | 512               |                                                                                           |                                  | 512                  |
| (Gain) loss on disposal of assets, net                                                                 | (451)             | (45)                                                                                      |                                  | (496)                |
|                                                                                                        | 233,360           | (40,154)                                                                                  |                                  | 193,206              |
| Operating income                                                                                       | 113,207           | (13,140)                                                                                  |                                  | 100,067              |
| Miscellaneous income, net                                                                              | 1,016             | (37)                                                                                      |                                  | 979                  |
| Interest expense                                                                                       | (41,974)          | 2                                                                                         | 1,436(d)                         | (40,536)             |
| Income before income taxes                                                                             | 72,249            | (13,175)                                                                                  | 1,436                            | 60,510               |
| Income tax expense                                                                                     | 27,964            | (5,138)                                                                                   | 560(e)                           | 23,386               |
| Income from continuing operations                                                                      | 44,285            | (8,037)                                                                                   | 876                              | 37,124               |
| Preferred dividends, including accretion of<br>issuance cost of \$87                                   | 3,272             |                                                                                           |                                  | 3,272                |
| Income from continuing operations available<br>to common stockholders                                  | \$ 41,013         | \$ (8,037)                                                                                | \$ 876                           | \$ 33,852            |
| Basic per share information:                                                                           | \$ 0.83           |                                                                                           |                                  | \$ 0.68              |

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Income from continuing operations available  
to common stockholders

|                                     |        |        |
|-------------------------------------|--------|--------|
| Weighted average shares outstanding | 49,643 | 49,643 |
|-------------------------------------|--------|--------|

Diluted per share information:

|                                                                       |         |         |
|-----------------------------------------------------------------------|---------|---------|
| Income from continuing operations available<br>to common stockholders | \$ 0.82 | \$ 0.67 |
|-----------------------------------------------------------------------|---------|---------|

|                                     |        |        |
|-------------------------------------|--------|--------|
| Weighted average shares outstanding | 50,170 | 50,170 |
|-------------------------------------|--------|--------|

|                              |         |         |
|------------------------------|---------|---------|
| Dividends declared per share | \$ 0.24 | \$ 0.24 |
|------------------------------|---------|---------|

See pro forma adjustment footnotes.

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**GRAY TELEVISION, INC.**  
**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**  
**For the Year Ended December 31, 2003**  
(in thousands except for per share data)

|                                                                                                     | <b>Historical</b> | <b>Spinoff of<br/>Publishing<br/>and<br/>Graylink<br/>Wireless<br/>Businesses<br/>(a)</b> | <b>Pro<br/>Forma</b> |
|-----------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|----------------------|
| Operating revenues:                                                                                 |                   |                                                                                           |                      |
| Broadcasting (less agency commissions)                                                              | \$ 243,061        | \$                                                                                        | \$ 243,061           |
| Publishing and other                                                                                | 52,310            | (52,310)                                                                                  |                      |
|                                                                                                     | 295,371           | (52,310)                                                                                  | 243,061              |
| Expenses:                                                                                           |                   |                                                                                           |                      |
| Operating expenses before depreciation, amortization and<br>(gain) loss on disposal of assets, net: |                   |                                                                                           |                      |
| Broadcasting                                                                                        | 145,721           |                                                                                           | 145,721              |
| Publishing and other                                                                                | 37,566            | (37,093)                                                                                  | 473                  |
| Corporate and administrative                                                                        | 8,460             |                                                                                           | 8,460                |
| Depreciation                                                                                        | 21,715            | (2,018)                                                                                   | 19,697               |
| Amortization of intangible assets                                                                   | 5,622             | (427)                                                                                     | 5,195                |
| Amortization of restricted stock awards                                                             | 454               |                                                                                           | 454                  |
| (Gain) loss on disposal of assets, net                                                              | 1,155             | (164)                                                                                     | 991                  |
|                                                                                                     | 220,693           | (39,702)                                                                                  | 180,991              |
| Operating income                                                                                    | 74,678            | (12,608)                                                                                  | 62,070               |
| Miscellaneous income, net                                                                           | 20                | (53)                                                                                      | (33)                 |
| Interest expense                                                                                    | (43,337)          | 30                                                                                        | (43,307)             |
| Income before income taxes                                                                          | 31,361            | (12,631)                                                                                  | 18,730               |
| Income tax expense                                                                                  | 17,337            | (4,926)                                                                                   | 12,411               |
| Income from continuing operations                                                                   | 14,024            | (7,705)                                                                                   | 6,319                |
| Preferred dividends, including accretion of issuance cost of \$87                                   | 3,287             |                                                                                           | 3,287                |
| Income from continuing operations available to common<br>stockholders                               | \$ 10,737         | \$ (7,705)                                                                                | \$ 3,032             |
| Basic per share information:                                                                        |                   |                                                                                           |                      |
| Income from continuing operations available to common<br>stockholders                               | \$ 0.21           |                                                                                           | \$ 0.06              |

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|                                                                    |         |         |
|--------------------------------------------------------------------|---------|---------|
| Weighted average shares outstanding                                | 50,111  | 50,111  |
| Diluted per share information:                                     |         |         |
| Income from continuing operations available to common stockholders | \$ 0.21 | \$ 0.06 |
| Weighted average shares outstanding                                | 50,535  | 50,535  |
| Dividends declared per share                                       | \$ 0.08 | \$ 0.08 |

See pro forma adjustment footnotes.

**GRAY TELEVISION, INC.**  
**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**  
**For the Year Ended December 31, 2002**  
(in thousands except for per share data)

|                                                                                                     | <b>Historical</b> | <b>Spinoff of<br/>Publishing<br/>and<br/>Graylink<br/>Wireless<br/>Businesses<br/>(a)</b> | <b>Pro<br/>Forma</b> |
|-----------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|----------------------|
| Operating revenues:                                                                                 |                   |                                                                                           |                      |
| Broadcasting (less agency commissions)                                                              | \$ 146,714        | \$                                                                                        | \$ 146,714           |
| Publishing and other                                                                                | 51,926            | (51,926)                                                                                  |                      |
|                                                                                                     | 198,640           | (51,926)                                                                                  | 146,714              |
| Expenses:                                                                                           |                   |                                                                                           |                      |
| Operating expenses before depreciation, amortization and<br>(gain) loss on disposal of assets, net: |                   |                                                                                           |                      |
| Broadcasting                                                                                        | 81,996            |                                                                                           | 81,996               |
| Publishing and other                                                                                | 37,381            | (36,971)                                                                                  | 410                  |
| Corporate and administrative                                                                        | 5,607             |                                                                                           | 5,607                |
| Depreciation                                                                                        | 15,564            | (2,226)                                                                                   | 13,338               |
| Amortization of intangible assets                                                                   | 2,164             | (429)                                                                                     | 1,735                |
| (Gain) loss on disposal of assets, net                                                              | 699               | (15)                                                                                      | 684                  |
|                                                                                                     | 143,411           | (39,641)                                                                                  | 103,770              |
| Operating income                                                                                    | 55,229            | (12,285)                                                                                  | 42,944               |
| Appreciation in value of derivatives, net                                                           | 1,581             |                                                                                           | 1,581                |
| Miscellaneous income, net                                                                           | 303               | (114)                                                                                     | 189                  |
| Interest expense                                                                                    | (35,674)          | 40                                                                                        | (35,634)             |
| Loss on early extinguishment of debt                                                                | (16,838)          |                                                                                           | (16,838)             |
| Income before income taxes                                                                          | 4,601             | (12,359)                                                                                  | (7,758)              |
| Income tax expense                                                                                  | 1,896             | (4,697)                                                                                   | (2,801)              |
| Income (loss) from continuing operations                                                            | 2,705             | (7,662)                                                                                   | (4,957)              |
| Preferred dividends, including accretion of issuance cost of \$58                                   | 2,461             |                                                                                           | 2,461                |
| Preferred dividends associated with redemption of preferred<br>stock                                | 3,969             |                                                                                           | 3,969                |
| Loss from continuing operations available to common<br>stockholders                                 | \$ (3,725)        | \$ (7,662)                                                                                | \$ (11,387)          |

Basic per share information:

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|                                                                  |           |           |
|------------------------------------------------------------------|-----------|-----------|
| Loss from continuing operations available to common stockholders | \$ (0.17) | \$ (0.51) |
| Weighted average shares outstanding                              | 22,127    | 22,127    |
| Diluted per share information:                                   |           |           |
| Loss from continuing operations available to common stockholders | \$ (0.17) | \$ (0.51) |
| Weighted average shares outstanding                              | 22,127    | 22,127    |
| Dividends declared per share                                     | \$ 0.08   | \$ 0.08   |



**See pro forma adjustment footnotes.**

*Pro Forma Adjustment Footnotes*

**Spinoff of Publishing and Graylink Wireless Businesses:**

- (a) To reflect the spinoff of our publishing and Graylink wireless businesses as a discontinued operation in accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. All items represented under discontinued operations were specific to our publishing and Graylink wireless businesses and will be reported as discontinued operations in our historical financial statements beginning with our Annual Report on Form 10-K for the year ended December 31, 2005. Spinoff costs of \$2.5 million were included in Gray's financial statements for the nine months ended September 30, 2005.

**Pro Forma Adjustments:**

- (b) To reflect the transfer of \$45.0 million distribution from TCM to Gray, including an estimated \$5.0 million of fees and expenses relating to the transaction.
- (c) To reflect the pay down of a portion of Gray's senior credit facility with the \$45.3 million in cash transferred and the cash retained from TCM.
- (d) To reflect the net reduction in interest expense from the pay down of Gray's senior credit facility with the proceeds from TCM using the average interest rates of the senior credit facility in effect, net of increased costs for unused commitment on that credit facility.
- (e) To reflect the income tax impact of the pro forma income statement adjustments at the blended federal and state statutory rate of 39.0%.

**(c) Exhibits.**

| <b>Exhibit No.</b> | <b>Description</b>                   |
|--------------------|--------------------------------------|
| Exhibit 99.1       | Press release, dated January 3, 2006 |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Gray Television, Inc.

Date: January 6, 2006

By: */s/ James C. Ryan*

*Name: James C. Ryan*

*Title: Chief Financial Officer and Sr. Vice  
President*