As filed with the Securities and Exchange Commission on July 15, 2002

Registration No. 333-88694

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

Form S-3

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

Gray Communications Systems, Inc.

(Exact name of registrant as specified in its charter)

Georgia	**4833**	**52-0285030**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

4370 Peachtree Road, NE
Atlanta, Georgia 30319
(404) 504-9828
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

James C. Ryan
Gray Communications Systems, Inc.
4370 Peachtree Road
Atlanta, Georgia 30319
(404) 504-9828
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Robert A. Cantone, Esq.

Proskauer Rose LLP
1585 Broadway
New York, New York 10036-8299
(212) 969-3000

Approximate date of commencement of proposed sale to the public: From time to time or at one time after the effective date of this registration statement as determined by the registrant or the selling security holders named in a prospectus contained herein, as applicable.

If the only securities being registered on this Form are being offered pursuant to dividend or interest investment plans, please check the following box. o

If the only securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, the "Securities Act," other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☑

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.o ______________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ______________

If delivery of the prospectus is expected to be pursuant to Rule 434, please check the following box. o

(continued on next page)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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TABLE OF ADDITIONAL REGISTRANTS

Each of the following subsidiaries of Gray Communications Systems, Inc., and each other subsidiary that becomes a guarantor of the securities registered hereby, is hereby deemed to be a registrant.

Name	State of Incorporation or Organization	Primary Standard Industrial Classification Code No.	I.R.S. Employer Identification No.
The Albany Herald Publishing Company, Inc.	Georgia	2711	58-1020695
Post Citizen Media, Inc.	Georgia	2711	58-2113856
Gray Communications of Indiana, Inc.	Georgia	2711	58-2443532
WEAU-TV, Inc.	Georgia	4833	58-1048743
WVLT-TV, Inc.	Georgia	4833	58-2256206
WRDW-TV, Inc.	Georgia	4833	58-2165671
WITN-TV, Inc.	Georgia	4833	58-2321711
Gray Kentucky Television, Inc.	Georgia	4833	61-1267738
Gray Communications of Texas, Inc.	Georgia	4833	58-2462154
Gray Communications of Texas — Sherman, Inc.	Georgia	4833	58-2462155
Gray Transportation Company, Inc.	Georgia	7389	58-1162362
Gray Real Estate and Development Co.	Georgia	7389	58-1653626
Gray Florida Holdings, Inc.	Georgia	4833	58-2254140
KOLN/ KGIN, Inc.	Delaware	4833	31-1428060
WEAU Licensee Corp.	Delaware	4833	38-3259567
KOLN/ KGIN License, Inc.	Delaware	4833	38-3259566
WJHG Licensee Corp.	Delaware	4833	51-0376606
WCTV Licensee Corp.	Delaware	4833	51-0376604
WVLT Licensee Corp.	Delaware	4833	51-0376774
WRDW Licensee Corp.	Delaware	4833	51-0376822
WITN Licensee Corp.	Delaware	4833	52-2042287
WKYT Licensee Corp	Delaware	4833	51-0376629
WYMT Licensee Corp.	Delaware	4833	51-0377389
KWTX-KBTX Licensee Corp.	Delaware	4833	51-0390044
KXII Licensee Corp.	Delaware	4833	51-0390046
Gray Television Management, Inc.	Delaware	4833	51-0376607
Gray MidAmerica Holdings, Inc.	Delaware	4833	38-2750516
Gray Publishing, Inc.	Delaware	2711	51-0407061
Gray Digital, Inc.	Delaware	6799	51-0407051
KWTX-KBTX LP Corp.	Delaware	4833	51-0390045
KXII LP Corp.	Delaware	4833	51-0390237
Porta-Phone Paging Licensee Corp.	Delaware	4812	51-0376605
KXII L.P.	Delaware	4833	58-2486573
KWTX-KBTX L.P.	Delaware	4833	58-2486577
Lynqx Communications, Inc.	Louisiana	4899	72-1120956

EXPLANATORY NOTE

This registration statement contains two forms of prospectus: (1) one to be used by us in connection with the offering and sale of common stock, preferred stock or debt securities, as the case may be, including any common stock or preferred stock into which the debt securities may be convertible or exchangeable and any common stock into which the preferred stock may be convertible or exchangeable and (2) one to be used by the selling security holders named in the prospectus in connection with the offering and sale of class B common stock issuable upon conversion of Series C convertible preferred stock owned by such security holders.

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Subject to Completion, Dated July 15, 2002

PROSPECTUS

$600,000,000

Gray Communications Systems, Inc.

Common Stock

Preferred Stock
Debt Securities

Gray Communications Systems, 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 “GCS.” Our class B common stock is traded on the New York Stock Exchange under the symbol “GCS.B.” On July 11, 2002, the last reported sale price for our class A common stock was $17.29 per share and the last reported sale price for our class B common stock was $13.02 per share. We also have Series C convertible preferred stock which is not publicly traded.

We intend to change our name to “Gray Television, Inc.” We intend to submit to our shareholders for approval a proposal to change the designation of our class B common stock to “Gray Common Stock.” We also intend to reserve the ticker symbols “GTN” for the redesignated Gray Common Stock and “GTN.A” for our class A common stock on the New York Stock Exchange.

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 , 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" is based on BIA data for the 9:00 a.m. to midnight Sunday through Saturday time period.

PROSPECTUS SUMMARY

In this prospectus, unless otherwise indicated, the words "Gray," "our," "us" and "we" refer to 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.

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.

The Company

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 third in news audience. Ten of the stations are affiliated with CBS Inc., or "CBS," and three are affiliated with National Broadcasting Company, Inc., or "NBC." We own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total daily circulation of over 126,000. We also own and operate a paging business located in the Southeast that had approximately 72,000 units in service at March 31, 2002. For the 12 months ended March 31, 2002, our total revenues and operating cash flow were $157.0 million and $51.2 million, respectively.

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." 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 Television," into Stations. 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 a plan of reorganization filed by Stations with the United States bankruptcy court in Delaware on July 1, 2002. We may pay additional cash consideration of $4.9 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 23 television markets. Based on results for the year ended December 31, 2001, the combined Gray and Benedek television stations produced approximately $213.9 million of net revenue and $84.8 million of broadcast cash flow. Including our publishing and other operations, the combined Gray and Benedek operations for 2001 produced approximately $263.8 million of net revenue and $97.1 million of media cash flow. We expect the merger, if it closes, to be completed by the fourth quarter of 2002.

We were incorporated in 1891 to publish 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

Series C Convertible Preferred Stock

On April 22, 2002, we issued a total of $40,000,000 of new Series C convertible preferred stock, which we refer to as "Series C." We issued $31,400,000 of our Series C to a limited number of outside accredited investors, and $8,600,000 of our Series C to certain of our executive officers and directors and their 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. Our Series C is convertible into our class B common stock at an initial conversion price of $14.39 per share, subject to customary adjustments.

Our Series C has not been registered under the Securities Act of 1933, as amended, or any other applicable state securities laws, and therefore are restricted securities. Under the terms of a registration rights agreement entered into between us and the investors in the Series C, we are required to:

- file with the Securities and Exchange Commission a shelf registration statement, of which this prospectus and the prospectus relating to the shares of our class B common stock constitute parts, with respect to the shares of our class B common stock into which the Series C is convertible;

- use our reasonable best efforts to cause the registration statement to be declared effective as soon as practicable after filing, but no later than November 8, 2002, otherwise we will be required to pay liquidated damages to the holders of the Series C; and

- cause the registration statement to remain effective until the earlier to occur of (1) April 22, 2004 and (2) the date as of which there no longer are any registrable securities in existence.

In addition, investors in the Series C were granted “piggyback” registration rights with respect to the underlying shares of class B common stock. See “Description of Capital Stock — Terms of Our Preferred Stock.”

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 Report on Form 10-Q for the fiscal quarter ended March 31, 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 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 American Broadcasting Company, "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 March 31, 2002, this network compensation comprised of approximately 6% 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.

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

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.

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 $31.4 million in costs, of which we have incurred approximately $11.1 million through March 31, 2002, to convert our stations from the current analog format to digital format. This $31.4 million amount includes a capital lease of approximately $2.5 million for tower facilities at WVLT-TV, our station in Knoxville, Tennessee. 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 approximately $4.5 million through March 31, 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 approximately 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 approximately 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 Gray 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.

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 approximately 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 was converted into class B common stock (although this conversion currently is not permitted under the terms of the Series C), their voting power would increase to approximately 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 Sarkes Tarzian, Inc., “Tarzian,” from Bull Run for $10 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 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 federal income tax return, the Internal Revenue Service has asserted a deficiency in income taxes of approximately $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. 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, 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, 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, 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, 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.

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.

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 23 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 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 July 11, 2002, our class A common stock closed at a price of $17.29 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 July 11, 2002, our class B common stock closed at a price of $13.02 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 senior secured credit facility and the indenture governing our 9.25% 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.

Restrictions under our existing senior secured credit facility limit our flexibility.

Our existing 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 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.

At March 31, 2002, we and our subsidiaries had $212.5 million of senior debt and an additional $37.5 million of unused availability would have been available to borrow, subject to specified borrowing conditions, under our senior secured credit facility. In addition, our senior secured credit facility and the indenture governing the 9.25% 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 9.25% 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 9.25% 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;
- 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 9.25% notes would require us to offer to purchase all of our 9.25% 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 the 9.25% 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 the 9.25% 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.

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.

Recent proposals for campaign finance reform may limit political advertising, upon which we heavily rely.

Recent proposals for campaign finance reform seek to limit the amount of money that certain groups would be permitted to spend on political advertising, including television advertising, as well as limit the overall amounts that political candidates would be permitted to receive in campaign contributions. If any of these recent proposals is enacted, it could have an adverse effect on us by decreasing advertising revenue in connection with political campaigns.

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 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 operate;
- competitive pressures in the markets in which we 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.

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 Quarter Ended March 31,
	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)	$(374)

(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.

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 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' 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.

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 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 Federal Trade Commission 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 Federal Trade Commission 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 Federal Trade Commission 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.

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 SunTrust Bank, as 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 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;

- 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;

- 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.

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 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 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 certain superior proposals relating to an acquisition of Stations by a third party and such superior proposal is approved by the bankruptcy court, contemporaneously with the transaction contemplated by such superior proposal, a termination fee of $15 million. The liability of each consenting stockholder that holds Stations senior preferred stock is limited to an amount determined by multiplying $15 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.

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 may be required to forgive 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 paid to Bull Run an advisory fee of $5,000,000 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 quarters ended March 31, 2002 and 2001 were 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 Report on Form 10-Q for the quarter ended on March 31, 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 Report and all of the financial statements and related notes contained in the Annual Reports and the Quarterly Report.

	Year Ended December 31,					Quarter Ended March 31,	
	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	$25,042	$ 25,453
Publishing	24,536	29,330	37,808	41,499	41,189	9,740	10,143
Paging	6,712	8,553	9,130	9,074	8,725	2,147	2,009
Total revenues	103,548	128,890	143,953	171,213	156,344	36,929	37,605
Operating expenses:							
Broadcast, publishing and paging	65,771	82,783	93,994	105,314	104,025	25,646	24,515
Corporate and administrative	2,528	3,063	3,448	3,594	3,615	944	1,000
Depreciation and amortization	14,519	18,117	24,451	31,207	30,824	7,851	3,733
Total operating expenses	82,818	103,963	121,893	140,115	138,464	34,441	29,248
Operating income	20,730	24,927	22,060	31,098	17,880	2,488	8,357
Gain on disposition of television stations	—	72,646	—	—	—	—	—
Valuation adjustments of goodwill and other assets	—	(2,074)	—	—	—	—	—
Depreciation in value of derivative, net	—	—	—	—	(1,581)	(786)	389
Miscellaneous income (expense), net	(31)	(242)	336	780	194	71	38
	20,699	95,257	22,396	31,878	16,493	1,773	8,784
Interest expense	21,861	25,454	31,021	39,957	35,783	9,251	8,965
Income (loss) before income taxes, extraordinary charge and cumulative effect of accounting change	(1,162)	69,803	(8,625)	(8,079)	(19,290)	(7,478)	(181)
Income tax expense (benefit)	240	28,144	(2,310)	(1,867)	(5,972)	(2,450)	(46)
Income (loss) before extraordinary charge and cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(135)
Extraordinary charge on extinguishment of debt	—	—	—	—	—	—	(7,318)
Income (loss) before cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(7,453)
Cumulative effect of accounting change, net	—	—	—	—	—	—	(30,592)
Net income (loss)	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(38,045)
Preferred dividends	1,410	1,318	1,010	1,012	616	154	154
Non-cash preferred dividends associated with preferred stock redemption	—	3,360	—	2,160	—	—	—
Net income (loss) available to common stockholders	$ (2,812)	$ 36,981	$ (7,325)	$ (9,384)	$ (13,934)	$ (5,182)	$(38,199)

	Year Ended December 31,					Quarter Ended March 31,	
	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	$ (0.12)	$ 3.49	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$ (0.01)
Extraordinary charge on extinguishment of debt, net	—	—	—	—	—	—	(0.47)
Cumulative effect of accounting change, net	—	—	—	—	—	—	(1.95)
Preferred dividends	(0.12)	(0.39)	(0.08)	(0.21)	(0.04)	(0.01)	(0.01)
Net income (loss) available to common stockholders	$ (0.24)	$ 3.10	$ (0.57)	$ (0.61)	$ (0.89)	$ (0.33)	$ (2.44)
Diluted earnings per common share(d):							
Net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.36	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$ (0.01)
Extraordinary charge on extinguishment of debt, net	—	—	—	—	—	—	(0.47)
Cumulative effect of accounting change, net	—	—	—	—	—	—	(1.95)
Preferred dividends	(0.12)	(0.38)	(0.08)	(0.21)	(0.04)	(0.01)	(0.01)
Net income (loss) available to common stockholders	$ (0.24)	$ 2.98	$ (0.57)	$ (0.61)	$ (0.89)	$ (0.33)	$ (2.44)
Other Financial Data:							
Media cash flow(e)	$ 38,061	$ 46,624	$ 50,944	$ 66,247	$ 53,074	$ 11,475	$ 13,274
Media cash flow margin(e)	36.8%	36.2%	35.4%	38.7%	33.9%	31.1%	35.3%
Operating cash flow(f)	$ 35,533	$ 43,561	$ 47,496	$ 62,653	$ 49,459	$ 10,531	$ 12,274
Operating cash flow margin(f)	34.3%	33.8%	33.0%	36.6%	31.6%	28.5%	32.6%
Cash flows provided by (used in):							
Operating activities	$ 9,744	$ 20,074	$ 20,842	$ 22,765	$ 16,823	$ 6,356	$ 266
Investing activities	(57,498)	(55,299)	(126,780)	(8,276)	(186,165)	(646)	163,253
Financing activities	49,071	34,744	105,839	(14,061)	167,685	(6,820)	(160,910)
Capital expenditures	10,372	9,271	11,712	5,702	7,593	676	5,244
Cash dividends per common share(g)	$ 0.05	$ 0.06	$ 0.08	$ 0.08	$ 0.08	$ 0.02	$ 0.02
Ratio of total debt to operating cash flow	6.4x	6.2x	8.0x	6.0x	8.0x(h)	6.0x(i)	7.7x(i)
Ratio of operating cash flow to interest expense	1.6	1.7	1.5	1.6	1.4	1.1(i)	1.4(i)
Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 2,367	$ 1,887	$ 1,787	$ 2,215	$169,115(h)	$ 1,105	$ 3,165
Total intangible assets, net	263,425	376,015	526,434	511,616	497,311	508,036	457,740
Total assets	345,051	468,974	658,157	636,772	794,337(h)	621,175	578,601
Long-term debt (including current portion)	227,076	270,655	381,702	374,887	551,444(h)	367,846	391,448
Preferred stock	11,111	7,371	7,371	4,637	4,637	4,637	4,637
Total stockholders' equity	92,295	126,703	168,188	155,961	142,196	151,240	103,878

(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 incorporated by reference in this prospectus.

(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 incorporated by reference in this prospectus.

(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 class A common stock and class B 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 $0.02 per common share for both quarterly 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, the Company deposited $168.6 million with the trustee of the Company's 10 5/8% Senior Subordinated Notes due 2006 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 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. If the $155.2 million of our 10 5/8% notes were included in the total debt amount used to calculate the ratio of total debt to operating cash flow, the ratio would be 11.1x.

(i) Represents ratios for the 12 months ended March 31, 2001 and 2002.

(j) The following table presents the transitional disclosures regarding the adoption of SFAS No. 142:

	Year Ended December 31,					Quarter Ended March 31,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2002
	(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)	$(5,028)	$ (135)
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	4,175	5,697	8,499	11,022	11,033	2,627	—
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 2,773	$47,356	$ 2,184	$ 4,810	$ (2,285)	$(2,401)	$ (135)
Basic earnings per common share(d):							
Reported net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.49	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$(0.01)
Add back: amortization of goodwill and intangible assets with indefinite lives, net or tax	0.35	0.48	0.66	0.71	0.71	0.17	—
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 0.23	$ 3.97	$ 0.17	$ 0.31	$ (0.14)	$ (0.15)	$(0.01)
Diluted earnings per common share(d):							
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 0.23	$ 3.82	$ 0.16	$ 0.30	$ (0.14)	$ (0.15)	$(0.01)

Business, Management and Other Information

Information relating to our business, principal shareholders, directors and officers, executive compensation and share ownership, related party transactions, financial statements and other related matters, as set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002, is incorporated herein by reference. If you would like to receive a copy of such documents you may contact us at our address or telephone number indicated under "Where You Can Find More Information."

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 operate, or will operate after completion of the merger with Stations, 28 network affiliated television stations serving 23 markets, with 24 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, pro forma for the proposed merger with Stations, approximately 60% of our net television advertising revenue was 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. 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.*** We have, or will have after completion of the merger with Stations, a broad and diverse portfolio of 28 affiliated television stations located in 23 markets, of which 15 are affiliated with CBS, seven are affiliated with NBC and six are affiliated with ABC affiliates, 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 television 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 designated market areas, "DMAs." Of our 24 markets (including Hazard, Kentucky as a separate market), 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 are located in several distinct regions throughout the United States, with significant presence in the Southeast, Midwest, Texas and Great Lakes region, diminishing any potential adverse effect 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, President and Chief Executive Officer; Robert Prather, Executive Vice President - Acquisitions; James Ryan, Vice President and Chief Financial Officer; and after the proposed merger, K. James Yager, currently the President of Benedek.

- ***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. 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 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 publishing management team has extensive experience in operating, managing and acquiring newspapers and is led by Thomas J. Stultz, Vice President and President of Publishing, who has 32 years of publishing industry experience.

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SELECTED STATION AND MARKET INFORMATION REGARDING GRAY AND STATIONS

Gray Television Stations Pro Forma Following the Merger

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)	In Market Share of Household Viewing(b)	Television Households(a) (in thousands)
*	62	Knoxville, TN	WVLT	8	CBS	12/31/04	8/1/05	2 (tied)	3	5	22%	478
	65	Wichita- Hutchinson, KS	KAKE	10	ABC	1/1/06	6/1/06	3	3	4	21%	453
		(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					
*	66	Lexington, KY	WKYT	27	CBS	12/31/04	8/1/05	1	1	5	35%	436
*	Note (f)	Hazard, KY	WYMT	57	CBS	12/31/04	8/1/05	1	1		39%	169
	75	Omaha, NE	WOWT	6	NBC	1/1/12	6/1/06	1	1	5	36%	386
	85	Madison, WI	WMTV	15	NBC	1/1/12	12/1/05	2	2	4	30%	339
	91	Colorado Springs, CO	KKTV	10	CBS	6/30/05	4/1/06	1	1	5	33%	306
*	94	Waco-Temple- Bryan, TX	KWTX	10	CBS	12/31/05	8/1/06	1	1	6	42%	299
*		(Bryan, TX)	KBTX(g)	3	CBS	12/31/05	8/1/06	1	1			
*	102	Lincoln-Hastings- Kearney, NE	KOLN	10	CBS	12/31/05	6/1/06	1	1	5	54%	269
*		(Grand Island, NE)	KGIN(h)	11	CBS	12/31/05	6/1/06					
*	106	Greenville- New Bern- Washington, NC	WITN	7	NBC	12/31/11	12/1/04	2	2	4	30%	251
	111	Lansing, MI	WILX	10	NBC	1/1/12	10/1/05	1	1	4	39%	238
*	113	Tallahassee, FL- Thomasville, GA	WCTV	6	CBS	12/31/04	4/1/05	1	1	5	57%	237
*	114	Augusta, GA	WRDW	12	CBS	3/31/05	4/1/05	1	1	4	35%	234
*	127	La Crosse- Eau Claire, WI	WEAU	13	NBC	12/31/11	12/1/05	1	1	4	39%	198
	132	Rockford, IL	WIFR	23	CBS	6/30/05	12/1/05	2	1	4	32%	176
	137	Wausau- Rhinelander, WI	WSAW	7	CBS	6/30/05	12/1/05	1	2	4	42%	169
	138	Topeka, KS	WIBW	13	CBS	6/30/05	6/1/06	1	1	4	49%	166
*	159	Panama City, FL	WJHG	7	NBC	12/31/11	2/1/05	1	1	3	50%	121
*	160	Sherman, TX- Ada, OK	KXII	12	CBS	12/31/05	8/1/06	1	1	2	74%	119
	172	Dothan, AL	WTVY	4	CBS	6/30/05	4/1/05	1	1	3	69%	95
	178	Harrisonburg, VA	WHSV	3	ABC	11/1/04	10/1/04	1	1	1	97%	84
	181	Bowling Green, KY	WBKO	13	ABC	11/1/04	8/1/05	1	1	2	83%	81
	185	Meridian, MS	WTOK	11	ABC	11/1/04	6/1/05	1	1	3	66%	70
	186	Parkersburg, WV	WTAP	15	NBC	1/1/12	10/1/05	1	1	1	96%	63
												5,437 (Approximately 5% of all US television households)

* Denotes a television station currently owned by Gray.

(a) Based on data published by Nielsen.

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

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

(d) Based on 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 9AM 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 Communications Systems, 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, 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 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 Communications Systems, 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 Communications Systems, 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.

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 Communications Systems, 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 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	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight			
				May-02	Feb-02	Nov-01	Jul-01
KOLN & KGIN	**CBS**	**VHF**	**Gray Communications Systems, 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 9AM 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 Communications Systems, 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.

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

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WCTV	**CBS**	**VHF**	**Gray Communications Systems, 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 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WRDW-TV	**CBS**	**VHF**	**Gray Communications Systems, 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

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 in the merger and the Wausau-Rhinelander, Wisconsin market where we intend to acquire WSAW 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 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WEAU-TV	**NBC**	**VHF**	**Gray Communications Systems, 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

				Share Summary 9AM to Midnight			
Station	Network	VHF or UHF	Owner	May-02	Feb-02	Nov-01	Jul-01
WJHG-TV	**NBC, UPN**	**VHF**	**Gray Communications Systems, 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

				Share Summary 9AM to Midnight			
Station	Network	VHF or UHF	Owner	May-02	Feb-02	Nov-01	Jul-01
KXII	**CBS**	**VHF**	**Gray Communications Systems, 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 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KWCH-TV, KBSD-TV, KBSH-TV & KBSL-TV	CBS	VHF	Media General Broadcast Group	18	15	18	17
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 9AM 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 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	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM 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

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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

Station	Network	VHF or UHF	Owner	Share Summary 9AM 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.

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 9AM 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

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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.

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

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-Rheinlander market is adjacent to the Madison, Wisconsin market and the La Crosse-Ean 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

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	

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	

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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
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.

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 9AM 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	

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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
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 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

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

Parkersburg, West Virginia

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

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

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

BUSINESS OF STATIONS HOLDING COMPANY, INC.

Overview of Stations

We plan to acquire in the merger 15 of Stations' television stations. These television stations are geographically diverse and serve small to medium-sized markets in 11 states. Five of the stations are affiliated with CBS, six are affiliated with ABC, and four are affiliated with NBC. All of the data included in this section relates solely to the stations that we plan to acquire in the merger.

The stations are located in DMAs ranked in size from 65 to 186 out of the 210 DMAs surveyed by A. C. Nielsen Company. The broadcast signals for these stations that we intend to acquire in the merger reach approximately 2.6 million television households, representing approximately 2.5% of all television households in the United States. Stations believes that broadcast television stations in small to medium-sized markets offer an opportunity to generate attractive and stable broadcasting cash flow due to limited competition from:

- other television stations for viewers;
- other media soliciting advertising expenditures; and
- other television stations purchasing syndicated programming.

Stations operates in markets that typically have stable employment and a diverse base of employers. Stations generally targets markets that have population centers that share common community interests and are receptive to local programming. Stations' local programming and news content coupled with its network affiliations provide each of its stations with an established audience and reputation for news, sports and entertainment programming.

Stations' senior management team, led by K. James Yager, President and Chief Operating Officer, has extensive experience in acquiring and improving the operations of television stations. In addition, Stations' stations are supported by a team of senior vice presidents who directly oversee the day-to-day operations of the business. Louis S. Wall and Christopher H. Cornelius manage seven and six of the stations, respectively. These executives have an average of 22 years of experience operating and managing broadcast television stations.

Stations selectively purchases first run and off-network syndicated programming designed to reach specific demographic groups attractive to advertisers. Currently, Stations broadcasts on many of its stations the five most highly-rated syndicated programs. These programs and the number of stations on which they are broadcast are:

- "Wheel of Fortune" on nine of its stations;
- "Jeopardy" on seven of its stations;
- "Seinfeld" on seven of its stations; and
- "Entertainment Tonight" on seven of its stations.

Additionally, Stations broadcasts other highly-rated first run and off-network syndicated programs on its stations including:

- "Judge Judy;"
- "The Oprah Winfrey Show;"
- "Everybody Loves Raymond;"
- "Live! with Regis and Kelly;" and
- "Frasier."

Stations seeks to acquire syndicated programs that:

• have wide audience appeal;

• are available on a cost-effective basis for limited licensing periods;

• allow scheduling flexibility;

• complement each station's overall programming mix; and

• counter competitive programming.

Stations has been able to purchase syndicated programming at attractive rates because of the limited competition from other television broadcasters for such programming in its markets. As a result, Stations' cash program expense as a percentage of net revenues for its stations was 4.4% in 1999, 4.7% in 2000 and 5.5% in 2001. In comparison, according to the 2001 Television Financial Report published by the National Association of Broadcasters, the percentage of net revenues spent for programming by all network affiliated stations was 8.8% in 1999 and 8.2% in 2000.

Background

Stations was incorporated under the laws of the State of Delaware on April 10, 1996. Stations' corporate name was changed from Benedek Communications Corporation to Stations Holding Company, Inc. effective February 1, 2002. Benedek was incorporated under the laws of the State of Delaware on January 22, 1979. The principal executive offices of Stations is located at 2895 Greenspoint Parkway, Suite 250, Hoffman Estates, Illinois 60195. The telephone number at the executive offices is (847) 585-3450.

Network Affiliation of Stations' Television Stations

Each of the television stations we are acquiring is affiliated with either CBS, ABC or NBC. Each affiliation agreement provides the station with the right to broadcast all programs transmitted by the network. In return, the network has the right to sell a substantial majority of the advertising time during network programming. In exchange for every hour that a station elects to broadcast network programming, CBS, ABC and NBC have historically paid the station a specified fee. This fee varies with the time of day. Typically, prime-time programming generates the highest hourly rates. Fees are subject to increase or decrease by the network during the term of an affiliation agreement, with provisions for advance notices and the right of termination by the station in the event of a reduction of rates.

During 1999, each of the major networks publicly indicated that it was reviewing the economic and other terms under which it provides programming to network affiliates like our stations. Proposed changes that have been publicly discussed include:

• reducing the period of exclusivity with respect to popular programming;

• changing the amount and placement of advertising time made available for sale by affiliates during network programming; and

• requiring affiliates to share part of the costs of producing sports or special programming.

These changes may be implemented during the term of existing affiliation agreements or upon their renewal. Additionally, the major networks have proposed reducing or eliminating the cash payments paid by networks to affiliates at the time of renewal of existing affiliation agreements.

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.

In response to declining revenues, some networks have suggested that they may search for alternative methods of distribution for their programming, such as cable channels.

Advertising Sales

Television station revenues are derived primarily from local, regional and national advertising. Stations seeks to manage its spot inventory efficiently to maximize advertising rates. Advertising rates are based upon numerous factors including:

- a program's popularity among the audience;

- the number of advertisers competing for the available time allotted to commercials;

- the size and demographic make-up of the audience; and

- the availability of alternative advertising media in the market area.

In March 2000, Stations restructured the organization of its local sales departments to place a greater emphasis on local and regional advertising sales. Stations shifted certain local advertising accounts to national representatives to better reflect the actual source of revenues. As a result of the restructuring and its new philosophy, period-to-period comparisons of trends in Stations' local/regional and national sales will be difficult for you to make.

Local Sales. Approximately 60% of Stations' gross revenues in 2001 came from local and regional advertisers. Local and regional advertising is sold primarily by each station's professional sales staff. Typical local and regional advertisers include:

- automobile dealerships;

- restaurants;

- retailers;

- communications companies;

- grocery chains;

- soft drink bottlers;

- health and medical services; and

- state lotteries.

Stations seeks to establish long term relationships with local advertisers by selling its advertising time through dedicated local sales teams. Stations' goal is to provide local customers the opportunity to communicate their longer term advertising goals so it can develop strategic advertising campaigns for them. In addition to increasing revenues from existing advertisers, Stations seeks to identify new sources of local advertising revenues. In particular, Stations seeks potential advertisers who have not previously advertised on broadcast television, but whose businesses would benefit from the identity of Stations' local news and programming. Stations' sales personnel are required to meet minimum weekly and monthly performance standards with respect to client activity, including new customer identification. Stations also offers commercial production services at each of its stations.

National Sales. Approximately 31% of Stations' gross revenues in 2001 came from national advertisers. Typical national advertisers include:

- automobile manufacturers;

- consumer goods manufacturers;

• communications companies;

• fast food franchisers;

• national retailers; and

• direct marketers.

National advertising time is sold through representative agencies retained by Stations. Two of the television stations we are acquiring are represented by Petry Television, Inc., ten are represented by Katz Television Sales, and one is represented by Blair Television. These stations' national sales coordinators actively assist their national sales representatives to induce national advertisers to increase their national spot expenditures designated to our markets.

Political Sales. Political advertising revenues are a significant factor in Stations business during election years. Local and regional elections, which can include gubernatorial, U.S. senatorial and congressional races, generally occur every even numbered year. National presidential elections occur every four years. In 2000 and 1998, Stations had political advertising revenues of $13.3 million and $8.6 million, respectively, at its stations we are acquiring pursuant to the merger representing approximately 10% and 7% of such stations' gross revenues during such years.

Implementation of the Cable Act of 1992

The Cable Television Consumer Protection and Competition Act of 1992, the "Cable Act," was enacted on October 5, 1992. The Cable Act:

• imposes cable rate regulation;

• establishes cable ownership limitations;

• regulates the relationships between cable operators and their program suppliers;

• regulates signal carriage and retransmission consent; and

• regulates numerous other aspects of the cable television business.

Stations has entered into agreements for its stations with substantially all of the cable system operators that carry our stations' signals. All of these agreements grant such cable system operators consent to retransmit Stations' broadcast signals. These retransmission arrangements do not represent a significant source of revenues for Stations. Stations expects to be able to renew its current retransmission agreements when such agreements expire. However, there can be no assurance that such renewals will be obtained.

Digital Operations

The FCC had required that all of the stations owned by Stations commence digital operations by May 1, 2002. Stations has incurred approximately $4.5 million in capital expenditures towards its digital conversion of the stations we are acquiring as a result of the merger, and it anticipates incurring additional capital expenditures of $6.8 million in the balance of 2002 and thereafter with respect to such stations. In order to accommodate the conversion to digital and maintain our historical capital expenditure levels, Stations has reduced its plans for the other non-essential capital expenditures in 2002. Stations anticipates that such expenditures will be paid for through cash generated from operations.

One of the stations owned by Stations had commenced digital operations by May 1, 2002. The FCC had implemented a process to allow broadcast companies to request an extension of time to complete the build-out to digital. On March 4, 2002, Stations filed extension requests with respect to its stations that have not been converted to digital. Stations was granted extensions covering the period May 1, 2002 through various dates in November 2002. We cannot assure you that Stations will be able to complete the construction of all of its DTV stations by the applicable FCC deadlines. If Stations is unable to meet applicable build-out deadlines or obtain additional extensions, Stations may be subject to FCC sanctions, including the loss of the authorization to construct the DTV station.

Employees

As of May 31, 2002, Stations had 807 full-time employees at the stations we are acquiring as a result of the merger. Approximately 172 of such employees located at three of such stations are represented by labor unions under collective bargaining agreements. 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. Stations believes that its relationship with all of its employees, including those represented by labor unions, is satisfactory.

Properties

The principal executive offices of Stations is located in leased premises in Hoffman Estates, Illinois. Stations also has executive offices in New York City.

The types of properties required to support the television stations which Gray is acquiring as a result of the merger include offices, studios, and tower and transmitter sites. A station's studio and office are generally located in business districts while tower and transmitter sites are generally located so as to provide maximum signal coverage to each market. The following table contains certain information describing the general character of our properties.

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	—	04/30/2004
Tower/ Transmitter Site	Leased	1,000	768/100 kw	04/30/2007
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	02/01/2059
Lansing, Michigan WILX-TV				
Office and Studio	Owned(b)	13,700	—	—
Tower/ Transmitter Site	Leased	5,000	994/309 kw	10/18/2003

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Station, Market Area and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height (ft.)/ Power	Lease expiration date
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	08/01/2017
Topeka, Kansas WIBW-TV				
Office and Studio	Owned(b)	19,800	—	—
Tower/ Transmitter Site	Leased	2,338	1,249/316 kw	02/14/2062
Dothan, Alabama and Panama City, Florida WTVY-TV				
Office and Studio	Leased	20,440	—	12/31/2003
Tower/ Transmitter Site	Owned(b)	2,500	1,880/100 kw	—
Harrisonburg, Virginia WHSV-TV				
Office and Studio	Leased(b)	18,000	—	04/27/2018(e)
Tower/ Transmitter Site	Leased	2,016	337/8.32 kw	12/31/2001(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(g)	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 approximately $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.

(g) In May 2000, Stations exercised a purchase option on this property. Stations mortgaged its interest in this property in connection with the purchase. Stations had previously leased this property and had mortgaged its leasehold interest to the collateral agent under its credit facility, which leasehold mortgage will be released at the time of the merger.

Legal Proceedings

On March 22, 2002, Stations filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Benedek and its subsidiaries are not party to the bankruptcy action. On July 1, 2002, Stations filed its proposed plan of reorganization and related disclosure statement with respect to its bankruptcy case for approval by the court. The plan of reorganization contemplates completion of the merger of Gray MidAmerica Television with and into Stations. In conjunction with the execution of the merger agreement, Stations and Gray entered into Lock up, Voting and Consent Agreements with certain stockholders and creditors of Stations. Under the lock up, voting and consent agreements, these stockholders and creditors agreed to, among other things, support and vote their shares or interests, as applicable, in favor of Stations' plan of reorganization that will give effect to the transactions contemplated by the merger agreement. As of the date of this prospectus, lock up, voting and consent agreements have been received from holders of 97.9% of the outstanding Stations senior preferred stock, 98.8% of the outstanding Stations junior preferred stock, 100.0% of the outstanding Stations class B common stock and 94.6% of the outstanding Stations senior notes.

Stations is currently and from time to time involved in litigation incidental to the conduct of its business. Stations is not currently a party to any such lawsuit or proceeding that, in its opinion, is likely to have a material adverse effect on us.

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STATIONS SELECTED FINANCIAL DATA

The table below sets forth the selected consolidated financial data of Stations for the five years ended December 31, 2001 and the three month periods ended March 31, 2001 and 2002. The selected consolidated financial data for the years ended December 31, 1999, 2000 and 2001 have been derived from Stations' audited consolidated financial statements included elsewhere in this prospectus. The data for the three month periods ended March 31, 2001 and 2002 are unaudited, but have been prepared on the same basis as the audited financial statements. In Stations' opinion, they reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly Stations' results of operation for the period then ended and its financial position as of such dates. Operating results for the three month period ended March 31, 2002 are not necessarily indicative of the results that may be expected in the future. The selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this prospectus and "Stations Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,					Three Months Ended March 31,	
	1997(a)	1998(a)	1999(b)	2000(b)	2001	2001	2002
	(Dollars in thousands, except share and per share data)						
Statement of Operations Data:							
Net revenues(c)	$ 84,392	$ 94,525	$ 99,432	$ 116,687	$ 107,561	$ 23,587	$ 25,584
Operating expenses:							
Station operating expenses	48,891	52,446	55,154	63,935	64,007	16,664	16,258
Depreciation and amortization	21,794	20,660	17,442	19,711	21,901	5,368	6,309
Station operating income	13,707	21,419	26,836	33,041	21,653	1,555	3,017
Corporate expenses	3,787	4,643	4,510	5,590	5,946	1,664	1,543
	9,920	16,776	22,326	27,451	15,707	(109)	1,474
Gain on sale of stations, net(d)	—	—	6,403	61,406	—	—	—
Operating income (loss)	9,920	16,776	28,729	88,857	15,707	(109)	1,474
Financial expenses, net:							
Interest expense, net(e):							
Cash interest, net	(23,358)	(21,943)	(20,701)	(23,000)	(33,191)	(5,002)	(10,559)
Other interest	(19,374)	(17,043)	(19,040)	(20,943)	(10,011)	(5,661)	(192)
	(42,732)	(38,986)	(39,741)	(43,943)	(43,202)	(10,663)	(10,751)
Reorganization items	—	—	—	—	—	—	(931)
Income (loss) before income tax benefit and extraordinary item	(32,812)	(22,210)	(11,012)	44,914	(27,495)	(10,772)	(10,208)
Income tax benefit (expense)	11,243	7,646	(406)	(29,199)	10,165	4,064	3,931
Income (loss) from continuing operations	(21,569)	(14,564)	(11,418)	15,715	(17,330)	(6,708)	(6,277)
Income (loss) from discontinued operations	(2,741)	(2,061)	(4,359)	(881)	(28,085)	(1,646)	(22,028)
Income (loss) before extraordinary item	(24,310)	(16,625)	(15,777)	14,834	(45,415)	(8,354)	(28,305)
Extraordinary item(f)	—	—	(12,510)	942	—	—	—
Net income (loss)	(24,310)	(16,625)	(28,287)	15,776	(45,415)	(8,354)	(28,305)
Preferred stock dividends and accretion	(19,037)	(30,855)	(18,987)	(23,933)	(31,186)	(7,480)	(7,849)
Net (loss) applicable to common stock	$ (43,347)	$ (47,480)	$ (47,274)	$ (8,157)	$ (76,601)	$ (15,834)	$ (36,154)
Basic and diluted (loss) per common share(g):							
(Loss) from continuing operations	$ (5.78)	$ (6.14)	$ (4.11)	$ (1.11)	$ (6.56)	$ (1.92)	$ (1.91)
(Loss) from discontinued operations	(0.39)	(0.28)	(0.59)	(0.12)	(3.79)	(0.22)	(2.98)
Extraordinary item	—	—	(1.69)	0.13	—	—	—
(Loss) per common share	$ (6.17)	$ (6.42)	$ (6.39)	$ (1.10)	$ (10.35)	$ (2.14)	$ (4.89)

Weighted-average common shares outstanding	7,030,000	7,400,000	7,400,000	7,400,000	7,400,000	7,400,000	7,400,000

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	Year Ended December 31,					Three Months Ended March 31,	
	1997(a)	1998(a)	1999(b)	2000(b)	2001	2001	2002
	(Dollars in thousands, except share and per share data)						
Other Financial Data							
Broadcast cash flow(h)	$ 35,678	$ 42,333	$ 44,681	$ 53,220	$ 43,934	$ 6,939	$ 9,036
Broadcast cash flow margin(i)	42.3%	44.8%	44.9%	45.6%	40.8%	29.4%	35.3%
Operating cash flow(j)	$ 31,891	$ 37,690	$ 40,171	$ 47,630	37,988	$ 5,275	$ 7,493
Operating cash flow margin(k)	37.8%	39.9%	40.4%	40.8%	35.3%	22.4%	29.3%
Cash flow provided by (used in):							
Operating activities	$ 8,471	$ 20,016	$ 19,302	$ 26,209	$ 15,244	$ 5,401	$ 6,466
Investing activities	(6,282)	(6,582)	(28,291)	(11,259)	(10,835)	(1,973)	(1,659)
Financing activities	(7,632)	(11,791)	7,976	(14,245)	(4,889)	(5,016)	(945)
Capital expenditures	10,833	10,147	12,784	12,157	13,690	2,637	1,720
Balance Sheet Data (end of period):							
Cash and cash equivalents	$ 2,648	$ 4,291	$ 3,278	$ 3,983	$ 3,503	$ 2,395	$ 7,365
Total assets	468,495	447,462	457,776	508,262	468,237	494,018	428,439
Total intangible assets, net	345,588	335,634	335,348	381,914	346,352(m)	379,210	311,402(m)
Long-term debt(l)	370,917	374,816	427,579	432,942	437,372	433,398	435,928
Redeemable preferred stock	124,556	162,644	181,631	205,564	236,750	213,045	244,559
Stockholders' (deficit)	(94,908)	(147,263)	(197,494)	(205,731)	(282,490)	(221,723)	(318,599)

(a) The selected consolidated financial data of Stations for the years ended December 31, 1997 and 1998 have been derived from Stations' audited consolidated financial statements included elsewhere in this prospectus with reclassification to reflect the application of Statement of Financial Accounting Standards No. 144.

(b) In January 1999, Stations entered into a time brokerage agreement in anticipation of the station exchange of KKTV, Colorado Springs-Pueblo, Colorado and KCOY-TV, Santa Maria, California. The statement of operations and other data for the year ended December 31, 1999 includes information with respect to the time brokerage agreement. In March 2000, Stations exchanged WWLP-TV, its station in Springfield, Massachusetts, and $18.0 million for KAKE-TV, Wichita, Kansas and WOWT-TV, Omaha, Nebraska. The statement of operations does not reflect the exchange prior to March 2000.

(c) Net revenues reflect deductions from gross revenues for agency and national sales representative commissions.

(d) Net gain on sale of stations for 1999 includes $13.3 million as a result of the 1999 station exchange netted against a $6.9 million loss on the sale of KOSA-TV, Odessa, Texas. In 2000, net gain on sale of stations includes a $61.1 million gain on the exchange of WWLP-TV, Springfield, Massachusetts, for KAKE-TV, Wichita, Kansas and WOWT-TV, Omaha, Nebraska, and a $0.3 million gain on the sale of KOSA-TV, Odessa, Texas.

(e) Cash interest expense, net, includes cash interest paid and normal adjustments to accrued interest. Other interest expense includes accrued interest added to long-term debt balances, deferred loan cost amortization and write- offs, except deferred loan cost write-offs related to extraordinary debt extinguishments, financing costs not consummated, and accretion of discounts.

(f) In 1999, Stations recorded an extraordinary loss of $12.5 million net of applicable taxes of $8.3 million as a result of the early extinguishment of debt associated with the completion of the tender offer for $135.0 million of outstanding senior secured notes. In 2000, Stations redeemed a portion of its 13 1/4% senior subordinated discount notes with an aggregate face value of $12.3 million. The discount notes had an accreted value of $11.4 million and were purchased for $9.8 million. A total of $0.9 million, net of taxes, was recorded as a gain on the early extinguishment of debt.

(g) Earnings (loss) per common share is computed by dividing income (loss) after the deduction of preferred dividends and accretion of the redemption prepayment premium and amortization of our initial warrants, by the weighted average number of common shares outstanding. The effect of the stock options and initial warrants has not been reflected in the computation since their inclusion as common stock equivalents for both basic and fully-diluted earnings (loss) per share was anti-dilutive.

(h) Broadcast cash flow is defined as operating income before financial income as derived from the consolidated statements of operations plus depreciation and amortization, amortization of program broadcast rights, corporate expenses and noncash compensation less payments on program broadcast liabilities and net gain on sale of stations. Broadcast cash flow data is included in this prospectus because the information is a measurement:

(1) used by lenders to measure a borrower's ability to service its debt and pay for capital expenditures;

(2) used by industry analysts to determine a market value of television stations; and

(3) used by industry analysts when evaluating and comparing operating performance of different companies.

Broadcast cash flow does not purport to represent cash provided by operating activities as reflected in Stations' consolidated financial statements, is not a measure 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. Broadcast cash flow is also not reflected in Stations' consolidated statements of cash flows; but it is a common and meaningful measure for comparison to other companies in the broadcast industry. The amounts excluded from broadcast cash flow are significant components in understanding and assessing Stations' results of operations and cash flows. The term "broadcast cash flow" may not be the same terminology utilized by other companies in the presentation of similar information.

(i) Broadcast cash flow margin is defined as broadcast cash flow divided by net revenues.

(j) Operating cash flow is defined as operating income before financial income as derived from the consolidated statements of operations plus depreciation and amortization, amortization of program broadcast rights and noncash compensation less payments on program broadcast liabilities and net gain on sale of stations. Operating cash flow data is included in this prospectus because the information is a measurement:

(1) used by lenders to measure a borrower's ability to service its debt and pay for capital expenditures;

(2) used by industry analysts to determine a market value of television stations; and

(3) used by industry analysts when evaluating and comparing operating performance of different companies.

Operating cash flow does not purport to represent cash provided by operating activities as reflected in Stations' consolidated financial statements, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with generally accepted accounting principles. Operating cash flow is also not reflected in Stations' consolidated statements of cash flows; but it is a common and meaningful measure for comparison to other companies in the broadcast industry. The amounts excluded from operating cash flow are significant components in understanding and assessing Stations' results of operations and cash flows. The term "Operating cash flow" may not be the same terminology utilized by other companies in the presentation of similar information.

(k) Operating cash flow margin is defined as operating cash flow divided by net revenues.

(l) Long-term debt is defined as notes payable, including the current portion thereof, net of discount. At March 31, 2002, long-term debt includes the balance of Stations' credit facility of $276.0 million and the discount notes of $154.7 million, which are classified as "Liabilities subject to compromise" on the March 31, 2002 balance sheet.

(m) Intangible assets at December 31, 2001 and March 31, 2002 include balances of $15.5 million and $20.2 million, respectively, which are classified as "Assets of Stations held for sale" on the respective balance sheets.

STATIONS MANAGEMENT’S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

On April 1, 2002, Stations signed a letter of intent with Gray and subsequently executed a merger agreement on June 4, 2002 whereby Stations will become a wholly-owned subsidiary of Gray. Gray will pay an estimated $502.5 million in cash consideration in connection with the merger and the transaction is expected to close during the fourth quarter of 2002.

Pursuant to the letter of intent with Gray, Stations agreed to sell all of the television broadcasting assets of eight television stations (the “Station Group”) to a third party prior to its merger with Gray. On June 4, 2002, Stations signed an agreement with Chelsey Broadcasting, LLC to sell the Station Group for $30.0 million.

On November 16, 2001, Stations entered into an Asset Purchase agreement with West Virginia Media Holdings, LLC (“West Virginia Media”) pursuant to which, on April 30, 2002, Stations sold the television broadcast assets of WTRF-TV, in Wheeling, West Virginia for $18.5 million.

Stations elected to early adopt Statement of Financial Accounting Standards No. 144 (“SFAS No. 144”) “Accounting for the Impairment or Disposal of Long-Lived Assets” for its 2001 financial statements. As a result of the adoption of SFAS No. 144, the Station Group and WTRF-TV have been classified as assets held for sale at March 31, 2002 and accordingly the carrying value of the assets were adjusted to their fair value and the operations of these portions of Stations have been reported in discontinued operations.

Stations’ revenues are derived primarily from the sale of advertising time and, to a modest extent, from compensation paid by the networks for broadcasting network programming and barter transactions for goods and services. Revenues depend on Stations’ ability to provide programming that attracts audiences in the demographic groups targeted by advertisers. Stations’ revenues also depend significantly on factors such as the national and local economy and the level of local competition.

In March 2000, Stations restructured the organization of its local sales departments to place a greater emphasis on local and regional advertising sales. Stations shifted certain local advertising accounts to national representatives to better reflect the actual source of revenues. As a result of the restructuring and its new philosophy, year-to-year comparisons of trends in Stations’ local/regional and national sales for the years 2000 and 2001 will be difficult for you to make.

On March 31, 2000, Stations completed a transaction with WGRC, Inc., whereby it exchanged the television station assets of WWLP-TV, in Springfield, Massachusetts formerly owned by it plus $18.0 million for the television station assets of KAKE-TV, in Wichita, Kansas, together with its two satellite stations, and WOWT-TV in Omaha, Nebraska. The acquired stations were owned by The Chronicle Publishing Company and were acquired in a like-kind exchange transaction through WGRC, Inc. The transaction was recorded under the purchase method of accounting.

On March 21, 2000, Stations sold the television broadcast assets of KOSA-TV, in Odessa, Texas to ICA Broadcasting I, Ltd. for a cash payment of $8.0 million. Stations recorded a lower of cost or market adjustment of approximately $6.9 million in 1999 to write down the assets of KOSA-TV to the sales price less estimated selling costs. The exchange of WWLP-TV and the sale of KOSA-TV resulted in a gain on sale of stations before taxes of $61.4 million in 2000.

During October 1998, stations transferred WMTV-TV, its station in Madison, Wisconsin to The WMTV Trust due to the Grade A broadcast signal overlap between WMTV-TV and WIFR-TV, Stations’ station in Rockford, Illinois. Under the trust arrangement, Stations relinquished control of WMTV-TV to a trustee while retaining the economic risks and benefits of ownership. On August 5, 1999, the FCC approved new duopoly rules that enabled Stations to own both WMTV-TV and WIFR-TV. As a result of the new rules, The WMTV Trust was dissolved on February 29, 2000 and all assets and liabilities were transferred to Stations.

Local and national non-political advertising sales constitute the largest concentration of Stations' revenues and represent approximately 90% of gross revenues in 2001 compared to approximately 82% in 2000. Excluding political advertising revenues from our gross revenues, the percentage of gross revenues attributable to Stations' local/regional advertising and national advertising in 1999, 2000 and 2001 was approximately 90%, 91% and 91%, respectively. Approximately 60% of Stations' gross revenues in 2001 were generated from local and regional advertising, which is sold primarily by each station's sales staffs. The remainder of Stations' advertising revenues is comprised primarily of national advertising, which is sold by national sales representatives retained by Stations. Stations generally pay commissions to advertising agencies on local, regional and national advertising and to national sales representatives on national advertising. Net revenues reflect deductions from gross revenues for commissions payable to advertising agencies and national sales representatives.

Stations' primary operating expenses are employee compensation, programming expense, and depreciation and amortization. Changes in compensation expense result primarily from adjustments to fixed salaries based on employee performance and, to a lesser extent, from changes in sales commissions paid based on levels of advertising revenues. Programming expense consists primarily of amortization of program rights. Stations purchases first run and off-network syndicated programming on an ongoing basis. Under Stations' contracts with the networks, a network affiliated station receives more than half of its daily programming from its network and in turn is compensated, in most cases, by the network for carrying such programming with the network's commercial content intact. Barter expense generally offsets barter revenues and reflects the fair market value of goods and services received. Stations' operating expenses, excluding depreciation and amortization, represent approximately 65% of net revenues from continuing operations for 2001 compared to 60% of net revenues in both 2000 and 1999.

Results of Operations

The following table sets forth certain of Stations' historical results of operations and operating data for the periods indicated in order to reconcile its broadcast cash flow and operating cash flow.

	Years Ended December 31,			Three Months Ended March 31,	
	1999	2000	2001	2001	2002
			(Dollars in thousands)		
Operating income (loss)	$28,729	$ 88,857	$15,707	$ (109)	$ 1,475
Add:					
Amortization of program broadcast rights	4,740	5,907	6,341	1,566	1,543
Depreciation and amortization	17,442	19,711	21,901	5,368	6,309
Corporate expenses	4,510	5,590	5,946	1,664	1,543
Less:					
Payments on program broadcast liabilities	(4,337)	(5,439)	(5,961)	(1,550)	(1,833)
Gain on sale of stations, net	(6,403)	(61,406)	—	—	—
Broadcast cash flow	$44,681	$ 53,220	$43,934	$ 6,939	$ 9,036
Less corporate expenses	$ 4,510	$ 5,590	$ 5,946	$ 1,664	$ 1,543
Operating cash flow	$40,171	$ 47,630	$37,988	$ 5,275	$ 7,493

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

The following table provides historical information for the three months ended March 31, 2001 and 2002.

	Three Months Ended March 31,		
	2001	2002	% Change
		(Dollars in thousands)	
Local/regional	$15,894	$18,160	14.3%
National	8,440	8,407	
Political	302	529	75.2
Other	2,606	2,425	(6.9)
	27,242	29,521	8.4
Direct costs	3,655	3,937	7.7
Net revenues	$23,587	$25,584	8.5%
Operating expenses:			
Selling, technical and program expenses	12,526	12,191	(2.7)
General and administrative	4,138	4,067	(1.7)
Depreciation and amortization	5,368	6,309	17.5
Corporate	1,664	1,543	(7.3)
	23,696	24,110	1.7
Operating income (loss)	$ (109)	$ 1,474	N/A
Broadcast cash flow	$ 6,939	$ 9,036	30.2%
Broadcast cash flow margin	29.4%	35.3%	
Operating cash flow	$ 5,275	$ 7,493	42.0%
Operating cash flow margin	22.4%	29.3%	

Net revenues. Stations had net revenues from continuing operations in the first quarter of 2002 of $25.6 million compared to $23.6 million for the same period in 2001. The increase in net revenues was $2.0 million or 8.5%. The improvement in net revenues from continuing operations in 2002 is a result of political advertising revenues, the winter Olympics on Stations' four NBC affiliated stations and a significant increase in local advertising revenues due to the successful efforts toward increasing this portion of Stations' advertising base. National advertising revenues in the first quarter of 2002 remained constant at $8.4 million as compared to the same period in 2001. Local/ regional revenues increased and were $18.2 million in the three months ended March 31, 2002 compared to $15.9 million for the same period in 2001, an increase of $2.3 million or 14.3%. Political advertising revenues were $0.5 million in the first quarter of 2002 as compared to $0.3 million in the same period in 2001.

Operating expenses. Stations had operating expenses in the first quarter of 2002 of $24.1 million, an increase of $0.4 million or 1.7% compared to $23.7 million in the same period in 2001. Depreciation and amortization increased by $0.9 million or 17.5% to $6.3 million as compared to $5.4 million in the same period in 2001 due to the shorter amortization period used for network affiliation intangible assets as a result of the adoption of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142) on January 1, 2002. The effect of the shorter amortization period used for network affiliation intangible assets more than offset the effect caused by the discontinuance of amortization on Stations' intangibles related to its FCC licenses and goodwill. Amortization was discontinued on FCC intangible assets and goodwill in the first quarter of 2002 due to the requirement of SFAS No. 142 that specifies that intangible assets with indefinite useful lives are no longer subject to amortization.

Operating income (loss). Stations' operating income for the first quarter of 2002 increased by $1.6 million to $1.5 million from an operating loss of $(0.1) million for the same period in 2001.

Financial income (expense). Stations' financial expense for the first quarter of 2002 was relatively constant with the first quarter of 2001 and was $10.8 million as compared to $10.7 million for the three months ended March 31, 2001.

Reorganization items. Stations had reorganization items of $1.0 million in the first quarter of 2002 which consisted primarily of professional fees associated with its Chapter 11 bankruptcy filing on March 22, 2002.

Income tax benefit (expense). Stations' income tax benefit in the first quarter of 2002 was $3.9 million compared to $4.1 million for the first quarter of 2001, a decrease of $0.2 million or 3.3%. Stations' effective tax rate for the first quarter 2002 was 38.5% as compared to 37.7% in the first quarter 2001.

Loss from continuing operations. Stations' loss from continuing operations was $(6.3) million for the first quarter of 2002 compared to $(6.7) million for the corresponding period in 2001.

Discontinued operations. Stations' loss from operations of discontinued stations was $(22.0) million for the first quarter 2002 as compared to $(1.6) million for the comparable period in 2001. Before income taxes, the loss on the operations of discontinued stations was $(33.5) million for the first quarter of 2002 as compared to $(2.4) million in the first quarter of 2001. Included in the first quarter 2002 was a $31.3 million writedown to the expected sales price of the assets of the Station Group.

Broadcast cash flow. Broadcast cash flow for the first quarter of 2002 increased $2.1 million or 30.2% to $9.0 million from $6.9 million for the first quarter of 2001. As a percentage of net revenues, broadcast cash flow margin increased to 35.3% for the first quarter of 2002 from 29.4% for the first quarter of 2001.

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

The following table provides historical information for the year ended December 31, 2000 and 2001.

	Year Ended December 31,		
	2000	2001	% Change
	(Dollars in thousands)		
Local/regional	$ 70,732	$ 73,501	3.9%
National	41,153	37,624	(8.6)
Political	13,238	1,367	(89.7)
Other	10,935	10,557	(3.5)
	136,058	123,049	(9.6)
Direct costs	19,371	15,488	(20.0)
Net revenues	$116,687	$107,561	(7.8)%
Operating expenses:			
Selling technical and program expenses	48,078	48,696	1.3
General and administrative	15,857	15,311	(3.4)
Depreciation and amortization	19,711	21,901	11.1
Corporate	5,590	5,946	6.4
	89,236	91,854	2.9
Gain on sale of stations, net	61,406	—	(100.0)
Operating income	$ 88,857	$ 15,707	(82.3)%
Broadcast cash flow	$ 53,220	$ 43,934	(17.4)%
Broadcast cash flow margin	45.6%	40.8%	
Operating cash flow	$ 47,630	$ 37,988	(20.2)%
Operating cash flow margin	40.8%	35.3%	

Net revenues. Stations' net revenues in 2001 decreased by $9.1 million or 7.8% to $107.6 million from $116.7 million in 2000. Stations' net revenues were negatively impacted by the absence of political revenues in 2001 which were $1.4 million as compared to $13.2 million in 2000. Excluding political advertising revenues and before direct costs, Stations' gross revenues decreased by $1.1 million or 0.9% to $121.7 million for 2001 from $122.8 million for 2000 due to a protracted softening of the advertising market and the negative effects on the advertising market and the economy in general as a result of the attacks of September 11, 2001.

Operating expenses. Stations' operating expenses in 2001 increased by $2.7 million or 2.9% to $91.9 million from $89.2 million in 2000. The increase in operating expenses was caused by the change in the mix of stations owned by Stations, with the March 2000 addition of KAKE-TV and WOWT-TV and the disposition of WWLP-TV and KOSA-TV. The effect of the change of stations was greatest on depreciation and amortization expenses which increased $2.2 million or 11.1% to $21.9 million for 2001 as compared to $19.7 million for 2000. As a percentage of net revenues, operating expenses increased to 85.4% for 2001 compared to 76.5% for 2000.

Gain on sale of stations, net. In 2000, Stations recognized a gain of $61.1 million as a result of the exchange of the assets of WWLP-TV with a fair market value of $123.0 million and $18.0 million in cash for the assets of KAKE-TV and WOWT-TV. Stations also realized a $0.3 million gain on the sale of KOSA-TV in 2000. KOSA-TV was sold for $8.0 million.

Operating income. Stations' operating income for 2001 decreased $73.2 million or 82.3% to $15.7 million from $88.9 million for 2000. The change in operating income was primarily caused by the gain on sale of stations in March 2000 and increased depreciation and amortization expense.

Financial income (expense). Stations' financial expense for 2001 decreased $0.7 million or 1.7% to $43.2 million from $43.9 million in 2000 as a result of declining interest rates.

Income tax benefit (expense). Stations' income tax benefit in 2001 was $10.2 million compared to an income tax expense of $29.2 million for 2000. The decrease in income tax expense in 2001 from 2000 was primarily due to the tax effect of the sale of WWLP-TV and KOSA-TV in March 2000. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the Internal Revenue Service like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes.

Discontinued operations. Stations' loss from discontinued operations was $(28.1) million in 2001 as compared to $(0.9) million in 2000. Before income taxes, Stations' loss from discontinued operations was $(29.8) million in 2001 as compared to $(0.2) million in 2000. Discontinued operations consist of the operating results and valuation adjustments related to WTRF-TV and the Station Group. Included in discontinued operations for 2001 was a write-down to fair value on the sale of WTRF-TV of $6.9 million as well as $17.7 million of valuation adjustments on certain other stations' goodwill and network affiliation intangible assets that were determined to have been impaired based on estimated discounted future cash flows. During 2002, these certain stations were held for sale and the valuation adjustments have been reclassified to discontinued operations consistent with the restatement provisions of SFAS No. 144.

Net income (loss). Stations had a net loss of $(45.4) million for 2001 as compared to net income of $15.8 million for 2000.

Broadcast cash flow. Broadcast cash flow for 2001 decreased $9.3 million or 17.4% to $43.9 million from $53.2 million for 2000. As a percentage of net revenues, broadcast cash flow margin decreased to 40.8% for 2001 from 45.6% for 2000.

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

The following table provides historical information for the year ended December 31, 1999 and 2000.

	Year Ended December 31,		
	1999	2000	% Change
	(Dollars in thousands)		
Local/regional	$ 66,146	$ 70,732	6.9%
National	35,535	41,153	15.8
Political	1,329	13,238	96.1
Other	11,756	10,935	(7.0)
	114,766	136,058	18.6
Direct costs	15,334	19,371	26.3
Net revenues	99,432	116,687	17.4%
Operating expenses:			
Selling, technical and program expenses	40,247	48,078	19.5
General and administrative	14,907	15,857	6.4
Depreciation and amortization	17,442	19,711	13.0
Corporate	4,510	5,590	23.9
	77,106	89,236	15.7
Gain on sale of stations, net	6,403	61,406	859.0
Operating income	$ 28,729	$ 88,857	209.3%
Broadcast cash flow	$ 44,681	53,220	19.1%
Broadcast cash flow margin	44.9%	45.6%	
Operating cash flow	$ 40,171	$ 47,630	18.6%
Operating cash flow margin	40.4%	40.8%	

Net revenues. Stations’ net revenues in 2000 increased by $17.3 million or 17.4% to $116.7 million from $99.4 million in 1999. Stations’ net revenues were positively impacted by political revenues in 2000 which were $13.2 million compared to $1.3 million in 1999. Excluding political advertising revenues and before direct costs, Stations’ gross revenues increased by $9.4 million or 8.3% to $122.8 million for 2000 from $113.4 million for 1999 due to the exchange of WWLP for KAKE-TV and WOWT-TV which was offset in part by a softening advertising market and the displacement of commercial advertisers by political advertisers.

Operating expenses. Stations’ operating expenses in 2000 increased by $12.1 million or 15.7% to $89.2 million from $77.1 million in 1999. The increase in operating expenses was caused by the change in the mix of stations owned by Stations, with the March 2000 addition of KAKE-TV and WOWT-TV and the disposition of WWLP-TV and KOSA-TV. As a percentage of net revenues, operating expenses decreased to 76.5% for 2000 compared to 77.6% for 1999.

Gain on sale of stations, net. Stations recognized a gain of $61.1 million in 2000 as a result of the exchange of the assets of WWLP-TV with a fair market value of $123.0 million and $18.0 million in cash for the assets of KAKE-TV and WOWT-TV. The book value of the WWLP-TV assets was $61.4 million and related fees were $0.4 million. Stations also realized a $0.3 million gain on the sale of KOSA-TV in 2000. KOSA-TV was sold for $8.0 million and fees related to the sale were $0.1 million.

Operating income. Stations’ operating income for 2000 increased $60.2 million or 209.3% to $88.9 million from $28.7 million for 1999 primarily from the gain on the sale of stations.

Financial income (expense). Stations' financial expense, net, for 2000 increased $4.2 million or 10.6% to $43.9 million from $39.7 million in 1999 as a result of higher interest rates and to a lesser extent to greater accretion on the 13 1/4% senior subordinated discount notes.

Discontinued operations. Stations' loss from discontinued operations was $(0.9) million in 2000 as compared to $(4.4) million in 1999. Before income taxes, Stations' loss from discontinued operations was $(0.2) million in 2000 as compared to $(6.1) million in 1999. Discontinued operations consist of the operating results and valuation adjustments related to the Station Group. Included in discontinued operations for 1999 was $2.8 million of valuation adjustments on certain stations' goodwill and network affiliation intangible assets that were determined to have been impaired based on estimated discounted future cash flows. During 2002, these certain stations were held for sale and the valuation adjustments have been reclassified to discontinued operations consistent with SFAS No. 144.

Income tax expense. Stations' income tax expense in 2000 was $29.2 million compared to $0.4 million for 1999. The increase in income tax expense in 2000 was due in part to the $61.1 million gain on the sale of WWLP-TV. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the IRS like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes compared with the book gain of $61.1 million.

Extraordinary gain (loss). Extraordinary gain was $0.9 million for 2000, net of $0.6 million in income taxes and consisted of an early extinguishment of debt. The gain was recognized when Stations purchased its 13 1/4% senior subordinated discount notes with a face amount of $12.3 million for $9.8 million. The notes Stations purchased had an accreted value of $11.4 million. In 1999, Stations recorded an extraordinary loss of $(12.5) million, net of $8.3 million in income taxes. The loss was a result of the early extinguishment of debt associated with the completion of the tender offer for $135.0 million of Benedek's senior secured notes.

Net income (loss). Stations' net income was $15.8 million for 2000 compared to a net loss of $(28.3) million for 1999.

Broadcast cash flow. Broadcast cash flow for 2000 increased $8.5 million or 19.1% to $53.2 million from $44.7 million for 1999. As a percentage of net revenues, broadcast cash flow margin increased to 45.6% for 2000 from 44.9% for 1999.

Income Taxes

For the year ended December 31, 2001, Stations had an income tax benefit of $10.2 million compared to an income tax expense of $29.2 million for the year ended December 31, 2000. The change in income taxes is due primarily to the $61.1 million gain on the sale of WWLP-TV in 2000. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the Internal Revenue Service like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes. At March 31, 2002, Stations has approximately $35.7 million of actual net operating loss carryforwards available to offset future tax liabilities. These net operating loss carryforwards expire in the years 2020 through 2023. Stations also has approximately $0.5 million of tax credit carryforwards with no expiration.

Seasonality

Stations net revenues and operating cash flow are generally highest during the fourth quarter of each year. This is primarily due to increased expenditures by advertisers in anticipation of holiday season consumer spending and an increase in viewership during this period. Generally, the second quarter of each year produces net revenues and operating cash flow greater than the first and third quarters due to higher viewership in this period.

Quantitative and Qualitative Disclosures About Market Risk

During September 2001, in accordance with certain covenants of Benedek's credit facility, Benedek entered into an interest rate cap agreement, which matures in September 2003. The agreement reduces the impact of changes in interest rates on Benedek's floating-rate long-term debt. That agreement effectively entitles Benedek to receive from a financial institution the amount, if any, by which the British Bankers' Association interest settlement rates for U.S. dollar deposits exceeds 6.00% on a notional amount totaling $60.0 million subject to an amortization schedule. As of March 31, 2002, the settlement rate was 1.90%.

UNAUDITED PRO FORMA FINANCIAL DATA

The unaudited pro forma financial data presented below is for illustrative purposes only and is not necessarily indicative of the operating results that would have actually occurred, nor is it necessarily indicative of future operating results. The unaudited pro forma financial data should be read in conjunction with the Gray consolidated financial statements and notes thereto incorporated by reference into this prospectus, and in conjunction with Stations' consolidated financial statements and notes thereto included elsewhere in this prospectus.

Stations' historical consolidated financial statements reflect the nine 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 $513.4 million which includes a base price of $502.5 million, additional cash consideration of $4.9 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 included (1) revising or replacing our senior credit facility to provide additional revolving credit borrowing ability of $50 million, and additional term loan borrowings of $175 million, (2) the issuance of $100 million of senior subordinated notes and (3) the sale of $225 million of our class B common stock for an estimated $14.49 per share, the closing price at March 31, 2002.

- The incurrence of an estimated $22.8 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 $7.8 million and (2) the sale of additional shares our class B common stock for a fee of $15.0 million. The estimated fees and expenses have been paid or will be 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 a Series C preferred stock with an 8% annual dividend rate. The Series C preferred stock has a mandatory redemption in April 2012 and is exchangeable into our class B common stock at a current conversion rate of $14.39 per share. We received net cash proceeds of approximately $30.6 million after paying fees and expenses of $767,000. $8.6 million liquidation value of the Series C preferred stock was used to exchange our existing series A and series B preferred stock with an aggregate liquidation value of $8.6 million into the Series C preferred stock using a one for one exchange ratio.

The unaudited pro forma combined condensed statement of operations for the three months ended March 31, 2002 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 reflect these transactions as if they had been completed on January 1, 2001. The March 31, 2002 unaudited pro forma combined condensed balance sheet reflects these transactions as if they had been completed on March 31, 2002.

The pro forma adjustments are based on the preliminary estimates of the number of shares of our class B 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 date, and the transaction costs all determined as of the closing date. Accordingly, the actual amounts of these transactions are expected to differ from the pro forma financial statements.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2002

	Gray	Stations	Pro Forma Adjustments	Pro Forma
	(Dollars in thousands except per share data)			
Operating revenues:				
Broadcasting (net of agency commissions)	$25,453	$ 25,584	$ —	$51,037
Publishing	10,143	—	—	10,143
Paging	2,009	—	—	2,009
	37,605	25,584	—	63,189
Expenses:				
Broadcasting	15,481	16,258	—	31,739
Publishing	7,651	—	—	7,651
Paging	1,383	—	—	1,383
Corporate and administrative	1,000	1,543	(536)(a)	2,007
Depreciation and amortization	3,733	6,309	(3,864)(b)	6,178
	29,248	24,110	(4,400)	48,958
Operating income	8,357	1,474	4,400	14,231
Other (income) expense:				
Interest expense	8,965	10,783	(5,915)(c)(d)	13,833
Miscellaneous income, net	(38)	(32)	—	(70)
Appreciation (depreciation) in value of derivatives, net	(389)	—	—	(389)
Reorganization fees and expenses	—	931	(931)(a)	—
Total other (income) expense, net	8,538	11,682	(6,846)	13,374
Income (loss) from continuing operations before provision for (benefit from) income taxes	(181)	(10,208)	11,246	857
Provision for (benefit from) income taxes	(46)	(3,931)	4,273(e)	296
Income (loss) from continuing operations	$ (135)	$ (6,277)	$ 6,973	$ 561
Preferred dividends	$ 154	$ 7,849	$ (7,203)(f)(g)	$ 800
Basic and diluted earnings per common share:				
Loss from continuing operations	$ (289)			$ (239)
Weighted average outstanding common shares:				
Basic and diluted	15,647			31,175(h)
Basic and diluted loss per share available to common stockholders from continuing operations	$ (0.02)			$ (0.01)

(a) Reflects the elimination of certain historical expenses of Stations that Gray will not, or does 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 Gray among the assets acquired and the liabilities assumed. The adjustment is primarily the result of eliminating Stations' amortization of amounts assigned to network affiliation agreements. Of our consideration estimated to be paid, $7.6 million was assigned to network affiliation agreements, thereby increasing the amount of indefinite lived intangible assets which are not amortized.

(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 $2.4 million on the estimated $175.5 million of newly issued senior debt with an assumed effective interest rate of 5.55%, (2) interest charges of $2.3 million on the estimated $100 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of $0.2 million of the estimated $7.8 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 $0.2 million of historical amortization expense for deferred financing charges associated with our prior senior credit facility.

(e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.

(f) Preferred dividends have been adjusted to reflect our issuance of $40.0 million liquidation value Series C preferred stock with an annual dividend rate of 8% and the application of the $30.6 million net cash proceeds toward our merger consideration, thereby reducing our senior debt borrowing requirements and related interest expense and the exchange of an aggregate of $8.6 million liquidation value of our existing series A and series B preferred stock into the Series C preferred stock.

(g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.

(h) Reflects our issuance of an additional 15,527,950 shares of our class B common stock at an assumed price of $14.49 per share, the closing price at March 31, 2002.

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UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2001

	Gray	Stations	Pro Forma Adjustments	Pro Forma
		(Dollars in thousands except per share data)		
Operating revenues:				
Broadcasting (less agency commissions)	$106,430	$107,561	$ —	$213,991
Publishing	41,189	—	—	41,189
Paging	8,724	—	—	8,724
	156,343	107,561	—	263,904
Expenses:				
Broadcasting	66,232	64,007	—	130,239
Publishing	31,915	—	—	31,915
Paging	5,877	—	—	5,877
Corporate and administrative	3,615	5,946	(2,284)(a)	7,277
Depreciation and Amortization	30,824	21,901	(12,120)(b)	40,605
	138,463	91,854	(14,404)	215,913
Operating income	17,880	15,707	14,404	47,991
Other (income) expense:				
Interest expense	35,783	43,361	(24,031)(c)(d)	55,113
Depreciation in value of derivatives, net	1,581	—	—	1,581
Miscellaneous income, net	(194)	(159)	—	(353)
Total other (income) expense, net	37,170	43,202	(24,031)	56,341
Income (loss) from continuing operations before provision for (benefit from) income taxes	(19,290)	(27,495)	38,435	(8,350)
Provision for (benefit from) income taxes	(5,972)	(10,165)	14,605(e)	(1,532)
Income (loss) from continuing operations	$ (13,318)	$ (17,330)	$ 23,830	$ (6,818)
Preferred dividends	$ 616	$ 31,186	$(28,602)(f)(g)	$ 3,200
Basic and diluted earnings per common share:				
Loss from continuing operations	$ (13,934)			$ (10,018)
Weighted average outstanding common shares:				
Basic and diluted	15,605			31,133(h)
Basic and diluted net loss per share available to common stockholders from continuing operations	$ (0.89)			$ (0.32)

(a) Reflects the elimination of certain historical expenses of Stations that Gray will not, or does 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 Gray 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.

(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 $9.7 million on the estimated $175.5 million of newly issued senior debt with an assumed effective interest rate of 5.55%, (2) interest charges of $9.2 million on the estimated $100 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of $0.9 million of the estimated $7.8 million of deferred financing charges incurred with the revised or newly issued senior credit facility with an estimated average life to maturity of 8.25 years and the offering of the senior subordinated notes with an estimated average life to maturity of 9.2 years and (4) the elimination of $0.9 million of the historical amortization expense for deferred financing charges associated with our prior senior credit facility.

(e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.

(f) Preferred dividends have been adjusted to reflect our issuance of $40.0 million liquidation value Series C preferred stock with an annual dividend rate of 8% and the application of the $30.6 million net cash proceeds toward our merger consideration, thereby reducing our senior debt borrowing requirements and related interest expense and the exchange of an aggregate of $8.6 million liquidation value of our existing series A and series B preferred stock into the Series C preferred stock.

(g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.

(h) Reflects our issuance of an additional 15,527,950 shares of our class B common stock at an assumed price of $14.49 per share, the closing price at March 31, 2002.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

AS OF MARCH 31, 2002

	Gray	Stations	Pro Forma Adjustments	Pro Forma
		(Dollars in thousands)		
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,165	$ 7,365	$ (5,000)(a)	$ 5,530
Trade accounts receivable, less allowance for doubtful accounts	24,927	21,092	(1,702)(b)	44,317
Recoverable income taxes	987	—	—	987
Inventories	970	—	—	970
Current portion of program broadcast rights, net	2,565	2,947	—	5,512
Other current assets	992	3,009	—	4,001
Assets of stations held for sale	—	47,841	(47,841)(c)	—
Total current assets	33,606	82,254	(54,543)	61,317
Property and equipment, net	61,372	49,967	—	111,339
Deferred loan costs, net	11,334	3,714	(2,026)(b)(d)	13,022
FCC licenses and network affiliation agreements	403,794	213,123	234,491 (b)	851,408
Goodwill	53,151	78,099	2,652 (b)	133,902
Consulting, noncompete and other definite lived intangible assets	795	—	3,000 (b)	3,795
Other	14,549	1,282	—	15,831
Total assets	$578,601	$ 428,439	$ 183,574	$1,190,614
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Trade accounts payable and accrued expenses	$ 11,641	$ 9,935	$ —	$ 21,576
Accrued interest	7,670	—	—	7,670
Current portion of program broadcast obligations	2,393	4,819	—	7,212
Deferred revenue	3,278	276	—	3,554
Unrealized loss on derivatives	1,192	—	—	1,192
Current portion of long-term debt	456	2,283	—	2,739
Liabilities of stations held for sale	—	8,967	(8,967)(c)	—
Total current liabilities	26,630	26,280	(8,967)	43,943
Long-term debt, less current portion	390,992	2,975	275,471 (d)	669,438
Program broadcast obligations, less current portion	576	1,121	—	1,697
Supplemental employee benefits	472	—	—	472
Deferred income taxes	54,358	23,326	54,370 (b)(d)	132,054
Other	1,695	562	—	2,257
Liabilities subject to compromise	—	448,175	(448,175)(e)	—
Total liabilities	474,723	502,439	(127,301)	849,861
Senior exchangeable preferred stock	—	162,163	(162,163)(f)	—
Seller junior discount preferred stock	—	82,436	(82,436)(f)	—
Series C preferred stock, redeemable, exchangeable, 4,000 shares, liquidation value $10,000 per share	—	—	39,233 (g)	39,233
Stockholders' equity				
Serial preferred stock, 861 shares, liquidation value $10,000 per share	4,637	—	(4,637)(g)	—
Class A common stock	20,173	—	—	20,173
Class B common stock	117,829	74	209,926 (f)(h)	327,829
Additional paid-in capital	—	(68,595)	68,595 (f)(h)	—
Retained earnings (accumulated deficit)	(30,422)	(249,414)	241,693 (d)(f)(g)	(38,143)
Stockholder's note receivable	—	(664)	664 (f)	—
	112,217	(318,599)	516,241	309,859
Treasury stock at cost, class A common	(8,339)	—	—	(8,339)
Treasury stock at cost, class B common	—	—	—	—
Total stockholders' equity	103,878	(318,599)	516,241	301,520
Total liabilities and stockholders' equity	$578,601	$ 428,439	$ 183,574	$1,190,614

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(a) Assumes $5.0 million of the aggregate cash on hand upon concluding the merger is utilized to pay certain fees and expenses incurred with the merger.

(b) Reflects the acquisition of Stations for total estimated consideration of $513.4 million which includes a base price of $502.5 million, additional cash consideration of $4.9 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 March 31, 2002. The allocation of the consideration paid is as follows:

Description	SHC	Disposition Of Designated Stations	Fair Value Adjustments	Opening Balance Sheet
		(in thousands)		
Cash	$ 7,365			$ 7,365
Accounts receivable	21,092		$ (1,702)	19,390
Assets of stations held for sale	47,841	$(47,841)		—
Current portion of program broadcast rights	2,947			2,947
Other current assets	3,009			3,009
Property and equipment	49,967			49,967
Other long term assets	1,282			1,282
Deferred loan costs	3,714		(3,714)	—
FCC licenses, network affiliation agreements and other indefinite lived intangible assets	213,123		234,491	447,614
Consulting, noncompete and other definite lived intangible assets	—		3,000	3,000
Goodwill	78,099		2,652	80,751
Trade payables and accrued expenses	(9,935)			(9,935)
Current portion of notes payable	(2,283)			(2,283)
Current portion of program broadcast obligations	(4,819)			(4,819)
Liabilities of stations held for sale	(8,967)	8,967		—
Deferred revenue	(276)			(276)
Deferred tax liabilities	(23,326)		(56,674)	(80,000)
Long term portion of program broadcast obligations	(1,121)			(1,121)
Long term portion of notes payable	(2,975)			(2,975)
Other long term liabilities	(562)			(562)
Total purchase price including expenses	$374,175	$(38,874)	$178,053	$513,354

The allocation of the consideration to the assets and liabilities of Stations acquired by Gray 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.

(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 $175.5 million of senior debt with a variable interest rate based on LIBOR plus a premium which we have assumed to be 3.25% and we have further assumed for the pro forma adjustments that the effective interest rate on this debt is 5.55% 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 $7.8 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 Gray's historical deferred financing charges of $6.0 million associated with its 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 class B common stock as discussed below.

(f) Reflects the elimination of the historical stockholders equity of Stations including all preferred stock, common stock, additional paid-in capital and accumulated deficits.

(g) Reflects our issuance in April 2002 of $40.0 million liquidation value of a Series C preferred stock with an 8% annual dividend rate. The Series C preferred stock has a mandatory redemption in April 2012 and is exchangeable into our class B common stock at a current conversion rate of $14.39 per share. We received net cash proceeds of approximately $30.6 million after paying fees and expenses of $767,000. $8.6 million liquidation value of the Series C preferred stock was used to exchange our existing series A and series B preferred stock with an aggregate liquidation value of $8.6 million into the Series C preferred stock using a one for one exchange ratio. Also includes as a charge to our accumulated deficit a $4.0 million non-cash constructive dividend resulting from the exchange of the series A and series B preferred stock into the Series C preferred stock.

(h) Reflects the assumed issuance of 15,527,590 shares of our class B common stock at an assumed price of $14.49 per share, the closing price of such stock on March 31, 2002, net of issuance costs of $15.0 million.

DESCRIPTION OF OUTSTANDING INDEBTEDNESS

Senior Secured Credit Facility

We amended and restated our senior secured credit facility on September 25, 2001. The facility provides us with a $200 million term facility and a $50 million reducing revolving credit facility. In addition, the agreement provides us with the ability to access, through December 31, 2003, up to $100 million of incremental senior secured term loans upon the consent of the lenders.

Under the revolving and term facilities, at our option, we can borrow funds at an interest rate equal to 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 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 term facility are base rate plus a margin ranging from 1.75% to 2.0% or LIBOR plus a margin ranging from 3.0% to 3.25%. Our applicable margin will be determined by our operating leverage ratio which is calculated quarterly. As of March 31, 2002, the interest rate for the revolving credit facility was the lenders' base rate plus 1.75% or LIBOR plus 3.0% at our option. As of March 31, 2002, the interest rate for the term facility was the lenders' base rate plus 2.0% or LIBOR plus 3.25% at our option.

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 facilities are collateralized by substantially all of the assets, excluding real estate, of our subsidiaries and us. In addition, our subsidiaries are joint and several guarantors of the obligations and our ownership interests in our subsidiaries are pledged to collateralize the obligations. The agreement contains certain restrictive provisions which include, but are not limited to, requiring us to maintain certain financial ratios and limits upon our ability to incur additional indebtedness, make certain acquisitions or investments, sell assets and make other restricted payments.

At March 31, 2002, the balance outstanding and the balance available under our senior secured credit facility were $212.5 million and $37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%.

The 9.25% Notes

The 9.25% notes are our general unsecured obligations subordinated in right of payment to all of our existing and future senior indebtedness, including all of our obligations under our senior secured credit facility. The interest rate on the 9.25% notes is 9.25% per year (calculated using a 360-day year) payable on June 15 and December 15 of each year, beginning on June 15, 2002.

The 9.25% notes are guaranteed, jointly and severally, fully and unconditionally, on a senior subordinated basis by each of the guarantors, which consist of all of our subsidiaries. The obligations of a guarantor under its guarantee of the notes are subordinated in right of payment, to the same extent as our obligations under the 9.25% notes, to all existing and future senior indebtedness of such guarantor, which includes any guarantee by it of our indebtedness under our senior secured credit facility.

The indenture governing the 9.25% notes contains certain covenants that, among other things, limit our ability to (1) transfer or issue shares of capital stock of subsidiaries to third parties, (2) pay dividends or make certain other payments, (3) incur additional indebtedness, (4) issue preferred stock, (5) incur liens to secure our indebtedness, (6) apply net proceeds from certain asset sales, (7) enter into certain transactions with affiliates or (8) merge with or into any other person.

We may redeem:

- all or part of the original principal amount of the 9.25% notes beginning on December 15, 2006, at redemption prices based on the year of redemption, plus accrued and unpaid interest;

- up to 35% of the original principal amount of the 9.25% notes at any time prior to December 15, 2004 at a price of 109.250% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, with the proceeds of certain public equity offerings of our company; and

- all but not part of the 9.25% notes at any time prior to December 15, 2006 at a price equal to 100% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, if any, to the date of redemption plus a make-whole premium based upon the present value of the remaining payments on the 9.25% notes.

Upon a change in control, defined as the acquisition by any persons of beneficial ownership of more than 35% of the voting power of the outstanding shares of our common stock, transfers of substantially all of our assets, certain substantial changes in our board of directors, certain consolidations or mergers of our company involving a significant change in shareholdings or the liquidation of our company, we will be required to make an offer to repurchase all of the outstanding 9.25% notes at 101 % of their aggregate principal amount plus accrued and unpaid interest to the date of purchase. Under certain circumstances, we may not be required to make such a change of control offer.

DESCRIPTION OF CAPITAL STOCK

We are 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 preferred stock for which our board of directors has the authority to determine the rights, powers, limitations and restrictions.

We intend to submit to our shareholders for approval a proposal to change the designation of our class B common stock to “Gray Common Stock.” We also intend to reserve the ticker symbols “GTN” for the redesignated Gray Common Stock and “GTN.A” for our class A common stock on the New York Stock Exchange.

Terms of Our Common Stock

As of June 30, 2002, 6,848,467 shares of class A common stock were issued and outstanding and 8,882,841 shares of class B common stock were issued and outstanding (excluding 885,269 shares of class B common stock held in escrow under the merger agreement). The rights of our class A and class B common stock are identical, except that our class A common stock entitles the holder to ten votes on all matters on which shareholders are permitted to vote and our class B common stock entitles the holder to one vote on all matters on which shareholders are permitted to vote. The holders of our common stock are entitled to dividends when, as and if declared by our board of directors out of funds legally available therefor and, upon liquidation, to a pro rata share in any distribution to shareholders. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our class A and class B common stock are fully paid and nonassessable.

Terms of Our Preferred Stock

As of June 30, 2002, 4,000 shares of Series C were issued and outstanding. The following is a description of our Series C:

- Our Series C is preferred stock and ranks senior to our class A and class B common stock as to payment of dividends and distribution of assets upon liquidation.

- Our Series C has a liquidation value equal to $10,000 per share plus accrued and unpaid dividends to the date of final distribution. There are no sinking fund provisions applicable to our Series C.

- Our Series C has a cumulative annual dividend of $800 per share, and beginning on April 22, 2009, $850 per share, payable, at our option, in cash or in additional shares of Series C on a quarterly basis beginning on June 30, 2002.

- Our Series C is convertible, at the option of the holder, into shares of our class B common stock at an initial conversion price of $14.39 per share, subject to certain adjustments, except that our affiliates may not convert their shares of Series C unless and until the issuance of the Series C to them has been approved by our shareholders or otherwise permitted by the New York Stock Exchange.

- Our Series C is redeemable, in whole or in part, at our option, on or after April 22, 2007, at a redemption price equal to $10,000 per share plus accrued and unpaid dividends. We must redeem all of the then outstanding shares of Series C on April 22, 2012 at a redemption price equal to $10,000 per share plus accrued and unpaid dividends.

- Holders of our Series C will not have any voting rights except as set forth below or as otherwise required by law. Holders of our Series C: (1) will be entitled to elect two additional directors of our company in the event of a default of the equivalent of six quarterly dividends on our Series C and (2) have approval rights over (A) the authorization or issuance of any shares of, or the reclassification of any shares of our capital stock into shares of, our capital stock ranking senior to our Series C, (B) the authorization or issuance of any additional shares of Series C and (C) any amendment of our restated articles of incorporation that adversely affects the powers, preferences or special rights of our Series C.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Mellon Investor Services LLC. It is located at One Mellon Bank Center, 500 Grant Street, Room 2122, Pittsburgh, PA 15258-0001 and its telephone number is (412) 236-8172.

DESCRIPTION OF DEBT SECURITIES

The following is a summary description of the general terms of the debt securities covered by this prospectus. We will file a prospectus supplement that may contain additional terms when we issue debt securities under one or more senior or subordinated indentures. The terms presented here, together with the terms in a related prospectus supplement, which could be different from the terms described below, will be a description of the material terms of the debt securities. You should also read the applicable indenture. We are filing forms of indentures with the SEC as exhibits to the registration statement of which this prospectus is a part. All capitalized terms have the meanings specified in the indentures. The indentures are substantially identical except for the subordination provisions described below under “Subordinated Debt Securities.” The terms and provisions of the debt securities below most likely will be modified by the documents that set forth the specific terms of the debt securities issued.

We may issue, from time to time, debt securities, in one or more series, that will consist of either our senior or subordinated debt. The debt securities we offer will be issued under an indenture or indentures between us and a trustee. Debt securities, whether senior or subordinated, may be issued as convertible debt securities or exchangeable debt securities.

General

Debt securities may be issued in separate series without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the debt securities of any series.

We are not limited as to the amount of debt securities we may issue under the indentures. The prospectus supplement will set forth:

- whether the debt securities will be senior or subordinated,
- the offering price,
- the title,
- any limit on the aggregate principal amount,
- the person who shall be entitled to receive interest, if other than the record holder on the record date,
- the date the principal will be payable,
- the interest rate, if any, the date interest will accrue, the interest payment dates and the regular record dates,
- the place where payments may be made,
- any mandatory or optional redemption provisions,
- any obligation to redeem or purchase the debt securities pursuant to a sinking fund,
- if applicable, the method for determining how the principal, premium, if any, or interest will be calculated by reference to an index or formula,
- conversion or exchange provisions, if any, including conversion or exchange prices or rates and adjustments thereto,
- if other than U.S. currency, the currency or currency units in which principal, premium, if any, or interest will be payable and whether we or the holder may elect payment to be made in a different currency,
- the portion of the principal amount that will be payable upon acceleration of stated maturity, if other than the entire principal amount,

- if the principal amount payable at stated maturity will not be determinable as of any date prior to stated maturity, the amount which will be deemed to be the principal amount,
- any defeasance provisions if different from those described below under “Satisfaction and Discharge; Defeasance,”
- any conversion or exchange provisions,
- whether the debt securities will be issuable in the form of a global security,
- any subordination provisions, if different than those described below under “Subordinated Debt Securities,”
- any deletions of, or changes or additions to, the events of default or covenants, and
- any other specific terms of such debt securities.

Unless otherwise specified in a prospectus supplement:

- the debt securities will be registered debt securities, and
- registered debt securities denominated in U.S. dollars will be issued in denominations of $1,000 or an integral multiple of $1,000.

Debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at time of issuance is below market rates.

Exchange and Transfer

Debt securities may be transferred or exchanged at the office of the security registrar or at the office of any transfer agent designated by us.

We will not impose a service charge for any transfer or exchange, but we may require holders to pay any tax or other governmental charges associated with any transfer or exchange.

In the event of any potential redemption of debt securities of any series, we will not be required to:

- issue, register the transfer of, or exchange, any debt security of that series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption and ending at the close of business on the day of the mailing, or
- register the transfer of or exchange any debt security of that series selected for redemption, in whole or in part, except the unredeemed portion being redeemed in part.

We may initially appoint the trustee as the security registrar. Any transfer agent, in addition to the security registrar, initially designated by us will be named in a prospectus supplement. We may designate additional transfer agents or change transfer agents or change the office of the transfer agent. However, we will be required to maintain a transfer agent in each place of payment for the debt securities of each series.

Global Securities

The debt securities of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depositary that we will identify in a prospectus supplement,
- be deposited with the depositary or nominee or custodian, and
- bear any required legends.

No global security may be exchanged in whole or in part for debt securities registered in the name of any person other than the depositary or any nominee unless:

• the depositary has notified us that it is unwilling or unable to continue as depositary or has ceased to be qualified to act as depositary,

• an event of default is continuing, or

• any other circumstances described in a prospectus supplement.

As long as the depositary, or its nominee, is the registered owner of a global security, the depositary or nominee will be considered the sole owner and holder of the debt securities represented by the global security for all purposes under the indenture. Except in the above limited circumstances, owners of beneficial interests in a global security:

• will not be entitled to have the debt securities registered in their names,

• will not be entitled to physical delivery of certificated debt securities, and

• will not be considered to be holders of those debt securities under the indentures.

Payments on a global security will be made to the depositary or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depositary or its nominee are referred to as "participants." Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of debt securities represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depositary, with respect to participants' interests, or any participant, with respect to interests of persons held by participants on their behalf.

Payments, transfers and exchanges relating to beneficial interests in a global security will be subject to policies and procedures of the depositary.

The depositary policies and procedures may change from time to time. Neither we nor the trustee will have any responsibility or liability for the depositary's or any participant's records with respect to beneficial interests in a global security.

Payment and Paying Agents

The provisions of this paragraph will apply to the debt securities unless otherwise indicated in a prospectus supplement. Payment of interest on a debt security on any interest payment date will be made to the person in whose name the debt security is registered at the close of business on the regular record date. Payment on debt securities of a particular series will be payable at the office of a paying agent or paying agents designated by us. However, at our option, we may pay interest by mailing a check to the record holder. The corporate trust office will be designated as our sole paying agent.

We may also name any other paying agents in a prospectus supplement. We may designate additional paying agents, change paying agents or change the office of any paying agent. However, we will be required to maintain a paying agent in each place of payment for the debt securities of a particular series.

All moneys paid by us to a paying agent for payment on any debt security which remain unclaimed at the end of two years after such payment was due will be repaid to us. Thereafter, the holder may look only to us for such payment.

Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other person, in a transaction in which we are not the surviving corporation, or convey, transfer or lease our properties and assets substantially as an entirety to, any person, unless:

- the successor, if any, is a U.S. corporation, limited liability company, partnership, trust or other entity,
- the successor assumes all of our obligations under the debt securities and the indenture,
- immediately after giving effect to the transaction, no default or event of default shall have occurred and be continuing, and
- certain other conditions are met.

Events of Default

Unless we inform you otherwise in a prospectus supplement, the indenture will define an event of default with respect to any series of debt securities as one or more of the following events:

(1) failure to pay principal of or any premium on any debt security of that series when due,

(2) failure to pay any interest on any debt security of that series for 30 days when due,

(3) failure to deposit any sinking fund payment when due,

(4) failure to perform any other covenant in the indenture continued for 60 days after being given the notice required in the indenture,

(5) our bankruptcy, insolvency or reorganization, and

(6) any other event of default specified in a prospectus supplement.

An event of default of one series of debt securities is not necessarily an event of default for any other series of debt securities. If an event of default, other than an event of default described in clause (5) above, shall occur and be continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding securities of that series may declare the principal amount of the debt securities of that series to be due and payable immediately.

If an event of default described in clause (5) above shall occur, the principal amount of all the debt securities of that series will automatically become immediately due and payable. Any payment by us on the subordinated debt securities following any such acceleration will be subject to the subordination provisions described below under “Subordinated Debt Securities.”

After acceleration the holders of a majority in aggregate principal amount of the outstanding securities of that series may, under certain circumstances, rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal, or other specified amount, have been cured or waived.

Other than the duty to act with the required care during an event of default, the trustee will not be obligated to exercise any of its rights or powers at the request of the holders unless the holders shall have offered to the trustee reasonable indemnity. Generally, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

A holder will not have any right to institute any proceeding under the indentures, or for the appointment of a receiver or a trustee, or for any other remedy under the indentures, unless:

(1) the holder has previously given to the trustee written notice of a continuing event of default with respect to the debt securities of that series,

(2) the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made a written request and have offered reasonable indemnity to the trustee to institute the proceeding, and

(3) the trustee has failed to institute the proceeding and has not received direction inconsistent with the original request from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series within 60 days after the original request.

Holders may, however, sue to enforce the payment of principal, premium or interest on any debt security on or after the due date or to enforce the right, if any, to convert any debt security without following the procedures listed in (1) through (3) above.

We will furnish the trustee an annual statement by our officers as to whether or not we are in default in the performance of the indenture and, if so, specifying all known defaults.

Modification and Waiver

We and the trustee may make modifications and amendments to the indentures with the consent of the holders of a majority in aggregate principal amount of the outstanding securities of each series affected by the modification or amendment.

However, neither we nor the trustee may make any modification or amendment without the consent of the holder of each outstanding security of that series affected by the modification or amendment if such modification or amendment would:

- change the stated maturity of any debt security,
- reduce the principal, premium, if any, or interest on any debt security,
- reduce the principal of an original issue discount security or any other debt security payable on acceleration of maturity,
- reduce the rate of interest on any debt security,
- change the currency in which any debt security is payable,
- impair the right to enforce any payment after the stated maturity or redemption date,
- waive any default or event of default in payment of the principal of, premium or interest on any debt security,
- waive a redemption payment or modify any of the redemption provisions of any debt security,
- adversely affect the right to convert any debt security, or
- change the provisions in the indenture that relate to modifying or amending the indenture.

Satisfaction and Discharge; Defeasance

We may be discharged from our obligations on the debt securities of any series that have matured or will mature or be redeemed within one year if we deposit with the trustee enough cash to pay all the principal, interest and any premium due to the stated maturity date or redemption date of the debt securities.

Each indenture contains a provision that permits us to elect:

- to be discharged from all of our obligations, subject to limited exceptions, with respect to any series of debt securities then outstanding, and/or

- to be released from our obligations under the following covenants and from the consequences of an event of default resulting from a breach of these covenants:

  - the subordination provisions under the subordinated indenture, and

  - covenants as to payment of taxes and maintenance of corporate existence.

To make either of the above elections, we must deposit in trust with the trustee enough money to pay in full the principal, interest and premium on the debt securities. This amount may be made in cash and/or U.S. government obligations. As a condition to either of the above elections, we must deliver to the trustee an opinion of counsel that the holders of the debt securities will not recognize income, gain or loss for Federal income tax purposes as a result of the action.

If any of the above events occurs, the holders of the debt securities of the series will not be entitled to the benefits of the indenture, except for the rights of holders to receive payments on debt securities or the registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated debt securities.

Notices

Notices to holders will be given by mail to the addresses of the holders in the security register.

Governing Law

The indentures and the debt securities will be governed by, and construed under, the laws of the State of New York.

Regarding the Trustee

The indenture limits the right of the trustee, should it become our creditor, to obtain payment of claims or secure its claims.

The trustee is permitted to engage in certain other transactions. However, if the trustee acquires any conflicting interest, and there is a default under the debt securities of any series for which they are trustee, the trustee must eliminate the conflict or resign.

Subordinated Debt Securities

Payment on the subordinated debt securities will, to the extent provided in the indenture, be subordinated in right of payment to the prior payment in full of all our senior indebtedness.

Upon any distribution of our assets upon any dissolution, winding up, liquidation or reorganization, the payment of the principal of and interest on the subordinated debt securities will be subordinated in right of payment to the prior payment in full in cash or other payment satisfactory to the holders of senior indebtedness of all senior indebtedness. In the event of any acceleration of the subordinated debt securities because of an event of default, the holders of any senior indebtedness would be entitled to payment in full in cash or other payment satisfactory to such holders of all senior indebtedness obligations before the holders of the subordinated debt securities are entitled to receive any payment or distribution. The indenture requires us or the trustee to promptly notify holders of designated senior indebtedness if payment of the subordinated debt securities is accelerated because of an event of default.

We may not make any payment on the subordinated debt securities, including upon redemption at the option of the holder of any subordinated debt securities or at our option, if:

- a default in the payment of the principal, premium, if any, interest, rent or other obligations in respect of designated senior indebtedness occurs and is continuing beyond any applicable period of grace (called a “payment default”), or

- a default other than a payment default on any designated senior indebtedness occurs and is continuing that permits holders of designated senior indebtedness to accelerate its maturity, and the trustee receives a notice of such default (called a "payment blockage notice") from us or any other person permitted to give such notice under the indenture (called a "non-payment default").

We may resume payments and distributions on the subordinated debt securities:

- in the case of a payment default, upon the date on which such default is cured or waived or ceases to exist, and

- in the case of a nonpayment default, upon the earlier of the date on which such nonpayment default is cured or waived or ceases to exist and 179 days after the date on which the payment blockage notice is received by the trustee, if the maturity of the designated senior indebtedness has not been accelerated.

No new period of payment blockage may be commenced pursuant to a payment blockage notice unless 365 days have elapsed since the initial effectiveness of the immediately prior payment blockage notice and all scheduled payments of principal, premium and interest, including any liquidated damages, on the debt securities that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any payment blockage notice shall be the basis for any later payment blockage notice unless the non-payment default is based upon facts or events arising after the date of delivery of such payment blockage notice.

If the trustee or any holder of the notes receives any payment or distribution of our assets in contravention of the subordination provisions on the subordinated debt securities before all senior indebtedness is paid in full in cash, property or securities, including by way of set-off, or other payment satisfactory to holders of senior indebtedness, then such payment or distribution will be held in trust for the benefit of holders of senior indebtedness or their representatives to the extent necessary to make payment in full in cash or payment satisfactory to the holders of senior indebtedness of all unpaid senior indebtedness.

In the event of our bankruptcy, dissolution or reorganization, holders of senior indebtedness may receive more, ratably, and holders of the subordinated debt securities may receive less, ratably, than our other creditors (including our trade creditors). This subordination will not prevent the occurrence of any event of default under the indenture.

At March 31, 2002, the balance outstanding and the balance available under our senior secured credit facility were $212.5 million and $37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%. We are not prohibited from incurring debt, including senior indebtedness, under the indenture. We may from time to time incur additional debt, including senior indebtedness.

We are obligated to pay reasonable compensation to the trustee and to indemnify the trustee against certain losses, liabilities or expenses incurred by the trustee in connection with its duties relating to the subordinated debt securities. The trustee's claims for these payments will generally be senior to those of noteholders in respect of all funds collected or held by the trustee.

Conversion or Exchange Rights

Debt securities may be convertible into or exchangeable for shares of our common stock. The terms and conditions of conversion or exchange will be stated in the applicable prospectus supplement. The terms will include, among others, the following:

- the conversion or exchange price,

- the conversion or exchange period,

- provisions regarding the convertibility or exchangeability of the debt securities, including who may convert or exchange,

• events requiring adjustment to the conversion or exchange price,

• provisions affecting conversion or exchange in the event of our redemption of the debt securities, and

• any anti-dilution provisions, if applicable.

No Individual Liability of Stockholders, Officers or Directors

The indentures provide that none of our past, present or future stockholders, officers or directors, or stockholders, officers or directors of any successor corporation, in their capacity as such shall have any individual liability for any of our obligations, covenants or agreements under the debt securities or the applicable indenture.

PLAN OF DISTRIBUTION

We may sell the securities separately or together:

- through one or more underwriters or dealers in a public offering and sale by them,
- directly to investors, or
- through agents.

We may sell the securities from time to time in one or more transactions:

- at a fixed price or prices, which may be changed from time to time,
- at market prices prevailing at the time of sale,
- at prices related to such prevailing market prices, or
- at negotiated prices.

We will describe the method of distribution of the securities in the applicable prospectus supplement.

Underwriters, dealers or agents may receive compensation in the form of discounts, concessions or commissions from us or our purchasers (as their agents in connection with the sale of securities). These underwriters, dealers or agents may be considered to be underwriters under the Securities Act. As a result, discounts, commissions or profits on resale received by the underwriters, dealers or agents may be treated as underwriting discounts and commissions. The applicable prospectus supplement will identify any such underwriter, dealer or agent, and describe any compensation received by them from us.

Underwriters, dealers and agents may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments made by the underwriters, dealers and agents.

We may grant underwriters who participate in the distribution of securities an option to purchase additional securities to cover over-allotments, if any, in connection with the distribution.

All debt securities will be new issues of securities with no established trading market. Underwriters involved in the public offering and sale of debt securities may make a market in the debt securities. However, they are not obligated to make a market and may discontinue market making activity at any time. No assurance can be given as to the liquidity of the trading market for any debt securities.

Underwriters or agents and their associates may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

LEGAL MATTERS

Proskauer Rose LLP, New York, New York, and Troutman Sanders LLP, Atlanta, Georgia, will pass on the validity of the issuance of the securities offered in this prospectus.

EXPERTS

The consolidated financial statements and schedule of 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 this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon also incorporated by reference herein and in the registration statement. 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 Communications Systems, Inc. as of December 31, 2001, and for the year then ended, incorporated into this prospectus by reference to the Gray Communications Systems, 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 this prospectus have been audited by McGladrey & Pullen, LLP, independent auditors, as stated in their report appearing herein and are included in reliance upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we 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 SEC filings are also available to the public at the SEC's web site at http://www.sec.gov. Our class A common stock and class B 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, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002, our Current Report on Form 8-K filed on June 21, 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 Communications Systems, Inc.

4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attention: James C. Ryan
Telephone: (404) 504-9828

This prospectus is part of a registration statement we filed with the SEC. You should rely on only the information or representations provided in this 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 is accurate as of any date other than the date on the front of the document.

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The information in this prospectus is not complete and may be changed. The selling security holders named in this prospectus may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and neither we nor the selling security holders named in this prospectus are soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated July 15, 2002

PROSPECTUS

3,000,000 Shares

Gray Communications Systems, Inc.

Class B Common Stock

This prospectus relates to resales of shares of class B common stock of Gray Communications Systems, Inc. that are issuable upon conversion of shares of our Series C convertible preferred stock. The number of shares of class B common stock issuable upon conversion of shares of Series C convertible preferred stock will be determined based upon the conversion rate applicable to such shares at the time of conversion. The selling security holders identified in this prospectus, or their pledgees, donees, transferees or other successors-in-interest, may offer the shares from time to time through public or private transactions at prevailing market prices, at prices related to prevailing market prices or at privately negotiated prices.

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 "GCS." Our class B common stock is traded on the New York Stock Exchange under the symbol "GCS.B." On July 11, 2002, the last reported sale price for our class B common stock was $13.02 per share. We also have Series C convertible preferred stock which is not publicly traded.

We intend to change our name to "Gray Television, Inc." We intend to submit to our shareholders for approval a proposal to change the designation of our class B common stock to "Gray Common Stock." We also intend to reserve the ticker symbol "GTN" for the redesignated Gray Common Stock on the New York Stock Exchange.

Investing in our class B common stock 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 the selling security holders 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. We are not offering or selling any shares of our class B common stock pursuant to this prospectus. We will not receive any proceeds from the sale of shares by the selling security holders.

The date of this prospectus is , 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 that 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" is based on BIA data for the 9:00 a.m. to midnight Sunday through Saturday time period.

PROSPECTUS SUMMARY

In this prospectus, unless otherwise indicated, the words "Gray," "our," "us" and "we" refer to 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.

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.

The Company

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 third in news audience. Ten of the stations are affiliated with CBS Inc., or "CBS," and three are affiliated with National Broadcasting Company, Inc., or "NBC." We own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total daily circulation of over 126,000. We also own and operate a paging business located in the Southeast that had approximately 72,000 units in service at March 31, 2002. For the 12 months ended March 31, 2002, our total revenues and operating cash flow were $157.0 million and $51.2 million, respectively.

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." 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 Television," into Stations. 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 a plan of reorganization filed by Stations with the United States bankruptcy court in Delaware on July 1, 2002. We may pay additional cash consideration of $4.9 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 23 television markets. Based on results for the year ended December 31, 2001, the combined Gray and Benedek television stations produced approximately $213.9 million of net revenue and $84.8 million of broadcast cash flow. Including our publishing and other operations, the combined Gray and Benedek operations for 2001 produced approximately $263.8 million of net revenue and $97.1 million of media cash flow. We expect the merger, if it closes, to be completed by the fourth quarter of 2002.

We were incorporated in 1891 to publish 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

Series C Convertible Preferred Stock

On April 22, 2002, we issued a total of $40,000,000 of new Series C convertible preferred stock, which we refer to as "Series C." We issued $31,400,000 of our Series C to a limited number of outside accredited investors, and $8,600,000 of our Series C to certain of our executive officers and directors and their 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. Our Series C is convertible into our class B common stock at an initial conversion price of $14.39 per share, subject to customary adjustments.

Our Series C has not been registered under the Securities Act of 1933, as amended, or any other applicable state securities laws, and therefore are restricted securities. Under the terms of a registration rights agreement entered into between us and the investors in the Series C, we are required to:

- file with the Securities and Exchange Commission a shelf registration statement, of which this prospectus and the prospectus relating to the shares of our class B common stock constitute parts, with respect to the shares of our class B common stock into which the Series C is convertible;

- use our reasonable best efforts to cause the registration statement to be declared effective as soon as practicable after filing, but no later than November 8, 2002, otherwise we will be required to pay liquidated damages to the holders of the Series C; and

- cause the registration statement to remain effective until the earlier to occur of (1) April 22, 2004 and (2) the date as of which there no longer are any registrable securities in existence.

In addition, investors in the Series C were granted “piggyback” registration rights with respect to the underlying shares of class B common stock. See “Description of Capital Stock — Terms of Our Preferred Stock.”

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 Report on Form 10-Q for the fiscal quarter ended March 31, 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 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 American Broadcasting Company, "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 March 31, 2002, this network compensation comprised of approximately 6% 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.

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

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.

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 $31.4 million in costs, of which we have incurred approximately $11.1 million through March 31, 2002, to convert our stations from the current analog format to digital format. This $31.4 million amount includes a capital lease of approximately $2.5 million for tower facilities at WVLT-TV, our station in Knoxville, Tennessee. 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 approximately $4.5 million through March 31, 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 approximately 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 approximately 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 Gray 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.

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 approximately 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 was converted into class B common stock (although this conversion currently is not permitted under the terms of the Series C), their voting power would increase to approximately 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 Sarkes Tarzian, Inc., “Tarzian,” from Bull Run for $10 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 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 federal income tax return, the Internal Revenue Service has asserted a deficiency in income taxes of approximately $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. 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 writedowns 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 and to enable us to make any distributions to the holders of shares of our class B common stock. Furthermore, if our FCC licenses are not renewed, it could materially and adversely affect our results of operations and the trading price of our class B 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, 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, 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, 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, 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.

Consummation of the merger is dependent upon, among other things, the bankruptcy court approving Stations' plan of reorganization and such affirmation order becoming a final bankruptcy court order, the FCC approving the transaction 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.

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 23 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 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 Class B Common Stock

The price of our class B 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 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 July 11, 2002, our class B common stock closed at a price of $13.02 per share.

The price of our class B common stock may not remain at or exceed current levels. The following factors may have an adverse impact on the market price of our class B common 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 class B common stock.

Currently our class B 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 class B common stock.

Purchasers of our class B common stock may experience immediate and substantial dilution of their investment.

The public offering price of our class B common stock may be substantially higher than its book value immediately after its offering. As a result, if you were to purchase shares of our class B common 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 class B common stock may not receive a distribution of assets.

Our class B 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 class B common stock would receive distributions only after distributions are made in full to holders of our preferred stock and our debt. There can be no assurance that we would have enough assets to make distributions to holders of our class B common stock in a liquidation.

Risks Related to Our Existing Indebtedness

Our indebtedness could materially and adversely affect our business.

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. Furthermore, our senior secured credit facility and the indenture governing our 9.25% senior subordinated notes permit, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part 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.

Restrictions under our existing senior secured credit facility limit our flexibility.

Our existing 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.

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

The indenture governing our 9.25% notes contains, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part may contain, covenants that restrict our and our subsidiaries' ability to finance future operations or capital needs or to engage in other business activities.

In addition, the indenture governing our 9.25% notes restricts, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part may restrict, among other things, our ability and our subsidiary 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;
- 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.

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 9.25% notes would require us to offer to purchase all of our 9.25% 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 may subject us to a similar requirement. 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.

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 the 9.25% notes.

We may enter into transactions, including acquisitions, refinancings or recapitalizations, or highly leveraged transactions, that 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 shares of our class B common stock.

Risks Related to Legal and Regulatory Matters

Certain regulatory agencies 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 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.

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.

Recent proposals for campaign finance reform may limit political advertising, upon which we heavily rely.

Recent proposals for campaign finance reform seek to limit the amount of money that certain groups would be permitted to spend on political advertising, including television advertising, as well as limit the overall amounts that political candidates would be permitted to receive in campaign contributions. If any of these recent proposals is enacted, it could have an adverse effect on us by decreasing advertising revenue in connection with political campaigns.

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 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 operate;
- competitive pressures in the markets in which we 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.

USE OF PROCEEDS

We will not receive any proceeds from the sale by any selling security holder of our class B common stock.

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 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' 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.

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 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 Federal Trade Commission 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 Federal Trade Commission 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 Federal Trade Commission 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.

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 SunTrust Bank, as 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 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;

• 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;

- 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.

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 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 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 certain superior proposals relating to an acquisition of Stations by a third party and such superior proposal is approved by the bankruptcy court, contemporaneously with the transaction contemplated by such superior proposal, a termination fee of $15 million. The liability of each consenting stockholder that holds Stations senior preferred stock is limited to an amount determined by multiplying $15 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.

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 may be required to forgive 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 Mr. 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 paid to Bull Run an advisory fee of $5,000,000 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 quarters ended March 31, 2002 and 2001 were 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 Report on Form 10-Q for the quarter ended on March 31, 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 Report and all of the financial statements and related notes contained in the Annual Reports and the Quarterly Report.

	Year Ended December 31,					Quarter Ended March 31,	
	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	$25,042	$ 25,453
Publishing	24,536	29,330	37,808	41,499	41,189	9,740	10,143
Paging	6,712	8,553	9,130	9,074	8,725	2,147	2,009
Total revenues	103,548	128,890	143,953	171,213	156,344	36,929	37,605
Operating expenses:							
Broadcast, publishing and paging	65,771	82,783	93,994	105,314	104,025	25,646	24,515
Corporate and administrative	2,528	3,063	3,448	3,594	3,615	944	1,000
Depreciation and amortization	14,519	18,117	24,451	31,207	30,824	7,851	3,733
Total operating expenses	82,818	103,963	121,893	140,115	138,464	34,441	29,248
Operating income	20,730	24,927	22,060	31,098	17,880	2,488	8,357
Gain on disposition of television stations	—	72,646	—	—	—	—	—
Valuation adjustments of goodwill and other assets	—	(2,074)	—	—	—	—	—
Depreciation in value of derivative, net	—	—	—	—	(1,581)	(786)	389
Miscellaneous income (expense), net	(31)	(242)	336	780	194	71	38
	20,699	95,257	22,396	31,878	16,493	1,773	8,784
Interest expense	21,861	25,454	31,021	39,957	35,783	9,251	8,965
Income (loss) before income taxes, extraordinary charge and cumulative effect of accounting change	(1,162)	69,803	(8,625)	(8,079)	(19,290)	(7,478)	(181)
Income tax expense (benefit)	240	28,144	(2,310)	(1,867)	(5,972)	(2,450)	(46)
Income (loss) before extraordinary charge and cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(135)
Extraordinary charge on extinguishment of debt	—	—	—	—	—	—	(7,318)
Income (loss) before cumulative effect of accounting change	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(7,453)
Cumulative effect of accounting change, net	—	—	—	—	—	—	(30,592)
Net income (loss)	(1,402)	41,659	(6,315)	(6,212)	(13,318)	(5,028)	(38,045)
Preferred dividends	1,410	1,318	1,010	1,012	616	154	154
Non-cash preferred dividends associated with preferred stock redemption	—	3,360	—	2,160	—	—	—
Net income (loss) available to common stockholders	$ (2,812)	$ 36,981	$ (7,325)	$ (9,384)	$ (13,934)	$ (5,182)	$(38,199)

	Year Ended December 31,					Quarter Ended March 31,	
	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	$ (0.12)	$ 3.49	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$ (0.01)
Extraordinary charge on extinguishment of debt, net	—	—	—	—	—	—	(0.47)
Cumulative effect of accounting change, net	—	—	—	—	—	—	(1.95)
Preferred dividends	(0.12)	(0.39)	(0.08)	(0.21)	(0.04)	(0.01)	(0.01)
Net income (loss) available to common stockholders	$ (0.24)	$ 3.10	$ (0.57)	$ (0.61)	$ (0.89)	$ (0.33)	$ (2.44)
Diluted earnings per common share(d):							
Net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.36	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$ (0.01)
Extraordinary charge on extinguishment of debt, net	—	—	—	—	—	—	(0.47)
Cumulative effect of accounting change, net	—	—	—	—	—	—	(1.95)
Preferred dividends	(0.12)	(0.38)	(0.08)	(0.21)	(0.04)	(0.01)	(0.01)
Net income (loss) available to common stockholders	$ (0.24)	$ 2.98	$ (0.57)	$ (0.61)	$ (0.89)	$ (0.33)	$ (2.44)
Other Financial Data:							
Media cash flow(e)	$ 38,061	$ 46,624	$ 50,944	$ 66,247	$ 53,074	$ 11,475	$ 13,274
Media cash flow margin(e)	36.8%	36.2%	35.4%	38.7%	33.9%	31.1%	35.3%
Operating cash flow(f)	$ 35,533	$ 43,561	$ 47,496	$ 62,653	$ 49,459	$ 10,531	$ 12,274
Operating cash flow margin(f)	34.3%	33.8%	33.0%	36.6%	31.6%	28.5%	32.6%
Cash flows provided by (used in):							
Operating activities	$ 9,744	$ 20,074	$ 20,842	$ 22,765	$ 16,823	$ 6,356	$ 266
Investing activities	(57,498)	(55,299)	(126,780)	(8,276)	(186,165)	(646)	163,253
Financing activities	49,071	34,744	105,839	(14,061)	167,685	(6,820)	(160,910)
Capital expenditures	10,372	9,271	11,712	5,702	7,593	676	5,244
Cash dividends per common share(g)	$ 0.05	$ 0.06	$ 0.08	$ 0.08	$ 0.08	$ 0.02	$ 0.02
Ratio of total debt to operating cash flow	6.4x	6.2x	8.0x	6.0x	8.0x(h)	6.0x (i)	7.7x(i)
Ratio of operating cash flow to interest expense	1.6	1.7	1.5	1.6	1.4	1.1(i)	1.4(i)
Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 2,367	$ 1,887	$ 1,787	$ 2,215	$ 169,115(h)	$ 1,105	$ 3,165
Total intangible assets, net	263,425	376,015	526,434	511,616	497,311	508,036	457,740
Total assets	345,051	468,974	658,157	636,772	794,337(h)	621,175	578,601
Long-term debt (including current portion)	227,076	270,655	381,702	374,887	551,444(h)	367,846	391,448
Preferred stock	11,111	7,371	7,371	4,637	4,637	4,637	4,637
Total stockholders’ equity	92,295	126,703	168,188	155,961	142,196	151,240	103,878

(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 incorporated by reference in this prospectus.

(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 incorporated by reference in this prospectus.

(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 class A common stock and class B 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 $0.02 per common share for both quarterly 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, the Company deposited $168.6 million with the trustee of the Company's 10 5/8% Senior Subordinated Notes due 2006 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 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?% notes. If the $155.2 million of our 10 5/8% notes were included in the total debt amount used to calculate the ratio of total debt to operating cash flow, the ratio would be 11.1x.

(i) Represents ratios for the 12 months ended March 31, 2001 and 2002.

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(j) The following table presents the transitional disclosures regarding the adoption of SFAS No. 142:

	Year Ended December 31,					Quarter Ended March 31,	
	1997(a)	1998(b)	1999(c)	2000	2001	2001	2002
Reported net income (loss) before extraordinary charges and cumulative effect of accounting change	$(1,402)	$41,659	$(6,315)	$ (6,212)	$(13,318)	$(5,028)	$ (135)
Add back: amortization of goodwill and intan gible assets with indefinite lives, net of tax	4,175	5,697	8,499	11,022	11,033	2,627	—
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 2,773	$47,356	$ 2,184	$ 4,810	$ (2,285)	$(2,401)	$ (135)
Basic earnings per common share(d):							
Reported net income (loss) before extraordinary charge and cumulative effect of accounting change	$ (0.12)	$ 3.49	$ (0.49)	$ (0.40)	$ (0.85)	$ (0.32)	$(0.01)
Add back: amortization of goodwill and intangible assets with indefinite lives, net of tax	0.35	0.48	0.66	0.71	0.71	0.17	—
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 0.23	$ 3.97	$ 0.17	$ 0.31	$ (0.14)	$ (0.15)	$(0.01)
Diluted earnings per common share(d):							
Adjusted net income (loss) before extraordinary charge and cumulative effect of accounting change	$ 0.23	$ 3.82	$ 0.16	$ 0.30	$ (0.14)	$ (0.15)	$(0.01)

Business, Management and Other Information

Information relating to our business, principal shareholders, directors and officers, executive compensation and share ownership, related party transactions, financial statements and other related matters, as set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002, is incorporated herein by reference. If you would like to receive a copy of such documents you may contact us at our address or telephone number indicated under "Where You Can Find More Information."

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 operate, or will operate after completion of the merger with Stations, 28 network affiliated television stations serving 23 markets, with 24 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, pro forma for the proposed merger with Stations, approximately 60% of our net television advertising dollars was 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. 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.*** We have, or will have after completion of the merger with Stations, a broad and diverse portfolio of 28 affiliated television stations located in 23 markets, of which 15 are affiliated with CBS, seven are affiliated with NBC and six are affiliated with ABC affiliates, 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 television 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 designated market areas, "DMAs." Of our 24 markets (including Hazard, Kentucky as a separate market), 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 are located in several distinct regions throughout the United States, with significant presence in the Southeast, Midwest, Texas and Great Lakes region, diminishing any potential adverse effect 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, President and Chief Executive Officer; Robert Prather, Executive Vice President- Acquisitions; James Ryan, Vice President and Chief Financial Officer, and after the proposed merger, K. James Yager, currently the President of Benedek.

- ***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. 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 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 publishing management team has extensive experience in operating, managing and acquiring newspapers and is led by Thomas J. Stultz, Vice President and President of Publishing, who has 32 years of publishing industry experience.

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SELECTED STATION AND MARKET INFORMATION REGARDING GRAY AND STATIONS

Gray Television Stations Pro Forma Following the Merger

The following is a list of 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)	In Market Share of Household Viewing(b)	Television Households(a) (in thousands)
*	62	Knoxville, TN	WVLT	8	CBS	12/31/04	8/1/05	2 (tied)	3	5	22%	478
	65	Wichita — Hutchinson, KS	KAKE	10	ABC	1/1/06	6/1/06	3	3	4	21%	453
		(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					
**	66	Lexington, KY	WKYT	27	CBS	12/31/04	8/1/05	1	1	5	35%	436
*	Note (f)	Hazard, KY	WYMT	57	CBS	12/31/04	8/1/05	1	1		39%	169
	75	Omaha, NE	WOWT	6	NBC	1/1/12	6/1/06	1	1	5	36%	386
	85	Madison, WI	WMTV	15	NBC	1/1/12	12/1/05	2	2	4	30%	339
	91	Colorado Springs, CO	KKTV	10	CBS	6/30/05	4/1/06	1	1	5	33%	306
*	94	Waco-Temple-Bryan, TX	KWTX	10	CBS	12/31/05	8/1/06	1	1	6	41%	299
*		(Bryan, TX)	KBTX(g)	3	CBS	12/31/05	8/1/06	1	1			
*	102	Lincoln-Hastings-Kearney, NE	KOLN	10	CBS	12/31/05	6/1/06	1	1	5	54%	269
*		(Grand Island, NE)	KGIN(h)	11	CBS	12/31/05	6/1/06					
*	106	Greenville-New Bern-Washington, NC	WITN	7	NBC	12/31/11	12/1/04	2	2	4	30%	251
	111	Lansing, MI	WILX	10	NBC	1/1/12	10/1/05	1	1	4	39%	238
*	113	Tallahassee, FL-Thomasville, GA	WCTV	6	CBS	12/31/04	4/1/05	1	1	5	57%	237
*	114	Augusta, GA	WRDW	12	CBS	3/31/05	4/1/05	1	1	4	35%	234
*	127	La Crosse-Eau Claire, WI	WEAU	13	NBC	12/31/11	12/1/05	1	1	4	39%	198
	132	Rockford, IL	WIFR	23	CBS	6/30/05	12/1/05	2	1	4	32%	176
	137	Wausau — Rhinelander, WI	WSAW	7	CBS	6/30/05	12/1/05	1	2	4	42%	169
	138	Topeka, KS	WIBW	13	CBS	6/30/05	6/1/06	1	1	4	49%	166
*	159	Panama City, FL	WJHG	7	NBC	12/31/11	2/1/05	1	1	3	50%	121
*	160	Sherman, TX-Ada, OK	KXII	12	CBS	12/31/05	8/1/06	1	1	2	74%	119
	172	Dothan, AL	WTVY	4	CBS	6/30/05	4/1/05	1	1	3	69%	95
	178	Harrisonburg, VA	WHSV	3	ABC	11/1/04	10/1/04	1	1	1	97%	84
	181	Bowling Green, KY	WBKO	13	ABC	11/1/04	8/1/05	1	1	2	83%	81
	185	Meridian, MS	WTOK	11	ABC	11/1/04	6/1/05	1	1	3	66%	70
	186	Parkersburg, WV	WTAP	15	NBC	1/1/12	10/1/05	1	1	1	96%	63
												5,437

(Approximately 5% of all US television households)

* Denotes a television station currently owned by Gray.

(a) Based on data published by Nielsen.

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

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

(d) Based on 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 9AM 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 Communications Systems, 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., ALLTELL 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, 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 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 Communications Systems, 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 Communications Systems, 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.

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	

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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
KWTX-TV & KBTX-TV	**CBS**	**VHF**	**Gray Communications Systems, 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 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	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KOLN & KGIN	**CBS**	**VHF**	**Gray Communications Systems, 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.

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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 9AM 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 Communications Systems, 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.

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

Station	Network	VHF or UHF	Owner	Share Summary 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WCTV	**CBS**	**VHF**	**Gray Communications Systems, 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.

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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

				Share Summary 9AM to Midnight			
Station	Network	VHF or UHF	Owner	May-02	Feb-02	Nov-01	Jul-01
WRDW-TV	**CBS**	**VHF**	**Gray Communications Systems, 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

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 in the merger and the Wausau-Rhinelander Wisconsin market where we intend to acquire WSAW 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

				Share Summary 9AM to Midnight			
Station	Network	VHF or UHF	Owner	May-02	Feb-02	Nov-01	Jul-01
WEAU-TV	**NBC**	**VHF**	**Gray Communications Systems, 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

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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 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
WJHG-TV	**NBC, UPN**	**VHF**	**Gray Communications Systems, 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 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KXII	**CBS**	**VHF**	**Gray Communications Systems, Inc.**	**20**	**17**	**17**	**17**
KTEN	NBC	VHF	Lockwood Broadcasting, Inc.	7	8	8	5

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 below 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 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 9AM to Midnight May-02	Feb-02	Nov-01	Jul-01
KWCH-TV, KBSD-TV, KBSH-TV & KBSL-TV	CBS	VHF	Media General Broadcast Group	18	15	18	17
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

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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 9AM 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 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	

Competitive Landscape

Station	Network	VHF or UHF	Owner	Share Summary 9AM 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

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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 9AM to Midnight			
Station	Network	VHF or UHF	Owner	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.

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

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

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 Services, and Hamilton Sundstrand Corporation.

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	VHF	Quorum Broadcasting Company	8	8	10	7

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-Rheinlander 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

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	

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.

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 9AM 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

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

Meridian, Mississippi

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

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

Parkersburg, West Virginia

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

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

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

BUSINESS OF STATIONS HOLDING COMPANY, INC.

Overview of Stations

We plan to acquire in the merger 15 of Stations' television stations. These television stations are geographically diverse and serve small to medium-sized markets in 11 states. Five of the stations are affiliated with CBS, six are affiliated with ABC, and four are affiliated with NBC. All of the data included in this section relates solely to the stations that we plan to acquire in the merger.

The stations are located in DMAs ranked in size from 65 to 186 out of the 210 DMAs surveyed by A. C. Nielsen Company. The broadcast signals for these stations that we intend to acquire in the merger reach approximately 2.6 million television households, representing approximately 2.5% of all television households in the United States. Stations believes that broadcast television stations in small to medium-sized markets offer an opportunity to generate attractive and stable broadcasting cash flow due to limited competition from:

- other television stations for viewers;
- other media soliciting advertising expenditures; and
- other television stations purchasing syndicated programming.

Stations operates in markets that typically have stable employment and a diverse base of employers. Stations generally targets markets that have population centers that share common community interests and are receptive to local programming. Stations' local programming and news content coupled with its network affiliations provide each of its stations with an established audience and reputation for news, sports and entertainment programming.

Stations' senior management team, led by K. James Yager, President and Chief Operating Officer, has extensive experience in acquiring and improving the operations of television stations. In addition, Stations' stations are supported by a team of senior vice presidents who directly oversee the day-to-day operations of the business. Louis S. Wall and Christopher H. Cornelius manage seven and six of the stations, respectively. These executives have an average of 22 years of experience operating and managing broadcast television stations.

Stations selectively purchases first run and off-network syndicated programming designed to reach specific demographic groups attractive to advertisers. Currently, Stations broadcasts on many of its stations the five most highly-rated syndicated programs. These programs and the number of stations on which they are broadcast are:

- "Wheel of Fortune" on nine of its stations;
- "Jeopardy" on seven of its stations;
- "Seinfeld" on seven of its stations; and
- "Entertainment Tonight" on seven of its stations.

Additionally, Stations broadcasts other highly-rated first run and off-network syndicated programs on its stations including:

- "Judge Judy;"
- "The Oprah Winfrey Show;"
- "Everybody Loves Raymond;"
- "Live! with Regis and Kelly;" and
- "Frasier."

Stations seeks to acquire syndicated programs that:

- have wide audience appeal;
- are available on a cost-effective basis for limited licensing periods;
- allow scheduling flexibility;
- complement each station's overall programming mix; and
- counter competitive programming.

Stations has been able to purchase syndicated programming at attractive rates because of the limited competition from other television broadcasters for such programming in its markets. As a result, Stations' cash program expense as a percentage of net revenues for its stations was 4.4% in 1999, 4.7% in 2000 and 5.5% in 2001. In comparison, according to the 2001 Television Financial Report published by the National Association of Broadcasters, the percentage of net revenues spent for programming by all network affiliated stations was 8.8% in 1999 and 8.2% in 2000.

Background

Stations was incorporated under the laws of the State of Delaware on April 10, 1996. Stations' corporate name was changed from Benedek Communications Corporation to Stations Holding Company, Inc. effective February 1, 2002. Benedek was incorporated under the laws of the State of Delaware on January 22, 1979. The principal executive offices of Stations is located at 2895 Greenspoint Parkway, Suite 250, Hoffman Estates, Illinois 60195. The telephone number at the executive offices is (847) 585-3450.

Network Affiliation of Stations' Television Stations

Each of the television stations we are acquiring is affiliated with either CBS, ABC or NBC. Each affiliation agreement provides the station with the right to broadcast all programs transmitted by the network. In return, the network has the right to sell a substantial majority of the advertising time during network programming. In exchange for every hour that a station elects to broadcast network programming, CBS, ABC and NBC have historically paid the station a specified fee. This fee varies with the time of day. Typically, prime-time programming generates the highest hourly rates. Fees are subject to increase or decrease by the network during the term of an affiliation agreement, with provisions for advance notices and the right of termination by the station in the event of a reduction of rates.

During 1999, each of the major networks publicly indicated that it was reviewing the economic and other terms under which it provides programming to network affiliates like our stations. Proposed changes that have been publicly discussed include:

- reducing the period of exclusivity with respect to popular programming;
- changing the amount and placement of advertising time made available for sale by affiliates during network programming; and
- requiring affiliates to share part of the costs of producing sports or special programming.

These changes may be implemented during the term of existing affiliation agreements or upon their renewal. Additionally, the major networks have proposed reducing or eliminating the cash payments paid by networks to affiliates at the time of renewal of existing affiliation agreements.

Stations' NBC affiliation agreements for Stations' 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.

In response to declining revenues, some networks have suggested that they may search for alternative methods of distribution for their programming, such as cable channels.

Advertising Sales

Television station revenues are derived primarily from local, regional and national advertising. Stations seeks to manage its spot inventory efficiently to maximize advertising rates. Advertising rates are based upon numerous factors including:

- a program’s popularity among the audience;
- the number of advertisers competing for the available time allotted to commercials;
- the size and demographic make-up of the audience; and
- the availability of alternative advertising media in the market area.

In March 2000, Stations restructured the organization of its local sales departments to place a greater emphasis on local and regional advertising sales. Stations shifted certain local advertising accounts to national representatives to better reflect the actual source of revenues. As a result of the restructuring and its new philosophy, period-to-period comparisons of trends in Stations’ local/ regional and national sales will be difficult for you to make.

Local Sales. Approximately 60% of Stations’ gross revenues in 2001 came from local and regional advertisers. Local and regional advertising is sold primarily by each station’s professional sales staff. Typical local and regional advertisers include:

- automobile dealerships;
- restaurants;
- retailers;
- communications companies;
- grocery chains;
- soft drink bottlers;
- health and medical services; and
- state lotteries.

Stations seeks to establish long term relationships with local advertisers by selling its advertising time through dedicated local sales teams. Stations’ goal is to provide local customers the opportunity to communicate their longer term advertising goals so it can develop strategic advertising campaigns for them. In addition to increasing revenues from existing advertisers, Stations seeks to identify new sources of local advertising revenues.

In particular, Stations seeks potential advertisers who have not previously advertised on broadcast television, but whose businesses would benefit from the identity of Stations’ local news and programming. Stations’ sales personnel are required to meet minimum weekly and monthly performance standards with respect to client activity, including new customer identification. Stations also offers commercial production services at each of its stations.

National Sales. Approximately 31% of Stations' gross revenues in 2001 came from national advertisers. Typical national advertisers include:

- automobile manufacturers;
- consumer goods manufacturers;
- communications companies;
- fast food franchisers;
- national retailers; and
- direct marketers.

National advertising time is sold through representative agencies retained by Stations. Two of the television stations we are acquiring are represented by Petry Television, Inc., ten are represented by Katz Television Sales, and one is represented by Blair Television. These stations' national sales coordinators actively assist their national sales representatives to induce national advertisers to increase their national spot expenditures designated to our markets.

Political Sales. Political advertising revenues are a significant factor in Stations business during election years. Local and regional elections, which can include gubernatorial, U.S. senatorial and congressional races, generally occur every even numbered year. National presidential elections occur every four years. In 2000 and 1998, Stations had political advertising revenues of $13.3 million and $8.6 million, respectively, at its stations we are acquiring pursuant to the merger representing approximately 10% and 7% of such stations' gross revenues during such years.

Implementation of the Cable Act of 1992

The Cable Television Consumer Protection and Competition Act of 1992, the "Cable Act," was enacted on October 5, 1992. The Cable Act:

- imposes cable rate regulation;
- establishes cable ownership limitations;
- regulates the relationships between cable operators and their program suppliers;
- regulates signal carriage and retransmission consent; and
- regulates numerous other aspects of the cable television business.

Stations has entered into agreements for its stations with substantially all of the cable system operators that carry our stations' signals. All of these agreements grant such cable system operators consent to retransmit Stations' broadcast signals. These retransmission arrangements do not represent a significant source of revenues for Stations. Stations expects to be able to renew its current retransmission agreements when such agreements expire. However, there can be no assurance that such renewals will be obtained.

Digital Operations

The FCC had required that all of the stations owned by Stations commence digital operations by May 1, 2002. Stations has incurred approximately $4.5 million in capital expenditures towards its digital conversion of the stations we are acquiring as a result of the merger, and it anticipates incurring additional capital expenditures of $6.8 million in the balance of 2002 and thereafter with respect to such stations. In order to accommodate the conversion to digital and maintain our historical capital expenditure levels, Stations has reduced its plans for the other non-essential capital expenditures in 2002. Stations anticipates that such expenditures will be paid for through cash generated from operations.

One of the stations owned by Stations had commenced digital operations by May 1, 2002. The FCC had implemented a process to allow broadcast companies to request an extension of time to complete the build-out to digital. On March 4, 2002, Stations filed extension requests with respect to its stations that have not been converted to digital. Stations was granted extensions covering the period May 1, 2002 through various dates in November 2002. We cannot assure you that Stations will be able to complete the construction of all of its DTV stations by the applicable FCC deadlines. If Stations is unable to meet applicable build-out deadlines or obtain additional extensions, Stations may be subject to FCC sanctions, including the loss of the authorization to construct the DTV station.

Employees

As of May 31, 2002, Stations had 807 full-time employees at the stations we are acquiring as a result of the merger. Approximately 172 of such employees located at three of such stations are represented by labor unions under collective bargaining agreements. 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. Stations believes that its relationship with all of its employees, including those represented by labor unions, is satisfactory.

Properties

The principal executive offices of Stations is located in leased premises in Hoffman Estates, Illinois. Stations also has executive offices in New York City.

The types of properties required to support the television stations which Gray is acquiring as a result of the merger include offices, studios, and tower and transmitter sites. A station's studio and office are generally located in business districts while tower and transmitter sites are generally located so as to provide maximum signal coverage to each market. The following table contains certain information describing the general character of our properties.

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	—	04/30/2004
Tower/Transmitter Site	Leased	1,000	768/100 kw	04/30/2007
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	02/01/2059
Lansing, Michigan WILX-TV				
Office and Studio	Owned(b)	13,700	—	—
Tower/Transmitter Site	Leased	5,000	994/309 kw	10/18/2003

Station, Market Area and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height (ft.)/ Power	Lease expiration date
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	08/01/2017
Topeka, Kansas WIBW-TV				
Office and Studio	Owned(b)	19,800	—	—
Tower/Transmitter Site	Leased	2,338	1,249/316 kw	02/14/2062
Dothan, Alabama and Panama City, Florida WTVY-TV				
Office and Studio	Leased	20,440	—	12/31/2003
Tower/Transmitter Site	Owned(b)	2,500	1,880/100 kw	—
Harrisonburg, Virginia WHSV-TV				
Office and Studio	Leased(b)	18,000	—	04/27/2018(e)
Tower/Transmitter Site	Leased	2,016	337/8.32 kw	12/31/2001(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(g)	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 approximately $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.

(g) In May 2000, Stations exercised a purchase option on this property. Stations mortgaged its interest in this property in connection with the purchase. Stations had previously leased this property and had mortgaged its leasehold interest to the collateral agent under its credit facility, which leasehold mortgage will be released at the time of the merger.

Legal Proceedings

On March 22, 2002, Stations filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Benedek and its subsidiaries are not party to the bankruptcy action. On July 1, 2002, Stations filed its proposed plan of reorganization and related disclosure statement with respect to its bankruptcy case for approval by the court. The plan of reorganization contemplates completion of the merger of Gray MidAmerica Television with and into Stations. In conjunction with the execution of the merger agreement, Stations and Gray entered into Lock up, Voting and Consent Agreements with certain stockholders and creditors of Stations. Under the lock up, voting and consent agreements, these stockholders and creditors agreed to, among other things, support and vote their shares or interests, as applicable, in favor of Stations' plan of reorganization that will give effect to the transactions contemplated by the merger agreement. As of the date of this prospectus, lock up, voting and consent agreements have been received from holders of 97.9% of the outstanding Stations senior preferred stock, 98.8% of the outstanding Stations junior preferred stock, 100.0% of the outstanding Stations class B common stock and 94.6% of the outstanding Stations senior notes.

Stations is currently and from time to time involved in litigation incidental to the conduct of its business. Stations is not currently a party to any such lawsuit or proceeding that, in its opinion, is likely to have a material adverse effect on us.

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STATIONS SELECTED FINANCIAL DATA

The table below sets forth the selected consolidated financial data of Stations for the five years ended December 31, 2001 and the three month periods ended March 31, 2001 and 2002. The selected consolidated financial data for the years ended December 31, 1999, 2000 and 2001 have been derived from Stations' audited consolidated financial statements included elsewhere in this prospectus. The data for the three month periods ended March 31, 2001 and 2002 are unaudited, but have been prepared on the same basis as the audited financial statements. In Stations' opinion, they reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly Stations' results of operation for the period then ended and its financial position as of such dates. Operating results for the three month period ended March 31, 2002 are not necessarily indicative of the results that may be expected in the future. The selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this prospectus and "Stations Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,					Three Months Ended March 31,	
	1997(a)	1998(a)	1999(b)	2000(b)	2001	2001	2002
	(Dollars in thousands, except share and per share data)						
Statement of Operations Data:							
Net revenues(c)	$ 84,392	$ 94,525	$ 99,432	$ 116,687	$ 107,561	$ 23,587	$ 25,584
Operating expenses:							
Station operating expenses	48,891	52,446	55,154	63,935	64,007	16,664	16,258
Depreciation and amortization	21,794	20,660	17,442	19,711	21,901	5,368	6,309
Station operating income	13,707	21,419	26,836	33,041	21,653	1,555	3,017
Corporate expenses	3,787	4,643	4,510	5,590	5,946	1,664	1,543
	9,920	16,776	22,326	27,451	15,707	(109)	1,474
Gain on sale of stations, net(d)	—	—	6,403	61,406	—	—	—
Operating income (loss)	9,920	16,776	28,729	88,857	15,707	(109)	1,474
Financial expenses, net:							
Interest expense, net(e):							
Cash interest, net	(23,358)	(21,943)	(20,701)	(23,000)	(33,191)	(5,002)	(10,559)
Other interest	(19,374)	(17,043)	(19,040)	(20,943)	(10,011)	(5,661)	(192)
	(42,732)	(38,986)	(39,741)	(43,943)	(43,202)	(10,663)	(10,751)
Reorganization items	—	—	—	—	—	—	(931)
Income (loss) before income tax benefit and extraordinary item	(32,812)	(22,210)	(11,012)	44,914	(27,495)	(10,772)	(10,208)
Income tax benefit (expense)	11,243	7,646	(406)	(29,199)	10,165	4,064	3,931
Income (loss) from continuing operations	(21,569)	(14,564)	(11,418)	15,715	(17,330)	(6,708)	(6,277)
Income (loss) from discontinued operations	(2,741)	(2,061)	(4,359)	(881)	(28,085)	(1,646)	(22,028)
Income (loss) before extraordinary item	(24,310)	(16,625)	(15,777)	14,834	(45,415)	(8,354)	(28,305)
Extraordinary item(f)	—	—	(12,510)	942	—	—	—
Net income (loss)	(24,310)	(16,625)	(28,287)	15,776	(45,415)	(8,354)	(28,305)
Preferred stock dividends and accretion	(19,037)	(30,855)	(18,987)	(23,933)	(31,186)	(7,480)	(7,849)
Net (loss) applicable to common stock	$ (43,347)	$ (47,480)	$ (47,274)	$ (8,157)	$ (76,601)	$ (15,834)	$ (36,154)
Basic and diluted (loss) per common share(g):							
(Loss) from continuing operations	$ (5.78)	$ (6.14)	$ (4.11)	$ (1.11)	$ (6.56)	$ (1.92)	$ (1.91)
(Loss) from discontinued operations	(0.39)	(0.28)	(0.59)	(0.12)	(3.79)	(0.22)	(2.98)
Extraordinary item	—	—	(1.69)	0.13	—	—	—
(Loss) per common share	$ (6.17)	$ (6.42)	$ (6.39)	$ (1.10)	$ (10.35)	$ (2.14)	$ (4.89)

Weighted-average common shares outstanding	7,030,000	7,400,000	7,400,000	7,400,000	7,400,000	7,400,000	7,400,000

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	Year Ended December 31,					Three Months Ended March 31,	
	1997(a)	1998(a)	1999(b)	2000(b)	2001	2001	2002
	(Dollars in thousands, except share and per share data)						
Other Financial Data							
Broadcast cash flow(h)	$ 35,678	$ 42,333	$ 44,681	$ 53,220	$ 43,934	$ 6,939	$ 9,036
Broadcast cash flow margin(i)	42.3%	44.8%	44.9%	45.6%	40.8%	29.4%	35.3%
Operating cash flow(j)	$ 31,891	$ 37,690	$ 40,171	$ 47,630	37,988	$ 5,275	$ 7,493
Operating cash flow margin(k)	37.8%	39.9%	40.4%	40.8%	35.3%	22.4%	29.3%
Cash flow provided by (used in):							
Operating activities	$ 8,471	$ 20,016	$ 19,302	$ 26,209	$ 15,244	$ 5,401	$ 6,466
Investing activities	(6,282)	(6,582)	(28,291)	(11,259)	(10,835)	(1,973)	(1,659)
Financing activities	(7,632)	(11,791)	7,976	(14,245)	(4,889)	(5,016)	(945)
Capital expenditures	10,833	10,147	12,784	12,157	13,690	2,637	1,720
Balance Sheet Data (end of period):							
Cash and cash equivalents	$ 2,648	$ 4,291	$ 3,278	$ 3,983	$ 3,503	$ 2,395	$ 7,365
Total assets	468,495	447,462	457,776	508,262	468,237	494,018	428,439
Total intangible assets, net	345,588	335,634	335,348	381,914	346,352(m)	379,210	311,402(m)
Long-term debt(l)	370,917	374,816	427,579	432,942	437,372	433,398	435,928
Redeemable preferred stock	124,556	162,644	181,631	205,564	236,750	213,045	244,559
Stockholders' (deficit)	(94,908)	(147,263)	(197,494)	(205,731)	(282,490)	(221,723)	(318,599)

(a) The selected consolidated financial data of Stations for the years ended December 31, 1997 and 1998 have been derived from Stations' audited consolidated financial statements included elsewhere in this prospectus with reclassification to reflect the application of Statement of Financial Accounting Standards No. 144.

(b) In January 1999, Stations entered into a time brokerage agreement in anticipation of the station exchange of KKTV, Colorado Springs-Pueblo, Colorado and KCOY-TV, Santa Maria, California. The statement of operations and other data for the year ended December 31, 1999 includes information with respect to the time brokerage agreement. In March 2000, Stations exchanged WWLP-TV, its station in Springfield, Massachusetts, and $18.0 million for KAKE-TV, Wichita, Kansas and WOWT-TV, Omaha, Nebraska. The statement of operations does not reflect the exchange prior to March 2000.

(c) Net revenues reflect deductions from gross revenues for agency and national sales representative commissions.

(d) Net gain on sale of stations for 1999 includes $13.3 million as a result of the 1999 station exchange netted against a $6.9 million loss on the sale of KOSA-TV, Odessa, Texas. In 2000, net gain on sale of stations includes a $61.1 million gain on the exchange of WWLP-TV, Springfield, Massachusetts, for KAKE-TV, Wichita, Kansas and WOWT-TV, Omaha, Nebraska, and a $0.3 million gain on the sale of KOSA-TV, Odessa, Texas.

(e) Cash interest expense, net, includes cash interest paid and normal adjustments to accrued interest. Other interest expense includes accrued interest added to long-term debt balances, deferred loan cost amortization and write- offs, except deferred loan cost write-offs related to extraordinary debt extinguishments, financing costs not consummated, and accretion of discounts.

(f) In 1999, Stations recorded an extraordinary loss of $12.5 million net of applicable taxes of $8.3 million as a result of the early extinguishment of debt associated with the completion of the tender offer for $135.0 million of outstanding senior secured notes. In 2000, Stations redeemed a portion of its 13 1/4% senior subordinated discount notes with an aggregate face value of $12.3 million. The discount notes had an accreted value of $11.4 million and were purchased for $9.8 million. A total of $0.9 million, net of taxes, was recorded as a gain on the early extinguishment of debt.

(g) Earnings (loss) per common share is computed by dividing income (loss) after the deduction of preferred dividends and accretion of the redemption prepayment premium and amortization of our initial warrants, by the weighted average number of common shares outstanding. The effect of the stock options and initial warrants has not been reflected in the computation since their inclusion as common stock equivalents for both basic and fully-diluted earnings (loss) per share was anti-dilutive.

(h) Broadcast cash flow is defined as operating income before financial income as derived from the consolidated statements of operations plus depreciation and amortization, amortization of program broadcast rights, corporate expenses and noncash compensation less payments on program broadcast liabilities and net gain on sale of stations. Broadcast cash flow data is included in this prospectus because the information is a measurement:

(1) used by lenders to measure a borrower's ability to service its debt and pay for capital expenditures;

(2) used by industry analysts to determine a market value of television stations; and

(3) used by industry analysts when evaluating and comparing operating performance of different companies.

Broadcast cash flow does not purport to represent cash provided by operating activities as reflected in Stations' consolidated financial statements, is not a measure 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. Broadcast cash flow is also not reflected in Stations' consolidated statements of cash flows; but it is a common and meaningful measure for comparison to other companies in the broadcast industry. The amounts excluded from broadcast cash flow are significant components in understanding and assessing Stations' results of operations and cash flows. The term "broadcast cash flow" may not be the same terminology utilized by other companies in the presentation of similar information.

(i) Broadcast cash flow margin is defined as broadcast cash flow divided by net revenues.

(j) Operating cash flow is defined as operating income before financial income as derived from the consolidated statements of operations plus depreciation and amortization, amortization of program broadcast rights and noncash compensation less payments on program broadcast liabilities and net gain on sale of stations. Operating cash flow data is included in this prospectus because the information is a measurement:

(1) used by lenders to measure a borrower's ability to service its debt and pay for capital expenditures;

(2) used by industry analysts to determine a market value of television stations; and

(3) used by industry analysts when evaluating and comparing operating performance of different companies.

Operating cash flow does not purport to represent cash provided by operating activities as reflected in Stations' consolidated financial statements, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of financial performance prepared in accordance with generally accepted accounting principles. Operating cash flow is also not reflected in Stations' consolidated statements of cash flows; but it is a common and meaningful measure for comparison to other companies in the broadcast industry. The amounts excluded from operating cash flow are significant components in understanding and assessing Stations' results of operations and cash flows. The term "Operating cash flow" may not be the same terminology utilized by other companies in the presentation of similar information.

(k) Operating cash flow margin is defined as operating cash flow divided by net revenues.

(l) Long-term debt is defined as notes payable, including the current portion thereof, net of discount. At March 31, 2002, long-term debt includes the balance of Stations' credit facility of $276.0 million and the discount notes of $154.7 million, which are classified as "Liabilities subject to compromise" on the March 31, 2002 balance sheet.

(m) Intangible assets at December 31, 2001 and March 31, 2002 include balances of $15.5 million and $20.2 million, respectively, which are classified as "Assets of Stations held for sale" on the respective balance sheets.

STATIONS MANAGEMENT’S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

On April 1, 2002, Stations signed a letter of intent with Gray and subsequently executed a merger agreement on June 4, 2002 whereby Stations will become a wholly-owned subsidiary of Gray. Gray will pay an estimated $502.5 million in cash consideration in connection with the merger and the transaction is expected to close during the fourth quarter of 2002.

Pursuant to the letter of intent with Gray, Stations agreed to sell all of the television broadcasting assets of eight television stations (the “Station Group”) to a third party prior to its merger with Gray. On June 4, 2002, Stations signed an agreement with Chelsey Broadcasting, LLC to sell the Station Group for $30.0 million.

On November 16, 2001, Stations entered into an Asset Purchase agreement with West Virginia Media Holdings, LLC (“West Virginia Media”) pursuant to which, on April 30, 2002, Stations sold the television broadcast assets of WTRF-TV, in Wheeling, West Virginia for $18.5 million.

Stations elected to early adopt Statement of Financial Accounting Standards No. 144 (“SFAS No. 144”) “Accounting for the Impairment or Disposal of Long-Lived Assets” for its 2001 financial statements. As a result of the adoption of SFAS No. 144, the Station Group and WTRF-TV have been classified as assets held for sale at March 31, 2002 and accordingly the carrying value of the assets were adjusted to their fair value and the operations of these portions of Stations have been reported in discontinued operations.

Stations’ revenues are derived primarily from the sale of advertising time and, to a modest extent, from compensation paid by the networks for broadcasting network programming and barter transactions for goods and services. Revenues depend on Stations’ ability to provide programming that attracts audiences in the demographic groups targeted by advertisers. Stations’ revenues also depend significantly on factors such as the national and local economy and the level of local competition.

In March 2000, Stations restructured the organization of its local sales departments to place a greater emphasis on local and regional advertising sales. Stations shifted certain local advertising accounts to national representatives to better reflect the actual source of revenues. As a result of the restructuring and its new philosophy, year-to-year comparisons of trends in Stations’ local/regional and national sales for the years 2000 and 2001 will be difficult for you to make.

On March 31, 2000, Stations completed a transaction with WGRC, Inc., whereby it exchanged the television station assets of WWLP-TV, in Springfield, Massachusetts formerly owned by it plus $18.0 million for the television station assets of KAKE-TV, in Wichita, Kansas, together with its two satellite stations, and WOWT-TV in Omaha, Nebraska. The acquired stations were owned by The Chronicle Publishing Company and were acquired in a like-kind exchange transaction through WGRC, Inc. The transaction was recorded under the purchase method of accounting.

On March 21, 2000, Stations sold the television broadcast assets of KOSA-TV, in Odessa, Texas to ICA Broadcasting I, Ltd. for a cash payment of $8.0 million. Stations recorded a lower of cost or market adjustment of approximately $6.9 million in 1999 to write down the assets of KOSA-TV to the sales price less estimated selling costs. The exchange of WWLP-TV and the sale of KOSA-TV resulted in a gain on sale of stations before taxes of $61.4 million in 2000.

During October 1998, stations transferred WMTV-TV, its station in Madison, Wisconsin to The WMTV Trust due to the Grade A broadcast signal overlap between WMTV-TV and WIFR-TV, Stations’ station in Rockford, Illinois. Under the trust arrangement, Stations relinquished control of WMTV-TV to a trustee while retaining the economic risks and benefits of ownership. On August 5, 1999, the FCC approved new duopoly rules that enabled Stations to own both WMTV-TV and WIFR-TV. As a result of the new rules, The WMTV Trust was dissolved on February 29, 2000 and all assets and liabilities were transferred to Stations.

Local and national non-political advertising sales constitute the largest concentration of Stations' revenues and represent approximately 90% of gross revenues in 2001 compared to approximately 82% in 2000. Excluding political advertising revenues from our gross revenues, the percentage of gross revenues attributable to Stations' local/regional advertising and national advertising in 1999, 2000 and 2001 was approximately 90%, 91% and 91%, respectively. Approximately 60% of Stations' gross revenues in 2001 were generated from local and regional advertising, which is sold primarily by each station's sales staffs. The remainder of Stations' advertising revenues is comprised primarily of national advertising, which is sold by national sales representatives retained by Stations. Stations generally pay commissions to advertising agencies on local, regional and national advertising and to national sales representatives on national advertising. Net revenues reflect deductions from gross revenues for commissions payable to advertising agencies and national sales representatives.

Stations' primary operating expenses are employee compensation, programming expense, and depreciation and amortization. Changes in compensation expense result primarily from adjustments to fixed salaries based on employee performance and, to a lesser extent, from changes in sales commissions paid based on levels of advertising revenues. Programming expense consists primarily of amortization of program rights. Stations purchases first run and off-network syndicated programming on an ongoing basis. Under Stations' contracts with the networks, a network affiliated station receives more than half of its daily programming from its network and in turn is compensated, in most cases, by the network for carrying such programming with the network's commercial content intact. Barter expense generally offsets barter revenues and reflects the fair market value of goods and services received. Stations' operating expenses, excluding depreciation and amortization, represent approximately 65% of net revenues from continuing operations for 2001 compared to 60% of net revenues in both 2000 and 1999.

Results of Operations

The following table sets forth certain of Stations' historical results of operations and operating data for the periods indicated in order to reconcile its broadcast cash flow and operating cash flow.

	Years Ended December 31,			Three Months Ended March 31,	
	1999	2000	2001	2001	2002
			(Dollars in thousands)		
Operating income (loss)	$28,729	$ 88,857	$15,707	$ (109)	$ 1,475
Add:					
Amortization of program broadcast rights	4,740	5,907	6,341	1,566	1,543
Depreciation and amortization	17,442	19,711	21,901	5,368	6,309
Corporate expenses	4,510	5,590	5,946	1,664	1,543
Less:					
Payments on program broadcast liabilities	(4,337)	(5,439)	(5,961)	(1,550)	(1,833)
Gain on sale of stations, net	(6,403)	(61,406)	—	—	—
Broadcast cash flow	$44,681	$ 53,220	$43,934	$ 6,939	$ 9,036
Less corporate expenses	$ 4,510	$ 5,590	$ 5,946	$ 1,664	$ 1,543
Operating cash flow	$40,171	$ 47,630	$37,988	$ 5,275	$ 7,493

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Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

The following table provides historical information for the three months ended March 31, 2001 and 2002.

	Three Months Ended March 31,		
	2001	2002	% Change
	(Dollars in thousands)		
Local/regional	$15,894	$18,160	14.3%
National	8,440	8,407	
Political	302	529	75.2
Other	2,606	2,425	(6.9)
	27,242	29,521	8.4
Direct costs	3,655	3,937	7.7
Net revenues	$23,587	$25,584	8.5%
Operating expenses:			
Selling, technical and program expenses	12,526	12,191	(2.7)
General and administrative	4,138	4,067	(1.7)
Depreciation and amortization	5,368	6,309	17.5
Corporate	1,664	1,543	(7.3)
	23,696	24,110	1.7
Operating income (loss)	$ (109)	$ 1,474	N/A%
Broadcast cash flow	$ 6,939	$ 9,036	30.2%
Broadcast cash flow margin	29.4%	35.3%	
Operating cash flow	$ 5,275	$ 7,493	42.0%
Operating cash flow margin	22.4%	29.3%	

Net revenues. Stations had net revenues from continuing operations in the first quarter of 2002 of $25.6 million compared to $23.6 million for the same period in 2001. The increase in net revenues was $2.0 million or 8.5%. The improvement in net revenues from continuing operations in 2002 is a result of political advertising revenues, the winter Olympics on Stations' four NBC affiliated stations and a significant increase in local advertising revenues due to the successful efforts toward increasing this portion of Stations' advertising base. National advertising revenues in the first quarter of 2002 remained constant at $8.4 million as compared to the same period in 2001. Local/ regional revenues increased and were $18.2 million in the three months ended March 31, 2002 compared to $15.9 million for the same period in 2001, an increase of $2.3 million or 14.3%. Political advertising revenues were $0.5 million in the first quarter of 2002 as compared to $0.3 million in the same period in 2001.

Operating expenses. Stations had operating expenses in the first quarter of 2002 of $24.1 million, an increase of $0.4 million or 1.7% compared to $23.7 million in the same period in 2001. Depreciation and amortization increased by $0.9 million or 17.5% to $6.3 million as compared to $5.4 million in the same period in 2001 due to the shorter amortization period used for network affiliation intangible assets as a result of the adoption of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142) on January 1, 2002. The effect of the shorter amortization period used for network affiliation intangible assets more than offset the effect caused by the discontinuance of amortization on Stations' intangibles related to its FCC licenses and goodwill. Amortization was discontinued on FCC intangible assets and goodwill in the first quarter of 2002 due to the requirement of SFAS No. 142 that specifies that intangible assets with indefinite useful lives are no longer subject to amortization.

Operating income (loss). Stations' operating income for the first quarter of 2002 increased by $1.6 million to $1.5 million from an operating loss of $(0.1) million for the same period in 2001.

Financial income (expense). Stations' financial expense for the first quarter of 2002 was relatively constant with the first quarter of 2001 and was $10.8 million as compared to $10.7 million for the three months ended March 31, 2001.

Reorganization items. Stations had reorganization items of $1.0 million in the first quarter of 2002 which consisted primarily of professional fees associated with its Chapter 11 bankruptcy filing on March 22, 2002.

Income tax benefit (expense). Stations' income tax benefit in the first quarter of 2002 was $3.9 million compared to $4.1 million for the first quarter of 2001, a decrease of $0.2 million or 3.3%. Stations' effective tax rate for the first quarter 2002 was 38.5% as compared to 37.7% in the first quarter 2001.

Loss from continuing operations. Stations' loss from continuing operations was $(6.3) million for the first quarter of 2002 compared to $(6.7) million for the corresponding period in 2001.

Discontinued operations. Stations' loss from operations of discontinued stations was $(22.0) million for the first quarter 2002 as compared to $(1.6) million for the comparable period in 2001. Before income taxes, the loss on the operations of discontinued stations was $(33.5) million for the first quarter of 2002 as compared to $(2.4) million in the first quarter of 2001. Included in the first quarter 2002 was a $31.3 million writedown to the expected sales price of the assets of the Station Group.

Broadcast cash flow. Broadcast cash flow for the first quarter of 2002 increased $2.1 million or 30.2% to $9.0 million from $6.9 million for the first quarter of 2001. As a percentage of net revenues, broadcast cash flow margin increased to 35.3% for the first quarter of 2002 from 29.4% for the first quarter of 2001.

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

The following table provides historical information for the year ended December 31, 2000 and 2001.

	Year Ended December 31,		
	2000	2001	% Change
	(Dollars in thousands)		
Local/regional	$ 70,732	$ 73,501	3.9%
National	41,153	37,624	(8.6)
Political	13,238	1,367	(89.7)
Other	10,935	10,557	(3.5)
	136,058	123,049	(9.6)
Direct costs	19,371	15,488	(20.0)
Net revenues	$116,687	$107,561	(7.8)%
Operating expenses:			
Selling technical and program expenses	48,078	48,696	1.3
General and administrative	15,857	15,311	(3.4)
Depreciation and amortization	19,711	21,901	11.1
Corporate	5,590	5,946	6.4
	89,236	91,854	2.9
Gain on sale of stations, net	61,406	—	(100.0)
Operating income	$ 88,857	$ 15,707	(82.3)%
Broadcast cash flow	$ 53,220	$ 43,934	(17.4)%
Broadcast cash flow margin	45.6%	40.8%	
Operating cash flow	$ 47,630	$ 37,988	(20.2)%
Operating cash flow margin	40.8%	35.3%	

Net revenues. Stations' net revenues in 2001 decreased by $9.1 million or 7.8% to $107.6 million from $116.7 million in 2000. Stations' net revenues were negatively impacted by the absence of political revenues in 2001 which were $1.4 million as compared to $13.2 million in 2000. Excluding political advertising revenues and before direct costs, Stations' gross revenues decreased by $1.1 million or 0.9% to $121.7 million for 2001 from $122.8 million for 2000 due to a protracted softening of the advertising market and the negative effects on the advertising market and the economy in general as a result of the attacks of September 11, 2001.

Operating expenses. Stations' operating expenses in 2001 increased by $2.7 million or 2.9% to $91.9 million from $89.2 million in 2000. The increase in operating expenses was caused by the change in the mix of stations owned by Stations, with the March 2000 addition of KAKE-TV and WOWT-TV and the disposition of WWLP-TV and KOSA-TV. The effect of the change of stations was greatest on depreciation and amortization expenses which increased $2.2 million or 11.1% to $21.9 million for 2001 as compared to $19.7 million for 2000. As a percentage of net revenues, operating expenses increased to 85.4% for 2001 compared to 76.5% for 2000.

Gain on sale of stations, net. In 2000, Stations recognized a gain of $61.1 million as a result of the exchange of the assets of WWLP-TV with a fair market value of $123.0 million and $18.0 million in cash for the assets of KAKE-TV and WOWT-TV. Stations also realized a $0.3 million gain on the sale of KOSA-TV in 2000. KOSA-TV was sold for $8.0 million.

Operating income. Stations' operating income for 2001 decreased $73.2 million or 82.3% to $15.7 million from $88.9 million for 2000. The change in operating income was primarily caused by the gain on sale of stations in March 2000 and increased depreciation and amortization expense.

Financial income (expense). Stations' financial expense for 2001 decreased $0.7 million or 1.7% to $43.2 million from $43.9 million in 2000 as a result of declining interest rates.

Income tax benefit (expense). Stations' income tax benefit in 2001 was $10.2 million compared to an income tax expense of $29.2 million for 2000. The decrease in income tax expense in 2001 from 2000 was primarily due to the tax effect of the sale of WWLP-TV and KOSA-TV in March 2000. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the Internal Revenue Service like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes.

Discontinued operations. Stations' loss from discontinued operations was $(28.1) million in 2001 as compared to $(0.9) million in 2000. Before income taxes, Stations' loss from discontinued operations was $(29.8) million in 2001 as compared to $(0.2) million in 2000. Discontinued operations consist of the operating results and valuation adjustments related to WTRF-TV and the Station Group. Included in discontinued operations for 2001 was a write-down to fair value on the sale of WTRF-TV of $6.9 million as well as $17.7 million of valuation adjustments on certain other stations' goodwill and network affiliation intangible assets that were determined to have been impaired based on estimated discounted future cash flows. During 2002, these certain stations were held for sale and the valuation adjustments have been reclassified to discontinued operations consistent with the restatement provisions of SFAS No. 144.

Net income (loss). Stations had a net loss of $(45.4) million for 2001 as compared to net income of $15.8 million for 2000.

Broadcast cash flow. Broadcast cash flow for 2001 decreased $9.3 million or 17.4% to $43.9 million from $53.2 million for 2000. As a percentage of net revenues, broadcast cash flow margin decreased to 40.8% for 2001 from 45.6% for 2000.

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

The following table provides historical information for the year ended December 31, 1999 and 2000.

	Year Ended December 31,		
	1999	2000	% Change
	(Dollars in thousands)		
Local/regional	$ 66,146	$ 70,732	6.9%
National	35,535	41,153	15.8
Political	1,329	13,238	96.1
Other	11,756	10,935	(7.0)
	114,766	136,058	18.6
Direct costs	15,334	19,371	26.3
Net revenues	99,432	116,687	17.4%
Operating expenses:			
Selling, technical and program expenses	40,247	48,078	19.5
General and administrative	14,907	15,857	6.4
Depreciation and amortization	17,442	19,711	13.0
Corporate	4,510	5,590	23.9
	77,106	89,236	15.7
Gain on sale of stations, net	6,403	61,406	859.0
Operating income	$ 28,729	$ 88,857	209.3%
Broadcast cash flow	$ 44,681	53,220	19.1%
Broadcast cash flow margin	44.9%	45.6%	
Operating cash flow	$ 40,171	$ 47,630	18.6%
Operating cash flow margin	40.4%	40.8%	

Net revenues. Stations' net revenues in 2000 increased by $17.3 million or 17.4% to $116.7 million from $99.4 million in 1999. Stations' net revenues were positively impacted by political revenues in 2000 which were $13.2 million compared to $1.3 million in 1999. Excluding political advertising revenues and before direct costs, Stations' gross revenues increased by $9.4 million or 8.3% to $122.8 million for 2000 from $113.4 million for 1999 due to the exchange of WWLP for KAKE-TV and WOWT-TV which was offset in part by a softening advertising market and the displacement of commercial advertisers by political advertisers.

Operating expenses. Stations' operating expenses in 2000 increased by $12.1 million or 15.7% to $89.2 million from $77.1 million in 1999. The increase in operating expenses was caused by the change in the mix of stations owned by Stations, with the March 2000 addition of KAKE-TV and WOWT-TV and the disposition of WWLP-TV and KOSA-TV. As a percentage of net revenues, operating expenses decreased to 76.5% for 2000 compared to 77.6% for 1999.

Gain on sale of stations, net. Stations recognized a gain of $61.1 million in 2000 as a result of the exchange of the assets of WWLP-TV with a fair market value of $123.0 million and $18.0 million in cash for the assets of KAKE-TV and WOWT-TV. The book value of the WWLP-TV assets was $61.4 million and related fees were $0.4 million. Stations also realized a $0.3 million gain on the sale of KOSA-TV in 2000. KOSA-TV was sold for $8.0 million and fees related to the sale were $0.1 million.

Operating income. Stations' operating income for 2000 increased $60.2 million or 209.3% to $88.9 million from $28.7 million for 1999 primarily from the gain on the sale of stations.

Financial income (expense). Stations' financial expense, net, for 2000 increased $4.2 million or 10.6% to $43.9 million from $39.7 million in 1999 as a result of higher interest rates and to a lesser extent to greater accretion on the 13 1/4% senior subordinated discount notes.

Discontinued operations. Stations' loss from discontinued operations was $(0.9) million in 2000 as compared to $(4.4) million in 1999. Before income taxes, Stations' loss from discontinued operations was $(0.2) million in 2000 as compared to $(6.1) million in 1999. Discontinued operations consist of the operating results and valuation adjustments related to the Station Group. Included in discontinued operations for 1999 was $2.8 million of valuation adjustments on certain stations' goodwill and network affiliation intangible assets that were determined to have been impaired based on estimated discounted future cash flows. During 2002, these certain stations were held for sale and the valuation adjustments have been reclassified to discontinued operations consistent with SFAS No. 144.

Income tax expense. Stations' income tax expense in 2000 was $29.2 million compared to $0.4 million for 1999. The increase in income tax expense in 2000 was due in part to the $61.1 million gain on the sale of WWLP-TV. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the IRS like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes compared with the book gain of $61.1 million.

Extraordinary gain (loss). Extraordinary gain was $0.9 million for 2000, net of $0.6 million in income taxes and consisted of an early extinguishment of debt. The gain was recognized when Stations purchased its 13 1/4% senior subordinated discount notes with a face amount of $12.3 million for $9.8 million. The notes Stations purchased had an accreted value of $11.4 million. In 1999, Stations recorded an extraordinary loss of $(12.5) million, net of $8.3 million in income taxes. The loss was a result of the early extinguishment of debt associated with the completion of the tender offer for $135.0 million of Benedek's senior secured notes.

Net income (loss). Stations' net income was $15.8 million for 2000 compared to a net loss of $(28.3) million for 1999.

Broadcast cash flow. Broadcast cash flow for 2000 increased $8.5 million or 19.1% to $53.2 million from $44.7 million for 1999. As a percentage of net revenues, broadcast cash flow margin increased to 45.6% for 2000 from 44.9% for 1999.

Income Taxes

For the year ended December 31, 2001, Stations had an income tax benefit of $10.2 million compared to an income tax expense of $29.2 million for the year ended December 31, 2000. The change in income taxes is due primarily to the $61.1 million gain on the sale of WWLP-TV in 2000. For tax purposes, the sale of the WWLP-TV assets was treated as an exchange for the assets of KAKE-TV and WOWT-TV under the Internal Revenue Service like-kind exchange rules. As such, Stations had a $2.2 million gain for tax purposes. At March 31, 2002, Stations has approximately $35.7 million of actual net operating loss carryforwards available to offset future tax liabilities. These net operating loss carryforwards expire in the years 2020 through 2023. Stations also has approximately $0.5 million of tax credit carryforwards with no expiration.

Seasonality

Stations net revenues and operating cash flow are generally highest during the fourth quarter of each year. This is primarily due to increased expenditures by advertisers in anticipation of holiday season consumer spending and an increase in viewership during this period. Generally, the second quarter of each year produces net revenues and operating cash flow greater than the first and third quarters due to higher viewership in this period.

Quantitative and Qualitative Disclosures About Market Risk

During September 2001, in accordance with certain covenants of Benedek's credit facility, Benedek entered into an interest rate cap agreement, which matures in September 2003. The agreement reduces the impact of changes in interest rates on Benedek's floating-rate long-term debt. That agreement effectively entitles Benedek to receive from a financial institution the amount, if any, by which the British Bankers' Association interest settlement rates for U.S. dollar deposits exceeds 6.00% on a notional amount totaling $60.0 million subject to an amortization schedule. As of March 31, 2002, the settlement rate was 1.90%.

UNAUDITED PRO FORMA FINANCIAL DATA

The unaudited pro forma financial data presented below is for illustrative purposes only and is not necessarily indicative of the operating results that would have actually occurred, nor is it necessarily indicative of future operating results. The unaudited pro forma financial data should be read in conjunction with the Gray consolidated financial statements and notes thereto incorporated by reference into this prospectus, and in conjunction with Stations' consolidated financial statements and notes thereto included elsewhere in this prospectus.

Stations' historical consolidated financial statements reflect the nine 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 $513.4 million which includes a base price of $502.5 million, additional cash consideration of $4.9 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 included (1) revising or replacing our senior credit facility to provide additional revolving credit borrowing ability of $50 million, and additional term loan borrowings of $175 million, (2) the issuance of $100 million of senior subordinated notes and (3) the sale of $225 million of our class B common stock for an estimated $14.49 per share, the closing price at March 31, 2002.

- The incurrence of an estimated $22.8 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 $7.8 million and (2) the sale of additional shares our class B common stock for a fee of $15.0 million. The estimated fees and expenses have been paid or will be 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 a Series C preferred stock with an 8% annual dividend rate. The series c preferred stock has a mandatory redemption in April 2012 and is exchangeable into our class b common stock at a current conversion rate of $14.39 per share. We received net cash proceeds of approximately $30.6 million after paying fees and expenses of $767,000. $8.6 million liquidation value of the series c preferred stock was used to exchange our existing series A and series B preferred stock with an aggregate liquidation value of $8.6 million into the Series C preferred stock using a one for one exchange ratio.

The unaudited pro forma combined condensed statement of operations for the three months ended March 31, 2002 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 reflect these transactions as if they had been completed on January 1, 2001. The March 31, 2002 unaudited pro forma combined condensed balance sheet reflects these transactions as if they had been completed on March 31, 2002.

The pro forma adjustments are based on the preliminary estimates of the number of shares of our class B 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 date, and the transaction costs all determined as of the closing date. 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 THREE MONTHS ENDED MARCH 31, 2002

	Gray	Stations	Pro Forma Adjustments	Pro Forma
		(dollars in thousands except per share data)		
Operating revenues:				
Broadcasting (net of agency commissions)	$25,453	$ 25,584	$ —	$51,037
Publishing	10,143	—	—	10,143
Paging	2,009	—	—	2,009
	37,605	25,584	—	63,189
Expenses:				
Broadcasting	15,481	16,258	—	31,739
Publishing	7,651	—	—	7,651
Paging	1,383	—	—	1,383
Corporate and administrative	1,000	1,543	(536)(a)	2,007
Depreciation and amortization	3,733	6,309	(3,864)(b)	6,178
	29,248	24,110	(4,400)	48,958
Operating income	8,357	1,474	4,400	14,231
Other (income) expense:				
Interest expense	8,965	10,783	(5,915)(c)(d)	13,833
Miscellaneous income, net	(38)	(32)	—	(70)
Appreciation (depreciation) in value of derivatives, net	(389)	—	—	(389)
Reorganization fees and expenses	—	931	(931)(a)	—
Total other (income) expense, net	8,538	11,682	(6,846)	13,374
Income (loss) from continuing operations before provision for (benefit from) income taxes	(181)	(10,208)	11,246	857
Provision for (benefit from) income taxes	(46)	(3,931)	4,273(e)	296
Income (loss) from continuing operations	$ (135)	$ (6,277)	$ 6,973	$ 561
Preferred dividends	$ 154	$ 7,849	$ (7,203)(f)(g)	$ 800
Basic and diluted earnings per common share:				
Loss from continuing operations	$ (289)			$ (239)
Weighted average outstanding common shares:				
Basic and diluted	15,647			31,175(h)
Basic and diluted loss per share available to common stockholders from continuing operations	$ (0.02)			$ (0.01)

(a) Reflects the elimination of certain historical expenses of Stations that Gray will not, or does 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 Gray among the assets acquired and the liabilities assumed. The adjustment is primarily the result of eliminating Stations' amortization of amounts assigned to network affiliation agreements. Of our consideration estimated to be paid, $7.6 million was assigned to network affiliation agreements, thereby increasing the amount of indefinite lived intangible assets which are not amortized.

(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 $2.4 million on the estimated $175.5 million of newly issued senior debt with an assumed effective interest rate of 5.55%, (2) interest charges of $2.3 million on the estimated $100 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of $0.2 million of the estimated $7.8 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 $0.2 million of historical amortization expense for deferred financing charges associated with our prior senior credit facility.

(e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.

(f) Preferred dividends have been adjusted to reflect our issuance of $40.0 million liquidation value Series C preferred stock with an annual dividend rate of 8% and the application of the $30.6 million net cash proceeds toward our merger consideration, thereby reducing our senior debt borrowing requirements and related interest expense and the exchange of an aggregate of $8.6 million liquidation value of our existing series A and series B preferred stock into the Series C preferred stock.

(g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.

(h) Reflects our issuance of an additional 15,527,950 shares of our class B common stock at an assumed price of $14.49 per share, the closing price at March 31, 2002.

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	8,724	—	—	8,724
	156,343	107,561	—	263,904
Expenses:				
Broadcasting	66,232	64,007	—	130,239
Publishing	31,915	—	—	31,915
Paging	5,877	—	—	5,877
Corporate and administrative	3,615	5,946	(2,284)(a)	7,277
Depreciation and Amortization	30,824	21,901	(12,120)(b)	40,605
	138,463	91,854	(14,404)	215,913
Operating income	17,880	15,707	14,404	47,991
Other (income) expense:				
Interest expense	35,783	43,361	(24,031)(c)(d)	55,113
Depreciation in value of derivatives, net	1,581	—	—	1,581
Miscellaneous income, net	(194)	(159)	—	(353)
Total other (income) expense, net	37,170	43,202	(24,031)	56,341
Income (loss) from continuing operations before provision for (benefit from) income taxes	(19,290)	(27,495)	38,435	(8,350)
Provision for (benefit from) income taxes	(5,972)	(10,165)	14,605 (e)	(1,532)
Income (loss) from continuing operations	$ (13,318)	$ (17,330)	$ 23,830	$ (6,818)
Preferred dividends	$ 616	$ 31,186	$ (28,602)(f)(g)	$ 3,200
Basic and diluted earnings per common share:				
Loss from continuing operations	$ (13,934)			$ (10,018)
Weighted average outstanding common shares:				
Basic and diluted	15,605			31,133 (h)
Basic and diluted net loss per share available to common stockholders from continuing operations	$ (0.89)			$ (0.32)

(a) Reflects the elimination of certain historical expenses of Stations that Gray will not, or does 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 Gray 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.

(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 $9.7 million on the estimated $175.5 million of newly issued senior debt with an assumed effective interest rate of 5.55%, (2) interest charges of $9.2 million on the estimated $100 million of newly issued senior subordinated indebtedness with an assumed effective interest rate of 9.25%, (3) amortization of $0.9 million of the estimated $7.8 million of deferred financing charges incurred with the revised or newly issued senior credit facility with an estimated average life to maturity of 8.25 years and the offering of the senior subordinated notes with an estimated average life to maturity of 9.2 years and (4) the elimination of $0.9 million of the historical amortization expense for deferred financing charges associated with our prior senior credit facility.

(e) Reflects the provision for (benefit from) income taxes using an effective income tax rate of 38%.

(f) Preferred dividends have been adjusted to reflect our issuance of $40.0 million liquidation value Series C preferred stock with an annual dividend rate of 8% and the application of the $30.6 million net cash proceeds toward our merger consideration, thereby reducing our senior debt borrowing requirements and related interest expense and the exchange of an aggregate of $8.6 million liquidation value of our existing series A and series B preferred stock into the Series C preferred stock.

(g) Reflects elimination of historical preferred dividends of Stations as such preferred stock is extinguished in the merger.

(h) Reflects our issuance of an additional 15,527,950 shares of our class B common stock at an assumed price of $14.49 per share, the closing price at March 31, 2002.

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UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

AS OF MARCH 31, 2002

	Gray	Stations	Pro Forma Adjustments	Pro Forma
		(Dollars in thousands)		
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,165	$ 7,365	$ (5,000)(a)	$ 5,530
Trade accounts receivable, less allowance for doubtful accounts	24,927	21,092	(1,702)(b)	44,317
Recoverable income taxes	987	—	—	987
Inventories	970	—	—	970
Current portion of program broadcast rights, net	2,565	2,947	—	5,512
Other current assets	992	3,009	—	4,001
Assets of stations held for sale	—	47,841	(47,841)(c)	—
Total current assets	33,606	82,254	(54,543)	61,317
Property and equipment, net	61,372	49,967	—	111,339
Deferred loan costs, net	11,334	3,714	(2,026)(b)(d)	13,022
FCC licenses and network affiliation agreements	403,794	213,123	234,491 (b)	851,408
Goodwill	53,151	78,099	2,652 (b)	133,902
Consulting, noncompete and other definite lived intangible assets	795	—	3,000 (b)	3,795
Other	14,549	1,282	—	15,831
Total assets	$578,601	$ 428,439	$ 183,574	$1,190,614
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Trade accounts payable and accrued expenses	$ 11,641	$ 9,935	$ —	$ 21,576
Accrued interest	7,670	—	—	7,670
Current portion of program broadcast obligations	2,393	4,819	—	7,212
Deferred revenue	3,278	276	—	3,554
Unrealized loss on derivatives	1,192	—	—	1,192
Current portion of long-term debt	456	2,283	—	2,739
Liabilities of stations held for sale	—	8,967	(8,967)(c)	—
Total current liabilities	26,630	26,280	(8,967)	43,943
Long-term debt, less current portion	390,992	2,975	275,471 (d)	669,438
Program broadcast obligations, less current portion	576	1,121	—	1,697
Supplemental employee benefits	472	—	—	472
Deferred income taxes	54,358	23,326	54,370 (b)(d)	132,054
Other	1,695	562	—	2,257
Liabilities subject to compromise	—	448,175	(448,175)(e)	—
Total liabilities	474,723	502,439	(127,301)	849,861
Senior exchangeable preferred stock	—	162,163	(162,163)(f)	—
Seller junior discount preferred stock	—	82,436	(82,436)(f)	—
Series C preferred stock, redeemable, exchangeable, 4,000 shares, liquidation value $10,000 per share	—	—	39,233 (g)	39,233
Stockholders' equity				
Serial preferred stock, 861 shares, liquidation value $10,000 per share	4,637	—	(4,637)(g)	—
Class A common stock	20,173	—	—	20,173
Class B common stock	117,829	74	209,926 (f)(h)	327,829
Additional paid-in capital	—	(68,595)	68,595 (f)(h)	—
Retained earnings (accumulated deficit)	(30,422)	(249,414)	241,693 (d)(f)(g)	(38,143)
Stockholder's note receivable		(664)	664 (f)	—
	112,217	(318,599)	516,241	309,859
Treasury stock at cost, class A common	(8,339)	—	—	(8,339)
Treasury stock at cost, class B common	—	—	—	—
Total stockholders' equity	103,878	(318,599)	516,241	301,520
Total liabilities and stockholders' equity	$578,601	$ 428,439	$ 183,574	$1,190,614

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(a) Assume $5.0 million of the aggregate cash on hand upon concluding the merger is utilized to pay certain fees and expenses incurred with the merger.

(b) Reflects the acquisition of Stations for total estimated consideration of $513.4 million which includes a base price of $502.5 million, additional cash consideration of $4.9 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 March 31, 2002. The allocation of the consideration paid is as follows:

Description	SHC	Disposition Of Designated Stations	Fair Value Adjustments	Opening Balance Sheet
		(in thousands)		
Cash	$ 7,365			$ 7,365
Accounts receivable	21,092		$ (1,702)	19,390
Assets of stations held for sale	47,841	$(47,841)		—
Current portion of program broadcast rights	2,947			2,947
Other current assets	3,009			3,009
Property and equipment	49,967			49,967
Other long term assets	1,282			1,282
Deferred loan costs	3,714		(3,714)	—
FCC licenses, network affiliation agreements and other indefinite lived intangible assets	213,123		234,491	447,614
Consulting, noncompete and other definite lived intangible assets	—		3,000	3,000
Goodwill	78,099		2,652	80,751
Trade payables and accrued expenses	(9,935)			(9,935)
Current portion of notes payable	(2,283)			(2,283)
Current portion of program broadcast obligations	(4,819)			(4,819)
Liabilities of stations held for sale	(8,967)	8,967		—
Deferred revenue	(276)			(276)
Deferred tax liabilities	(23,326)		(56,674)	(80,000)
Long term portion of program broadcast obligations	(1,121)			(1,121)
Long term portion of notes payable	(2,975)			(2,975)
Other long term liabilities	(562)			(562)
Total purchase price including expenses	$374,175	$(38,874)	$178,053	$513,354

The allocation of the consideration to the assets and liabilities of Stations acquired by Gray 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.

(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 $199.2 million of senior debt with a variable interest rate based on LIBOR plus a premium which we have assumed to be 3.25% and we have further assumed for the pro forma adjustments that the effective interest rate on this debt is 5.55% 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 $7.8 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 Gray's historical deferred financing charges of $6.0 million associated with its 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 class B common stock as discussed below.

(f) Reflects the elimination of the historical stockholders equity of Stations including all preferred stock, common stock, additional paid-in capital and accumulated deficits.

(g) Reflects our issuance in April 2002 of $40.0 million liquidation value of a Series C preferred stock with an 8% annual dividend rate. The series c preferred stock has a mandatory redemption in April 2012 and is exchangeable into our class b common stock at a current conversion rate of $14.39 per share. We received net cash proceeds of approximately $30.6 million after paying fees and expenses of $767,000. $8.6 million liquidation value of the series c preferred stock was used to exchange our existing series A and series B preferred stock with an aggregate liquidation value of $8.6 million into the series c preferred stock using a one for one exchange ratio. Also includes as a charge to our accumulated deficit a $4.0 million non-cash constructive dividend resulting from the exchange of the series A and series B preferred stock into the Series C preferred stock.

(h) Reflects the assumed issuance of 15,527,590 shares of our class B common stock at an assumed price of $14.49 per share, the closing price of such stock on March 31, 2002, net of issuance costs of $15.0 million.

DESCRIPTION OF OUTSTANDING INDEBTEDNESS

Senior Secured Credit Facility

We amended and restated our senior secured credit facility on September 25, 2001. The facility provides us with a $200 million term facility and a $50 million reducing revolving credit facility. In addition, the agreement provides us with the ability to access, through December 31, 2003, up to $100 million of incremental senior secured term loans upon the consent of the lenders.

Under the revolving and term facilities, at our option, we can borrow funds at an interest rate equal to 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 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 term facility are base rate plus a margin ranging from 1.75% to 2.0% or LIBOR plus a margin ranging from 3.0% to 3.25%. Our applicable margin will be determined by our operating leverage ratio which is calculated quarterly. As of March 31, 2002, the interest rate for the revolving credit facility was the lenders' base rate plus 1.75% or LIBOR plus 3.0% at our option. As of March 31, 2002, the interest rate for the term facility was the lenders' base rate plus 2.0% or LIBOR plus 3.25% at our option.

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 facilities are collateralized by substantially all of the assets, excluding real estate, of our subsidiaries and us. In addition, our subsidiaries are joint and several guarantors of the obligations and our ownership interests in our subsidiaries are pledged to collateralize the obligations. The agreement contains certain restrictive provisions which include, but are not limited to, requiring us to maintain certain financial ratios and limits upon our ability to incur additional indebtedness, make certain acquisitions or investments, sell assets and make other restricted payments.

At March 31, 2002, the balance outstanding and the balance available under our senior secured credit facility were $212.5 million and $37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%.

The 9.25% Notes

The 9.25% notes are our general unsecured obligations subordinated in right of payment to all of our existing and future senior indebtedness, including all of our obligations under our senior secured credit facility. The interest rate on the 9.25% notes is 9.25% per year (calculated using a 360-day year) payable on June 15 and December 15 of each year, beginning on June 15, 2002.

The 9.25% notes are guaranteed, jointly and severally, fully and unconditionally, on a senior subordinated basis by each of the guarantors, which consist of all of our subsidiaries. The obligations of a guarantor under its guarantee of the notes are subordinated in right of payment, to the same extent as our obligations under the 9.25% notes, to all existing and future senior indebtedness of such guarantor, which includes any guarantee by it of our indebtedness under our senior secured credit facility.

The indenture governing the 9.25% notes contains certain covenants that, among other things, limit our ability to (1) transfer or issue shares of capital stock of subsidiaries to third parties, (2) pay dividends or make certain other payments, (3) incur additional indebtedness, (4) issue preferred stock, (5) incur liens to secure our indebtedness, (6) apply net proceeds from certain asset sales, (7) enter into certain transactions with affiliates or (8) merge with or into any other person.

We may redeem:

- all or part of the original principal amount of the 9.25% notes beginning on December 15, 2006, at redemption prices based on the year of redemption, plus accrued and unpaid interest;

- up to 35% of the original principal amount of the 9.25% notes at any time prior to December 15, 2004 at a price of 109.250% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, with the proceeds of certain public equity offerings of our company; and

- all but not part of the 9.25% notes at any time prior to December 15, 2006 at a price equal to 100% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, if any, to the date of redemption plus a make whole premium based upon the present value of the remaining payments on the 9.25% notes.

Upon a change in control, defined as the acquisition by any persons of beneficial ownership of more than 35% of the voting power of the outstanding shares of our common stock, transfers of substantially all of our assets, certain substantial changes in our board of directors, certain consolidations or mergers of our company involving a significant change in shareholdings or the liquidation of our company, we will be required to make an offer to repurchase all of the outstanding 9.25% notes at 101% of their aggregate principal amount plus accrued and unpaid interest to the date of purchase. Under certain circumstances, we may not be required to make such a change of control offer.

DESCRIPTION OF CAPITAL STOCK

We are 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 preferred stock for which our board of directors has the authority to determine the rights, powers, limitations and restrictions.

We intend to submit to our shareholders for approval a proposal to change the designation of our class B common stock to “Gray Common Stock.” We also intend to reserve the ticker symbols “GTN” for the redesignated Gray Common Stock and “GTN.A” for our class A common stock on the New York Stock Exchange.

Terms of Our Common Stock

As of June 30, 2002, 6,848,467 shares of Class A common stock were issued and outstanding and 8,882,841 shares of class B common stock were issued and outstanding (excluding 885,269 shares of class B common stock held in escrow under the merger agreement). The rights of our class A and class B common stock are identical, except that our class A common stock entitles the holder to ten votes on all matters on which shareholders are permitted to vote and our class B common stock entitles the holder to one vote on all matters on which shareholders are permitted to vote. The holders of our common stock are entitled to dividends when, as and if declared by our board of directors out of funds legally available therefor and, upon liquidation, to a pro rata share in any distribution to shareholders. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our class A and class B common stock are fully paid and nonassessable.

Terms of Our Preferred Stock

As of June 30, 2002, 4,000 shares of Series C were issued and outstanding. The following is a description of our Series C:

- Our Series C is preferred stock and ranks senior to our class A and class B common stock as to payment of dividends and distribution of assets upon liquidation.

- Our Series C has a liquidation value equal to $10,000 per share plus accrued and unpaid dividends to the date of final distribution. There are no sinking fund provisions applicable to our Series C.

- Our Series C has a cumulative annual dividend of $800 per share, and beginning on April 22, 2009, $850 per share, payable, at our option, in cash or in additional shares of Series C on a quarterly basis beginning on June 30, 2002.

- Our Series C is convertible, at the option of the holder, into shares of our class B common stock at an initial conversion price of $14.39 per share, subject to certain adjustments, except that our affiliates may not convert their shares of Series C unless and until the issuance of the Series C to them has been approved by our shareholders or otherwise permitted by the New York Stock Exchange.

- Our Series C is redeemable, in whole or in part, at our option, on or after April 22, 2007, at a redemption price equal to $10,000 per share plus accrued and unpaid dividends. We must redeem all of the then outstanding shares of Series C on April 22, 2012 at a redemption price equal to $10,000 per share plus accrued and unpaid dividends.

- Holders of our Series C will not have any voting rights except as set forth below or as otherwise required by law. Holders of our Series C: (1) will be entitled to elect two additional directors of our company in the event that dividends on our Series C are in arrears in an amount equal to at least six quarterly dividends and (2) have approval rights over (A) the authorization or issuance of any shares of, or the reclassification of any shares of our capital stock into shares of, our capital stock ranking senior to our Series C, (B) the authorization or issuance of any additional shares of

Series C and (C) any amendment of our restated articles of incorporation that adversely affects the powers, preferences or special rights of our Series C.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Mellon Investor Services LLC. It is located at One Mellon Bank Center, 500 Grant Street, Room 2122, Pittsburgh, PA 15258-0001 and its telephone number is (412) 236-8172.

SELLING SECURITY HOLDERS

The following table sets forth certain information known to us with respect to the beneficial ownership of our class B common stock as of June 30, 2002 and the security holders who may sell their class B common stock pursuant to this prospectus, and who we refer to as the "selling security holders."

The shares offered by this prospectus may be offered for sale from time to time by the selling security holders. Because the selling security holders may offer all, some or none of the shares pursuant to this prospectus, and because there are currently no agreements, arrangements or understandings with respect to the sale of any shares, except for a provision in our Articles of Amendment to our Articles of Incorporation that restricts certain of the selling security holders from converting their shares of Series C unless the issuance of such shares to such security holders has been approved by the requisite vote of our shareholders, or unless otherwise permitted by the New York Stock Exchange or the rules thereof, no estimate can be given as to the number of shares that will be held by the selling security holders after the completion of this offering. It is assumed that all the shares offered pursuant to this prospectus are sold, although the aforementioned security holders may not convert their Series C into class B common stock and offer those shares of class B common stock until such approval has been obtained or unless otherwise permitted by the New York Stock Exchange. No selling security holder has, or within the past three years has had, any position, office or other material relationship with us or any of our predecessors or affiliates, except as noted.

The second column lists, for each selling security holder, the number of shares of class B common stock held prior to June 30, 2002 plus the number of shares of class B common stock held based on the selling security holder's ownership of Series C which is convertible into our class B common stock at the selling security holder's option, including upon payment of PIK dividends, at any time or from time to time. The third column lists each selling security holder's portion of the 3,000,000 shares of class B common stock being offered in this prospectus. The fourth and fifth columns assume the sale of all the shares offered in this prospectus by each selling security holder. Except as otherwise indicated, to our knowledge, the selling security holders have sole voting and investment power with respect to the shares of Series C owned by each selling security holder and the underlying shares of class B common stock, and will have sole voting and investment power at the time such shares are sold. The percentages shown in the table below are based upon 8,882,841 shares of class B common stock outstanding as of June 30, 2002 and 3,000,000 shares of class B common stock into which our Series C is convertible.

Selling Security Holder	Number of Shares Beneficially Owned Before this Offering(a)	Shares Being Offered	Number of Shares Beneficially Owned After this Offering(b)	Percentage Beneficial Ownership After this Offering
J. Mack Robinson(c)	563,600	27,000	536,600	6.04
Harriett J. Robinson(d)	563,600	40,500	523,100	5.89
Harriett J. Robinson Trustee U/ A 08-25-84 FBO Jill E. Robinson(e)	47,000	27,000	20,000	*
Harriett J. Robinson Trustee U/ A 08-25-84 FBO Robin M. Robinson(e)	47,000	27,000	20,000	*
Georgia Casualty and Surety Co.	137,250	131,250	6,000	*
Bankers Fidelity Life Insurance Co.	131,250	131,250	—	—
Delta Life Insurance Company	233,500	223,500	10,000	*
Delta Fire & Casualty Insurance Company	37,500	37,500	—	—
Teachers Insurance and Annuity Association of America	1,125,000	1,125,000	—	—
Continental Casualty Company	412,500	412,500	—	—
American High-Income Trust	225,000	225,000	—	—

Selling Security Holder	Number of Shares Beneficially Owned Before this Offering(a)	Shares Being Offered	Number of Shares Beneficially Owned After this Offering(b)	Percentage Beneficial Ownership After this Offering
American Funds Insurance Series-High-Yield Bond Fund	225,000	225,000	—	—
The Gabelli Equity Income Fund(f)	75,000	75,000	—	—
The Gabelli Small Cap Growth Fund(f)	265,000	75,000	190,000	2.14
The Gabelli Global Multimedia Trust, Inc.(f)	175,000	75,000	100,000	1.13
The Gabelli Convertible Securities Fund, Inc.(f)	75,000	75,00	—	—
The Gabelli Equity Trust, Inc.(f)	92,500	67,500	25,000	*

* Less than one percent

(a) Pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended, the “Exchange Act,” as used in this table, “beneficial ownership” means the sole or shared power to vote, or to direct the disposition of, a security and a person is deemed to have “beneficial ownership” of any security that the person has the right to acquire within 60 days.

(b) Assumes the sale by the selling security holders of all shares registered hereby.

(c) President and Chief Executive Officer of the Company since 1996. Chairman of the Executive Committee and a member of the Management Personnel Committee of the Company’s board of directors. Director of the Company since 1993. Husband of Harriett J. Robinson, a member of our board of directors. Father-in-law of Hilton H. Howell, Jr., Executive Vice President and a member of our board of directors. Shares beneficially owned by Mr. Robinson include 11,750 shares owned by Bull Run Corporation and warrants to purchase 100,000 shares owned by Bull Run Corporation because Mr. Robinson is a director and officer and a principal shareholder of Bull Run Corporation. Mr. Robinson disclaims beneficial ownership of the shares owned by Bull Run Corporation. Also includes an aggregate of 16,000 shares owned by certain companies of which Mr. Robinson is an officer, director and a principal or sole shareholder and his wife is a director. Also includes (1) options to purchase 265,000 shares; (2) 72,900 shares owned by Mr. Robinson’s wife directly and as trustee for their daughters; and (3) options to purchase 5,000 shares, all of which Mr. Robinson disclaims beneficial ownership.

(d) Director of the Company since 1997. Wife of J. Mack Robinson and mother-in-law of Hilton H. Howell, Jr. Shares beneficially owned by Mrs. Robinson include options to purchase 5,000 shares, 11,750 shares owned by Bull Run Corporation and warrants to purchase 100,000 shares owned by Bull Run Corporation because Mrs. Robinson’s husband is a director and officer and a principal shareholder of Bull Run Corporation. Mrs. Robinson disclaims beneficial ownership of the shares owned by Bull Run Corporation. Also includes an aggregate of 16,000 shares owned by certain companies of which Mrs. Robinson is a director and her husband is an officer, director and principal or sole shareholder. Also includes: 92,950 shares and options to purchase 265,000 shares owned by Mrs. Robinson’s husband and 40,000 shares owned by Mrs. Robinson as trustee for her daughters, all of which Mrs. Robinson disclaims beneficial ownership.

(e) Trusts for the benefit of Jill E. Robinson and Robin M. Robinson, both daughters of J. Mack Robinson and Harriett J. Robinson.

(f) Each Gabelli fund listed herein disclaims beneficial ownership of the shares owned by each other Gabelli fund listed herein and also disclaims beneficial ownership of class B common stock owned by the following affiliates of the Gabelli funds: (a) 497,833 shares owned by other Gabelli funds not listed herein; (b) 1,570,791 shares owned by GAMCO; (c) 11,000 shares owned by GPP; (d) 44,100 shares owned by GIL; (e) 16,340 shares owned by GSI; (f) 277 shares owned by Gemini; and (g) 29,000 shares owned by Gabelli Advisors.

PLAN OF DISTRIBUTION

The shares covered by this prospectus may be offered and sold from time to time by the selling security holders. For the purposes of this plan of distribution, the term "selling security holders" includes donees, pledgees, transferees or other successors-in-interest selling shares received after the date of this prospectus from a selling security holder as a gift, pledge, partnership distribution or other non-sale related transfer. The selling security holders will act independently of us in making decisions with respect to the timing, manner and size of each sale. The selling security holders may sell their shares by one or more of, or a combination of, the following methods:

- directly by the selling security holders to one or more purchasers;
- through underwriters, broker-dealers or agents;
- in one or more transactions at fixed prices (which may be changed), at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices;
- in option or other transactions with broker-dealers that require the delivery by such broker-dealers of the shares, which shares may be resold thereafter pursuant to this prospectus;
- in hedging transactions with broker-dealers who may engage in short sales of shares in the course of hedging the positions they assume with the selling security holders; or
- in the following additional transactions (which may involve crosses or block transactions):
  - on any national securities exchange or U.S. inter-dealer quotation system of a registered national securities association on which the shares may be listed or quoted at the time of sale;
  - in the over-the-counter market;
  - in transactions otherwise than on such exchanges or services or in over-the-counter market;
  - through the writing of options, whether the options are listed on an option exchange or otherwise; or
  - through the settlement of short sales.

In addition, any shares that qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this prospectus.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. In connection with distributions of the shares or otherwise, the selling security holders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with such transactions, broker-dealers or other financial institutions may engage in short sales of the class B common stock in the course of hedging the positions they assume with selling security holders. The selling security holders may also sell the class B common stock short and redeliver the shares to close out such short positions. The selling security holders may also enter into option or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction). The selling security holders may also pledge or grant a security interest in shares and, upon a default in the performance of the secured obligation, such pledgee or secured party may effect sales of the pledged shares pursuant to this prospectus (as supplemented or amended to reflect such transaction).

In effecting sales, broker-dealers or agents engaged by the selling security holders may arrange for other broker-dealers to participate. Broker-dealers, underwriters or agents may receive commissions, discounts or concessions from the selling security holders and/or purchasers of the shares for whom they may act as agents.

In offering the shares covered by this prospectus, the selling security holders and any broker-dealers, underwriters or agents who execute sales for the selling security holders may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. Any profits realized by the selling security holders and the compensation of any broker-dealer, underwriter or agent may be deemed to be underwriting discounts and commissions. Neither we nor any selling security holder can presently estimate the amount of such compensation. We know of no existing arrangements between any selling security holder and any other selling security holder, underwriter, broker-dealer or other agent relating to the sale or distribution of the shares. No underwriter, broker-dealer or agent has been engaged by us in connection with the distribution of the shares.

In order to comply with the securities laws of certain states, if applicable, the shares must be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

We have advised the selling security holders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling security holders and their affiliates. We will make copies of this prospectus available to the selling security holders for the purpose of satisfying the prospectus delivery requirements of the Securities Act, which may include delivery through the facilities of the New York Stock Exchange pursuant to Rule 153 under the Securities Act. The selling security holders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

At the time a particular offer of shares is made, if required, a prospectus supplement will be distributed that will set forth the number of shares being offered and the terms of the offering, including the name of any underwriter, dealer or agent, the purchase price paid by any underwriter, any discount, commission and other item constituting compensation, any discount, commission or concession allowed or reallowed or paid to any dealer, and the proposed selling price to the public.

We have agreed to indemnify the selling security holders against certain liabilities, including certain liabilities under the Securities Act. We will be indemnified by the selling security holders severally against certain liabilities, including certain liabilities under the Securities Act.

We have agreed with the selling security holders to keep the registration statement of which this prospectus constitutes a part effective until the earlier of April 22, 2004 and the date as of which there are no longer in existence any registrable securities under the registration rights agreement that we entered into with the selling security holders.

The selling security holders will pay any underwriting discounts and commissions and brokerage fees incurred by the selling security holders in disposing of the shares, as well as all transfer taxes and other similar expenses. We will bear some of the legal expenses incurred by the selling security holders and all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including all registration and filing fees, New York Stock Exchange listing fees and fees and expenses of our counsel and our accountants.

LEGAL MATTERS

Proskauer Rose LLP, New York, New York, and Troutman Sanders LLP, Atlanta, Georgia, will pass on the validity of the issuance of the securities offered in this prospectus.

EXPERTS

The consolidated financial statements and schedule of 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 this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon also incorporated by reference herein and in the registration statement. 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 Communications Systems, Inc. as of December 31, 2001, and for the year then ended, incorporated into this prospectus by reference to the Gray Communications Systems, 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 this prospectus have been audited by McGladrey & Pullen, LLP, independent auditors, as stated in their report appearing herein and are included in reliance upon the authority of said firm or experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we 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 SEC filings are also available to the public at the SEC's web site at http://www.sec.gov. Our class A common stock and class B 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, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002, our Current Report on Form 8-K filed on June 21, 2002 and any future filings that we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act. You may request a copy of those filings, at no cost, by writing or telephoning us at the following:

Gray Communications Systems, Inc.

4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attention: James C. Ryan
Telephone: (404) 504-9828

This prospectus is part of a registration statement we filed with the SEC. You should rely on only the information or representations provided in this 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 is accurate as of any date other than the date on the front of the document.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Stations Holding Company, Inc. (formerly Benedek Communications Corporation) and Subsidiaries
Hoffman Estates, Illinois

We have audited the accompanying consolidated balance sheets of Stations Holding Company, Inc. ("Stations") and subsidiaries as of December 31, 2000 and 2001 and the related consolidated statements of operations, stockholders' (deficit) and cash flows for the years ended December 31, 1999, 2000 and 2001. These financial statements are the responsibility of Stations' 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 of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Stations and subsidiaries as of December 31, 2000 and 2001 and the results of their operations and their cash flows for the years ended December 31, 1999, 2000 and 2001, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that Stations will continue as a going concern. As discussed in Note Q to the consolidated financial statements, Stations is currently in default under its Credit Facility and Discount Notes and has filed for relief under Chapter 11 of the Bankruptcy Code subsequent to year-end. This raises substantial doubt about Stations' ability to continue as a going concern. Management's plans in regard to these matters are also described in Note Q. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note O to the consolidated financial statements, Stations has elected to early adopt the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

/s/ McGLADREY & PULLEN, LLP

Rockford, Illinois
March 15, 2002, except for the subsequent
events described in Note Q as to which
the date is June 4, 2002

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STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2000	2001
	(In thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,983	$ 3,503
Receivables		
Trade, less allowance for doubtful accounts of $799 and $834 for 2000 and 2001	30,108	29,912
Notes receivable-officers	15	720
Other	935	720
Current portion of program broadcast rights	5,917	6,394
Prepaid expenses	1,957	2,237
Deferred income taxes	1,138	946
Assets of station held for sale (Note B)		
Property and equipment	—	3,023
Intangible assets	—	15,477
Total current assets	44,053	62,932
Property and equipment (Note D)	74,911	67,874
Intangible assets (Note E)	381,914	330,875
Other assets		
Program broadcast rights, less current portion (Note H)	854	1,884
Deferred loan costs	4,627	3,487
Notes receivable-officers (Note C)	1,702	982
Other	201	203
	7,384	6,556
	$ 508,262	$ 468,237
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
Current Liabilities		
Current maturities of notes payable	$ 1,460	$ 432,639
Current portion of program broadcast liabilities	9,188	9,421
Accounts payable and accrued expenses (Note I)	12,449	23,061
Deferred revenue	579	580
Total current liabilities	23,676	465,701
Long-Term Obligations		
Notes payable (Note F, G)	431,482	4,733
Program broadcast liabilities (Note H)	329	2,006
Deferred revenue	1,877	1,325
Deferred income taxes (Note K)	51,065	40,212
	484,753	48,276
Senior exchangeable preferred stock, liquidation Preference, 2000-$134,721 and 2001-$150,895 (Note F)	139,636	157,845
Seller junior discount preferred stock, liquidation preference, 2000-$64,426 and 2001-$73,296 (Note F)	65,928	78,905
Commitments (Note H, J, P, Q)		
Stockholders' (Deficit) (Note C, F, L) Common stock, class A	—	—
Common stock, class B	74	74
Additional paid-in capital	(66,413)	(68,605)
Accumulated deficit	(138,733)	(213,260)
Stockholder's note receivable (Note C)	(659)	(699)
	(205,731)	(282,490)

	$ 508,262	$ 468,237

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

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	1999	2000	2001
	(In thousands, except share and per share data)		
Net revenues	$ 99,432	$ 116,687	$ 107,561
Operating expenses:			
Selling, technical and program expenses	40,247	48,078	48,696
General and administrative	14,907	15,857	15,311
Depreciation and amortization (Note E)	17,442	19,711	21,901
Corporate	4,510	5,590	5,946
	77,106	89,236	91,854
Net gain on sale of stations (Note B & E)	6,403	61,406	—
Operating income	28,729	88,857	15,707
Financial income (expense):			
Interest expense: (Note A)			
Cash interest	(20,901)	(23,564)	(33,350)
Other interest	(19,040)	(20,943)	(10,011)
	(39,941)	(44,507)	(43,361)
Interest income	200	564	159
	(39,741)	(43,943)	(43,202)
Income (loss) from continuing operations before income tax and extraordinary item	(11,012)	44,914	(27,495)
Income tax benefit (expense)	(406)	(29,199)	10,165
Income (loss) from continuing operations	(11,418)	15,715	(17,330)
Discontinued Operations (Note O & Q):			
(Loss) from operations of discontinued stations	(6,142)	(229)	(29,826)
Income tax benefit (expense)	1,783	(652)	1,741
(Loss) from discontinued operations	(4,359)	(881)	(28,085)
Income (loss) before extraordinary item	(15,777)	14,834	(45,415)
Extraordinary item, gain (loss) on early extinguishment of debt net of applicable income taxes of $8,340 and $(628) in 1999 and 2000 (Note G)	(12,510)	942	—
Net income (loss)	(28,287)	15,776	(45,415)
Preferred stock dividends and accretion	(18,987)	(23,933)	(31,186)
Net (loss) applicable to common stock	$ (47,274)	$ (8,157)	$ (76,601)
Basic and diluted (loss) per common share:			
(Loss) from continuing operations	$ (4.11)	$ (1.11)	$ (6.56)
(Loss) from discontinued operations	(0.59)	(0.12)	(3.79)
Extraordinary item	(1.69)	0.13	—
(Loss) per common share	$ (6.39)	$ (1.10)	$ (10.35)
Weighted-average common shares outstanding	7,400,000	7,400,000	7,400,000

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

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STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT)

Years Ended December 31, 1999, 2000 and 2001

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Stockholder's Note Receivable	Total
			(In thousands)		
Balance at December 31, 1998.	$ 74	$(59,549)	$ (87,200)	$(588)	$(147,263)
Accretion to senior exchangeable preferred stock (Note F)	—	(1,823)	—	—	(1,823)
Dividends on preferred stock	—	—	(17,164)	—	(17,164)
Repurchase of initial warrants	—	(2,957)	—	—	(2,957)
Accrued interest on note receivable	—	33	—	(33)	—
Net (loss)	—	—	(28,287)	—	(28,287)
Balance at December 31, 1999.	$ 74	$(64,296)	$(132,651)	$(621)	$(197,494)
Accretion to senior exchangeable preferred stock (Note F)	—	(2,075)	—	—	(2,075)
Dividends on preferred stock	—	—	(21,858)	—	(21,858)
Repurchase of initial warrants	—	(80)	—	—	(80)
Accrued interest on note receivable	—	38	—	(38)	—
Net income	—	—	15,776	—	15,776
Balance at December 31, 2000.	$ 74	$(66,413)	$(138,733)	$(659)	$(205,731)
Accretion to senior exchangeable preferred stock (Note F)	—	(2,074)	—	—	(2,074)
Dividends on preferred stock	—	—	(29,112)	—	(29,112)
Repurchase of initial warrants	—	(158)	—	—	(158)
Accrued interest on note receivable	—	40	—	(40)	—
Net (loss)	—	—	(45,415)	—	(45,415)
Balance at December 31, 2001.	$ 74	$(68,605)	$(213,260)	$(699)	$(282,490)

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

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	1999	2000	2001
		(In thousands)	
Cash flows from operating activities			
Net income (loss)	$ (28,287)	$ 15,776	$(45,415)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of program broadcast rights	8,127	9,015	9,276
Depreciation and amortization	15,695	16,002	17,237
Amortization and writedown of intangibles and deferred loan costs	14,609	12,574	29,840
Amortization of note discount	17,227	18,887	7,124
Deferred income taxes	(10,368)	27,721	(10,661)
Net (gain) on sale of stations	(6,181)	(61,406)	—
Loss on writedown of station held for sale	—	—	6,880
(Gain) loss on early extinguishment of debt	20,850	(1,570)	—
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Receivables	(1,504)	(2,441)	411
Prepaid expenses and other	(356)	60	(280)
Payments on program broadcast liabilities	(7,455)	(8,691)	(8,873)
Accounts payable and accrued expenses	(2,482)	793	10,216
Deferred revenue	(573)	(511)	(511)
Net cash provided by operating activities	19,302	26,209	15,244
Cash flows from investing activities			
Purchase of property and equipment	(7,923)	(9,814)	(11,073)
Payment for acquisition of stations	(9,359)	(8,584)	—
Deposit on and costs of acquisitions	(10,294)	—	—
Proceeds from sale of stations	56	7,585	—
Deposit on sale of station, net of fees paid	—	—	235
Disbursements on notes receivable-officers, net of payments	(720)	(722)	15
Other, net	(51)	276	(12)
Net cash (used in) investing activities	(28,291)	(11,259)	(10,835)
Cash flows from financing activities			
Principal payments on notes payable	(259,453)	(3,806)	(2,231)
Redemption of discount notes	(2,591)	(9,820)	—
Net (payments) borrowings on long-term revolver	58,500	—	(2,500)
Proceeds from long-term borrowing	220,000	—	—
Repurchase of initial warrants	(2,957)	(80)	(158)
Payment of debt and senior preferred stock acquisition costs	(5,523)	(539)	—
Net cash provided by (used in) financing activities	7,976	(14,245)	(4,889)
Increase (decrease) in cash and cash equivalents	(1,013)	705	(480)
Cash and cash equivalents:			
Beginning	4,291	3,278	3,983
Ending	$ 3,278	$ 3,983	$ 3,503

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

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Years Ended December 31,		
	1999	2000	2001
		(In thousands)	
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest	$ 30,307	$ 26,395	$25,242
Cash payments (receipts) for income taxes	679	2,672	(1,524)
Supplemental Schedule of Noncash Investing and Financing Activities:			
Acquisition of program broadcast rights	$ 8,186	$ 8,100	$10,783
Purchase of equipment on accounts payable	500	419	57
Notes payable incurred for purchase of property and equipment	4,140	1,672	2,037
Equipment acquired by barter transactions	221	252	523
Dividends accrued on preferred stock	17,164	21,858	29,112
Accrued interest on note receivable stockholder added to additional paid-in capital	33	38	40
Accretion to senior preferred stock	1,823	2,075	2,074
Acquisition of stations:			
Property and equipment acquired at fair market value	$ 6,238	$ 25,693	$ —
Intangible assets acquired	27,376	117,426	—
Program broadcast rights acquired	1,115	931	—
Program broadcast liabilities assumed	(1,115)	(868)	—
Other, net	17	(1,343)	—
	33,631	141,839	—
Less: Fair value of assets swapped	(24,272)	(122,961)	—
Cash purchase price, including fees paid	9,359	18,878	—
Less: Deposits and costs paid in prior year	—	(10,294)	—
Payment for acquisition of stations	$ 9,359	$ 8,584	$ —
Sale of stations:			
Property and equipment sold	$ 3,076	$ 8,876	$ —
Intangible assets sold	8,101	60,258	—
Program broadcast rights sold	136	358	—
Program broadcast liabilities transferred	(145)	(345)	—
Other, net	—	(74)	—
	11,168	69,073	—
Gain recognized on sale of stations	13,101	61,406	—
	24,269	130,479	—
Less: Fair value of assets swapped	(24,272)	(122,961)	—
Fees paid on sales, prior year	59	67	—
Proceeds from sale of station net of fees paid	$ 56	$ 7,585	$ —

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

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Note A) — Nature of Business, Basis of Presentation and Summary of Significant Accounting Policies

Nature of Business

Stations Holding Company, Inc. and its subsidiaries ("Stations"), formerly known as Benedek Communications Corporation, is a holding company with minimal operations other than from its wholly owned subsidiary, Benedek Broadcasting Corporation ("Benedek"). Benedek owns and operates twenty-three television stations located throughout the United States. Stations' revenues are derived primarily from the sale of advertising time and, to a modest extent from compensation paid by the networks for broadcasting network programming and barter transactions for goods and services. Stations sells commercial time during the programs to national, regional and local advertisers. The networks also sell commercial time during the programs to national advertisers. Credit arrangements are determined on an individual customer basis. Segment information is not presented since all of Stations' revenue is attributed to a single reportable segment.

Basis of Presentation

The consolidated financial statements include the accounts of Stations and its wholly owned subsidiary, Benedek. Benedek has three wholly owned subsidiaries, Benedek License Corporation, Benedek Cable, Inc. and Benedek Interactive Media, LLC (the "Benedek Subsidiaries"). All significant intercompany items and transactions have been eliminated in consolidation.

Significant Accounting Policies

(1) Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash equivalents and concentration

Stations considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

At various times during the periods, Stations had cash and cash equivalents on deposit with a financial institution in excess of federal depository insurance limits. Stations has not experienced any credit losses on these deposits.

(3) Revenues

Revenue related to the sale of advertising is recognized at the time of broadcast. Net revenues are shown net of agency and national representatives' commissions.

Deferred revenues primarily relate to compensation paid by the network at the inception of the network affiliation agreement. This revenue is being recognized prorata until 2005, on a straight-line method.

(4) Barter transactions

Revenue from barter transactions (advertising provided in exchange for goods and services) is recognized as income when advertisements are broadcast and merchandise or services received are charged to expense (or capitalized as appropriate) when received or used. The transactions are recorded at the fair market value of the asset or service received. For the years ended December 31, 1999, 2000 and 2001, revenues from barter transactions totaled approximately $6,377,000, $6,182,000 and $6,111,000, respectively.

(5) Program broadcast rights and liabilities

Program broadcast rights represent rights for the telecast of feature length motion pictures, series produced for television and other films, and are presented at the lower of amortized cost or net realizable value. Each agreement is recorded as an asset and liability when the license period begins and the program is available for its first showing. Program broadcast rights are amortized on a straight-line method over the life of the contract, which is included in selling, technical and program expenses. The agreements are classified between current and long-term assets according to the estimated time of future usage. The related liability is classified between current and long-term on the basis of the payment terms.

(6) Deferred loan and acquisition costs

Deferred loan costs are amounts incurred in connection with long-term financing. The costs are amortized on the interest method over the terms of the related debt security. Costs incurred in connection with long-term financing which is not consummated are expensed at the point in time when the negotiation on the financing ceases. Costs incurred in connection with issuances of preferred stock are included in stockholders' deficit as a permanent reduction of additional paid-in capital.

Acquisition costs are amounts incurred in connection with acquiring additional television stations. Costs incurred in connection with acquisitions, which are not consummated, are expensed at the point in time when the negotiation on the acquisition ceases. The acquisition costs related to successful acquisitions are treated as part of the purchase price and are allocated to the assets purchased.

(7) Property and equipment and intangible assets

(a) Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated ranges of useful lives:

	Years
Buildings and improvements	5-40
Towers	5-12
Transmission equipment	3-10
Other equipment	1-5

Gains and losses on the disposition of property and equipment in the normal course of business are insignificant and are included in depreciation and amortization on the consolidated statement of operations.

(b) Intangible assets, which include FCC licenses, network affiliation agreements and goodwill, have been recorded at cost and are amortized over 40 years using the straight-line method.

(c) Stations reviews its property and equipment and intangibles annually to determine potential impairment by comparing the carrying value of the assets with the undiscounted anticipated future cash flows of the related property before interest charges. If the future cash flows are less than the carrying value, Stations would obtain an appraisal or discount the future cash flows to determine fair value, and adjust the carrying value of the assets to the estimated fair value if the fair value is less than the carrying value (Note E).

(8) Other interest expense

Other interest expense includes accrued interest added to long-term debt balances, deferred loan cost amortization and write offs (except deferred loan cost write offs related to extraordinary debt extinguishments), financing costs not consummated, and accretion of discounts.

(9) Income taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating losses and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Stations and its subsidiaries file a consolidated federal income tax return.

(10) Employee Benefits

Stations has defined contribution plans covering all eligible employees. Stations' contribution is at the discretion of the Board of Directors.

Stations self-insures for health benefits, which are provided to all full-time employees with specified periods of service. Insurance coverage is maintained by Stations for claims in excess of specific and annual aggregate limits.

Stations has elected to continue accounting for employee stock-based compensation under Accounting Principles Board Opinion No. 25.

(11) Earnings (loss) per common share

Basic per-share amounts are computed by dividing net income (loss) adjusted for preferred stock dividends declared and accretion (the numerator) by the weighted-average number of common shares outstanding (the denominator). Diluted per-share amounts assume the conversion, exercise or issuance of all potential common stock instruments unless the effect is to reduce the loss or increase the income per common share from continuing operations. Stations has no present dilutive per-share amounts, since the inclusion of the Initial Warrants (as defined) and stock options would have been anti-dilutive for the periods presented.

(12) Interest rate cap agreement and recently adopted accounting standard

Interest rate cap agreements are used to manage interest rate exposure by hedging certain liabilities. Income and expense are accrued under the terms of the agreement based on the expected settlement payments and are recorded as a component of interest income or expense.

Effective January 1, 2001, Stations adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138. The new accounting standards require all derivative instruments be recorded on the balance sheet at fair value. Changes in fair value of the derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether the derivative is designated as a fair value or cash flow hedge. The ineffective portion of all hedges is recognized in current period earnings. On adoption Stations' only derivative instrument was an interest rate cap for which the fair value approximated the carrying value.

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Note B) — Acquisition and Sale of Certain Television Stations

On December 30, 1998, Stations entered into an Asset Exchange Agreement with The Ackerley Group, Inc. (“Ackerley”) pursuant to which Stations exchanged the television broadcast assets of KCOY-TV, in Santa Maria, California, for the television broadcast assets of KKTV, Ackerley’s station in Colorado Springs, Colorado (the “1999 Swap”). Both KCOY-TV and KKTV are CBS affiliates. The exchange was completed on May 1, 1999, upon which Stations paid $9,000,000 to Ackerley as further consideration in accordance with the agreement.

The exchange was recorded as a separate sale and acquisition of stations, with the acquisition of KKTV accounted for under the purchase method of accounting. Accordingly, the results of the operations for KKTV are included in Stations’ consolidated financial statements since the date of acquisition, May 1, 1999. In addition, the parties entered into a time brokerage agreement for each station, in effect from January 1, 1999 until April 30, 1999. During the time brokerage period, the revenue and expenses of each station went to the account of the buyer, net of applicable time brokerage fees. The net time brokerage fee expense was $508,000 for the year ended December 31, 1999.

The total purchase price for KKTV was approximately $33,631,000, which consisted of the fair market value of the KCOY-TV assets of $24,272,000, a cash payment of $9,000,000, and fees and costs of the transaction of $359,000. The purchase price has been allocated to acquired assets and liabilities based on their relative fair values as of the closing date. The excess of the purchase price over the net assets received from the acquisition is being amortized on the straight-line method over a period of 40 years.

A gain of approximately $13,323,000 was recorded to reflect the sale of KCOY-TV. This gain consisted of the fair market value of the KCOY-TV assets of $24,272,000 less their book value of $10,732,000 and fees of $217,000.

During September 1999, a loss in the amount of approximately $222,000 was recorded to reflect the sale of KTVS-TV, Sterling, Colorado, which was a satellite operation of KGWN-TV, Cheyenne, Wyoming. Stations sold KTVS-TV since KTVS-TV is outside of the KGWN-TV designated market area. The loss is included in “Loss from operations of discontinued stations” in the consolidated statement of operations as KGWN-TV is one of the stations included in the Station Group to be sold. See (Note Q).

On November 19, 1999, Stations entered into an Asset Purchase Agreement with The Chronicle Publishing Company (“Chronicle”) and on December 10, 1999, Stations entered into an Asset Exchange Agreement with WGRC, Inc. (“WGRC”). Pursuant to these agreements, WGRC acquired the television broadcast assets of WOWT-TV and KAKE-TV, Chronicle’s television stations in Omaha, Nebraska and Wichita, Kansas, respectively, and then immediately transferred the same to the Company in exchange for the television broadcast assets of WWLP-TV, Stations’ station in Springfield, Massachusetts (the “2000 Swap”). The exchange was completed on March 31, 2000, upon which Stations paid $18,000,000 to WGRC as further consideration in accordance with the agreements. At December 31, 1999, Stations had deposited $10,000,000 in an escrow account related to this transaction. The remaining $8,000,000 was funded from the proceeds of the sale of KOSA-TV discussed below.

The exchange was recorded as a separate sale and acquisition of stations, with the acquisition of KAKE-TV and WOWT-TV accounted for under the purchase method of accounting. Accordingly, the results of the operations for KAKE-TV and WOWT-TV are included in Stations’ consolidated financial statements since the date of acquisition, March 31, 2000.

The total purchase price and costs of the acquisition of KAKE-TV and WOWT-TV was approximately $141,839,000, which consisted of the fair market value of the WWLP-TV assets of $122,961,000, a cash payment of $18,000,000 and fees and costs of the transaction of approximately

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

$878,000. The purchase price has been allocated to acquired assets and liabilities based on their relative fair market values as of the closing date.

A gain of approximately $61,144,000 was recorded to reflect the disposition of WWLP-TV. The gain consisted of the fair market value of the WWLP-TV assets of $122,961,000 less their book value of $61,431,000 and fees of $386,000.

On December 15, 1999, Stations entered into an Asset Purchase Agreement with ICA Broadcasting I, Ltd. (“ICA”) pursuant to which Stations sold the television broadcast assets of KOSA-TV, in Odessa, Texas to ICA for a cash payment of $8,000,000 on March 21, 2000 (the “2000 Sale”). A gain of approximately $262,000 was recorded on the sale of KOSA-TV, which consisted of the excess of the $8,000,000 sale price over the book value of the assets of $7,642,000 less fees of the transaction. Stations wrote down the KOSA-TV assets during 1999 by $6,920,000, as a result of the signing of the Asset Purchase Agreement with ICA, which contemplated the sale.

The unaudited pro forma results of operations and earnings per share for the years ended December 31, 1999 and 2000, assuming the 1999 Swap, 2000 Swap and 2000 Sale had occurred on January 1, 1999 and 2000, are presented in the table below.

	Year Ended December 31,	
	1999	2000
	(In thousands)	
Net revenue	$112,381	$120,155
(Loss) before extraordinary item	(19,308)	(13,262)
Extraordinary item	(12,510)	942
Net (loss)	$ (31,818)	$ (12,320)
Basic and diluted (loss) per common share:		
(Loss) before extraordinary item	$ (5.18)	$ (5.03)
Extraordinary item	(1.69)	0.13
(Loss) per common share	$ (6.87)	$ (4.90)

The pro forma results of operations and earnings per share for the 1999 Swap, 2000 Swap and 2000 Sale for the years ended December 31, 1999 and 2000 refer to the operating results of KKTV, KAKE-TV and WOWT-TV as if such stations were owned, and to KCOY-TV, WWLP-TV and KOSA-TV as if such stations were sold, by Stations on January 1, 1999 and 2000, with pro forma adjustments only for depreciation and amortization, interest and income taxes. The pro forma results do not include the gain on the disposition of KCOY-TV, WWLP-TV and KOSA-TV, nor the write down of KOSA-TV’s assets in contemplation of the sale, for either period presented.

The pro forma information does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of the operations of the stations.

Sale of Station

On November 26, 2001, Stations entered into an Asset Purchase Agreement with West Virginia Media Holdings, LLC (“West Virginia Media”) pursuant to which Stations will sell the television broadcast assets of WTRF-TV, in Wheeling, West Virginia to West Virginia Media for $18,500,000. Upon the execution of the agreement, Stations received a $350,000 option payment from West Virginia which will reduce the final purchase price. Stations recorded a lower of cost or market adjustment of approximately $6,880,000 in 2001 to write down the assets of WTRF-TV to the sales price. Because Stations has elected to early adopt the provisions of SFAS No. 144, “Accounting for the Impairment or

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Disposal of Long-Lived Assets," as discussed in [Note O], this lower of cost or market adjustment is included in "Loss from operations of discontinued stations." The assets of WTRF-TV have been shown on the accompanying balance sheet as "Assets of station held for sale" as of December 31, 2001. It is anticipated that the sale will be completed in the second quarter of 2002. See (Note Q).

(Note C) — Related Party Transactions and 1999 Stock Option Plan

Stock Option Agreements

In 1998, a key employee exercised all outstanding options granted to him under a stock-based compensation plan for the employee. Stations loaned the key employee the funds necessary to pay for the shares under a note for $555,000 which bears interest at 5.93% and is due on December 31, 2007. This recourse note, which is a personal obligation of the employee, is collateralized by the stock, which was issued upon exercise of the option, and is classified as a negative equity account in the accompanying consolidated balance sheets.

During 2001, Stations amended the above-mentioned key employee's employment agreement whereby he will receive compensation sufficient to satisfy the obligation and any related income tax liability, provided that he remains an active employee through the earlier of death, disability, termination by Stations without cause, or December 31, 2003. This obligation is being accrued ratably through December 31, 2003. In connection therewith, Stations recognized expense of approximately $107,000 for the year ended December 31, 2001.

In December 1998, Stations' board of directors adopted the 1999 Stock Option Plan (the "Plan") whereby from time to time on or before December 31, 2008, options to purchase shares of class B common stock may be granted to employees, directors or consultants and advisors of Stations and its subsidiaries. The aggregate number of shares of common stock, which may be purchased pursuant to options granted at any time under the Plan, shall not exceed 240,000. The purchase price per share shall be the fair market value, as defined by the Plan, or an amount determined by the board. If options are granted to an employee who, at the time of the grant, owns more than ten percent of the voting stock of Stations, the purchase price per share shall be at least one hundred and ten percent of the fair market value, as defined by the Plan. The vesting period of options granted under the Plan are determined by the board. The maximum term options may be outstanding under the plan is ten years.

A summary of the status of the Plan at December 31, 1999, 2000 and 2001 and changes during the years then ended is as follows:

	1999		2000		2001	
	Shares	Wgt. Avg. Exercise Price	Shares	Wgt. Avg. Exercise Price	Shares	Wgt. Avg. Exercise Price
Outstanding at beginning of year	—	$ —	165,000	$15.00	60,000	$15.00
Granted	165,000	15.00	—	—	75,000	27.00
Exercised	—	—	—	—	—	—
Forfeited	—	—	(105,000)	15.00	(15,000)	15.00
Expired	—	—	—	—	—	—
Outstanding at end of year	165,000	$15.00	60,000	$15.00	120,000	$22.50
Exercisable at end of year	—	$ —	6,000	$15.00	10,000	$16.20

The remaining contractual life of the options outstanding at December 31, 2001 is seven years for 45,000 options and nine years for 75,000 options.

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As permitted under generally accepted accounting principles, Stations accounts for the employee options under the provisions of APB Opinion No. 25 and its related interpretations. Accordingly, no compensation cost has been recognized for the grant of the options. Had compensation cost been determined based on the fair value method prescribed in FASB Statement No. 123, the reported net income (loss) and basic and diluted (loss) per common share for the years ended December 31, 1999, 2000 and 2001 would have been $(28,395) and $(6.40), $15,805 and $(1.10), and $(45,432) and $(10.35), respectively. In determining the pro forma amounts for the options granted in 1999, the fair value per share for each option was estimated to be $6.61 at the grant date by using the Black-Scholes option-pricing model with the following assumptions: no dividends will be paid on the class B common stock; a risk-free interest rate of 4.44%; an expected life of five years; and an expected price volatility of 43.0%. In determining the pro forma amounts for the options granted in 2001, the fair value per share for each option was estimated to be $0.97 at the grant date by using the Black-Scholes option-pricing model with the following assumptions: no dividends will be paid on the class B common stock; a risk-free interest rate of 4.91%; an expected life of six years; and an expected price volatility of 64.0%.

Director Fees

Stations paid fees of approximately $871,000, $896,000, and $974,000 during the years ended December 31, 1999, 2000 and 2001, respectively, to the law firm of Shack Siegel Katz Flaherty & Goodman, P.C. A partner of Shack Siegel Katz Flaherty & Goodman, P.C. serves as a director to Stations.

Notes Receivable-Officers

During 1999 and 2000 Stations issued loans to various officers of Stations for which the total amounts receivable as of December 31, 2000 and 2001 were $1,717,000 and $1,702,000, respectively. These notes bear interest at the applicable federal rates in effect at the time of issuance and have due dates ranging from May 1, 2002 to December 31, 2003. These notes are personal obligations of the applicable officer and have been issued with recourse.

On March 1, 2002, the foregoing notes due from one officer were consolidated into a single note in the amount of $1,635,000, representing the aggregate outstanding principal and interest due to Stations from the officer. The maturity of such loans was extended until the earlier of June 30, 2002 or the date the employee sells his securities in Stations. The interest is payable at maturity and accrues at the applicable federal rate in effect on March 1, 2002.

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(Note D) — Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2000	2001
	(In thousands)	
Land and improvements	$ 7,182	$ 7,175
Buildings and improvements	35,083	35,126
Towers	17,493	16,859
Transmission and studio equipment	81,179	81,393
Office equipment	12,101	13,604
Transportation equipment	4,308	4,770
Construction in progress	6,167	6,652
	163,513	165,579
Less accumulated depreciation and amortization	88,602	97,705
	$ 74,911	$ 67,874

(Note E) — Intangible Assets

Intangible assets consist of the following:

	December 31,	
	2000	2001
	(In thousands)	
Goodwill	$115,797	$ 83,210
FCC licenses	173,882	163,766
Network affiliations	90,874	82,738
Other	1,361	1,161
	$381,914	$330,875

Intangible assets are recorded net of accumulated amortization of $54,830,000 and $79,748,000 as of December 31, 2000 and 2001, respectively. In addition to the $6,920,000 lower of cost or market adjustment on KOSA-TV as discussed in (Note B), during 1999 Stations also wrote down certain stations' goodwill and FCC licenses which were determined to have been impaired based on Stations' estimate of fair value using discounted future cash flows. The writedown of approximately $2,762,000 is included in "Loss from operations of discontinued stations" on the consolidated statement of operations as the related stations are part of the Station Group to be sold as discussed in (Note Q).

In addition to the $6,880,000 lower of cost or market adjustment on WTRF-TV as discussed in (Note B), during 2001 Stations also wrote down a certain station's goodwill and network affiliation which were determined to have been impaired based on Stations' estimate of fair value using discounted future cash flows. The writedown of approximately $17,673,000 is included in "Loss from operations of discontinued stations" on the consolidated statement of operations as the related station is part of the Station Group to be sold as discussed in (Note Q).

(Note F) — Redeemable Equity Securities and Discount Notes

Senior Preferred Stock

In 1996, Stations sold 60,000 Units in a private placement, which generated proceeds of $60,000,000. Each Unit consisted of (i) ten shares of 15% Exchangeable Redeemable Senior Preferred Stock due 2007 (the "Original Senior Preferred Stock"), (ii) ten initial warrants to purchase class A common stock of Stations with an expiration date of July 1, 2007 (the "Initial Warrants") and (iii) 14.8 contingent warrants to purchase class A common stock of Stations.

The Original Senior Preferred Stock and the contingent warrants were redeemed in June 1998 from the proceeds of Stations' May 14, 1998 issuance of 100,000 shares of 11.5% Senior Exchangeable Preferred Stock (the "Senior Preferred Stock"), with an initial liquidation preference equal to proceeds received of $100,000,000.

Dividends on the Senior Preferred Stock are cumulative and payable quarterly commencing August 15, 1998 at a rate of 11.5% of the then effective liquidation preference per share. Stations, at its option, may pay dividends on any dividend payment date occurring on or before May 15, 2003 either in cash or by adding such dividends to the then effective liquidation preference. Stations has been adding the dividends to the liquidation preference from the issuance date through December 31, 2001. The Senior Preferred Stock is not redeemable until May 15, 2003 at which time cash dividends are required to be paid at a rate of 11.5% of the then effective liquidation preference per share. Thereafter, Stations has the option to redeem these shares in whole or in part at predetermined redemption prices prior to May 15, 2008 when they are due. The Senior Preferred Stock is exchangeable into debentures at Stations' option, subject to certain conditions, in whole on any scheduled dividend payment date. The Senior Preferred Stock contains various restrictive covenants relating to limitations on dividends, transactions with affiliates, further issuance of debt, and the sales of assets, among other things.

Since it was originally management's intention to redeem the Senior Preferred Stock prior to the date that cash dividends are required to be paid, the amount of the estimated redemption premium payable had been accreted as a constructive distribution over five years since May 1998. During the fourth quarter of 2001, management determined that the redemption of the Senior Preferred Stock was unlikely to occur based on Stations' financial position as described in (Note Q). As a result, accretion has been discontinued on the redemption premium for future periods.

Junior Preferred Stock

In 1996, Stations issued 450,000 shares of Seller Junior Discount Preferred Stock due July 1, 2008 (the "Junior Preferred Stock") with an aggregate liquidation preference equal to the proceeds of $45,000,000. Dividends are payable to the holders of the Junior Preferred Stock at 7.92% per annum, cumulative until the fifth anniversary of the issuance thereof and thereafter at increasing rates up to 18%. The dividends on the Junior Preferred Stock are cumulative and were being accrued at the initial rate of 7.92% through September 30, 2000, since it was Stations' intention to redeem the Junior Preferred Stock prior to the fifth anniversary. During October 2000, Stations determined that redemption of the Junior Preferred Stock would most likely occur subsequent to the fifth anniversary. Accordingly, Stations began to accrue dividends in October 2000 under the effective cost method on a prospective basis based on the carrying value at October 1, 2000 to the liquidation preference at July 1, 2008. The effect of this change was to increase the loss per common share for the year ended December 31, 2000 by $(0.20). The change had no effect on income before extraordinary item or net income. Prior to June 5, 2001, dividend payments on the Junior Preferred Stock were not permitted to be made in cash and instead were added automatically to the liquidation preference and as a result are deemed paid in full.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Junior Preferred Stock is subject to mandatory redemption in whole on July 1, 2008 and Stations has the option to redeem these shares in whole or in part at a price equal to the sum of the liquidation value per share plus an amount equal to all accumulated and unpaid dividends per share to the date of redemption.

The following table summarizes these activities from December 31, 1999 through December 31, 2001 as follows:

	Senior Preferred Stock	Junior Preferred Stock
	(In thousands)	
Balance at December 31, 1999	$122,092	$59,539
Accrued dividends	15,469	6,389
Accretion of redemption prepayment premium	2,075	—
Balance at December 31, 2000	$139,636	$65,928
Accrued dividends	16,135	12,977
Accretion of redemption prepayment premium	2,074	—
Balance at December 31, 2001	$157,845	$78,905

Initial Warrants

At December 31, 2000 and 2001, there were 345,000 and 310,000 of outstanding Initial Warrants, respectively, which expire July 1, 2007. Each Initial Warrant entitles the holder thereof to purchase one share of class A common stock at an exercise price of $0.01 per share. The value of the Initial Warrants at the date of issuance was $9,000,000, which was allocated to paid-in capital. During September 1999, December 2000 and January 2001, Stations redeemed 185,000, 20,000, and 35,000 of the outstanding Initial Warrants for $2,957,000, $80,000 and $158,000, respectively.

Discount Notes

In June 1996, Stations issued Senior Subordinated Discount Notes due 2006 (the "Discount Notes") in the principal amount of $170,000,000. These Discount Notes were issued at a discount of $79,822,000, which generated gross proceeds of $90,178,000. The Discount Notes mature on May 15, 2006 and yield 13.25% per annum with no cash interest accruing prior to May 15, 2001. On May 15, 2001, cash interest began to accrue until maturity payable semiannually, commencing November 15, 2001. The Discount Notes are redeemable at the option of Stations, in whole or in part, at predetermined redemption prices and under specified conditions. The Discount Notes are subordinated to all other senior debt of Stations. The Discount Notes contain various restrictive covenants. The Discount Notes were exchanged for Discount Notes registered with the Securities and Exchange Commission pursuant to a registration statement declared effective in October 1996. At December 31, 2000 and 2001 the accreted value of the notes was $147,546,000 and $154,670,000, respectively. The outstanding face value at December 31, 2000 and 2001 was $154,670,000.

Stations is currently in default on the Discount Notes as Stations was unable to make the November 15, 2001 interest payment as Stations' senior lenders under the Credit Facility blocked the payment of interest due on the Discount Notes as discussed in (Note Q). The entire outstanding balance of the Discount Notes of $154,670,000 has been classified as a current liability as a result of the default and related uncertainty.

Since Stations derives all of its operating income and cash flow from Benedek Stations' ability to pay its obligations, including (i) interest on and principal of the Discount Notes, (ii) redemption of and cash dividends on the Senior Preferred Stock and (iii) redemption of and cash dividends on the Junior Preferred Stock, will be dependent primarily upon receiving dividends and other payments or advances from Benedek. Benedek is a separate and distinct legal entity and has no legal obligation, contingent or otherwise, to pay any amount to Stations or to make funds available to Stations for debt service or any other obligation.

(Note G) — Long Term Debt

(1) Notes payable

Term Loans and Revolver

On May 20, 1999, Stations borrowed $275,000,000 against a credit facility (the "Credit Facility"), which was amended as of June 18, 1999 and March 22, 2000, with an aggregate borrowing limit of $310,000,000. The proceeds were used by Stations to finance the tender offer of its 11.875% Senior Secured Notes due 2005 (the "Senior Secured Notes") and extinguish the then existing credit agreement.

The Credit Facility includes a $220,000,000 term loan (the "Term Loan") and a $90,000,000 revolver (the "Revolver") of which no additional borrowings were available at December 31, 2001 due to covenant violations discussed below. The Term Loan bears interest, at Stations' option, at a base rate plus 2.25% or at a LIBOR rate plus 3.25%. The Revolver bears interest, at Stations' option, at a base rate plus 1.00% to 1.75% or at a LIBOR rate plus 2.00% to 2.75%. The margins above the base rate and the LIBOR rate at which the Revolver bears interest is reduced when certain leverage ratios decrease. The interest rate on the Term Loan was 7.0% and the interest rate on the Revolver was 6.5% at December 31, 2001. In addition, Stations has accrued for an additional 2.0% interest on the Term Loan and Revolver since September 17, 2001 due to a default interest rate provision which became effective when a forebearance agreement with the lenders expired. The unused portion of the Revolver is subject to a commitment fee ranging from 0.75% per annum to 0.375% per annum based on certain leverage ratios.

Stations is required to make scheduled payments on the Term Loan beginning in 2002 to maturity in 2007. In addition, Stations is required to make prepayments on the Term Loan and the Revolver under certain circumstances, including upon the sale of certain assets and the issuance of certain debt or equity securities. Beginning in 2002, Stations is required to make prepayments on the Term Loan and the Revolver in an amount equal to 50% of excess cash flow, which will require a payment of approximately $2,664,000 on or prior to April 30, 2002.

The commitment under the Revolver will be permanently reduced over the period from June 2002 to maturity in 2007. In addition, the commitment under the Revolver will be permanently reduced in certain circumstances including upon the sale of certain assets and the issuance of certain debt or equity securities and with excess cash flow. Stations has the right to pay down the Revolver without penalty in increments of $1,000,000.

The Credit Facility contains certain financial covenants, including, but not limited to, covenants related to interest coverage, total and senior leverage ratios and fixed charge ratio. In addition, the Credit Facility contains other affirmative and negative covenants relating to, among other things, liens, payments on other debt, restricted junior payments (excluding distributions from Benedek to Stations), transactions with affiliates, mergers and acquisitions, sales of assets, guarantees and investments. The Credit Facility contains customary events of default for highly-leveraged financings, including certain changes in ownership or control of Stations. The Credit Facility is secured by Stations' present and future property and assets and the common stock of Benedek License Corporation.

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Stations is currently in default under the Credit Facility due to Stations being in violation of certain covenants since June 30, 2001. At December 31, 2001 Stations was not in compliance with the senior debt ratio, total leverage ratio and interest coverage ratio under the Credit Facility. The non-compliance results from the decline in operating results during 2001. The entire outstanding balance under the Credit Facility of $276,000,000 has been classified as a current liability as a result of the default and related uncertainty.

Other Notes

Other notes payable consist of multiple financing agreements requiring monthly payments including interest from 0.9% to 11.6% on notes maturing from 2002 through 2021 that are collateralized by various assets of Stations.

Notes payable consist of the following:

	December 31,	
	2000	2001
	(In thousands)	
Revolver	$ 58,500	$ 56,000
Term Loan	220,000	220,000
Discount Notes — see (Note F) for terms	147,546	154,670
Other	6,896	6,702
	432,942	437,372
Less current maturities	1,460	432,639
	$431,482	$ 4,733

At December 31, 2001, the notes provide for annual reductions as follows:

Year Ending December 31,	(In thousands)
2002	$432,639
2003	858
2004	638
2005	491
2006	264
Thereafter	2,482
	$437,372

Other notes include Stations' lease of its premises in Harrisonburg, Virginia under a capital lease. Stations has the option to purchase the premises upon written notice to the landlord at any time during the 20-year term, which expires April 27, 2018. At December 31, 2001, the option purchase price was $1,415,000.

(2) Interest Rate Cap

During September 2001, in accordance with certain covenants of the Credit Facility, Stations entered into an interest rate cap agreement which matures in September 2003, to reduce the impact of changes in interest rates on its floating-rate long-term debt. That agreement effectively entitles Stations to receive from a financial institution the amount, if any, by which the British Bankers' Association interest settlement rates ("settlement rate") for U.S. dollar deposits exceeds 6.00% on a notional amount totaling $60,000,000 subject to an amortization schedule. As of December 31, 2001, the settlement rate was 1.90%.

The $95,000 premium paid for this interest rate cap is being amortized ratably to interest expense over the 24-month term of the cap, and is reported as an other asset in the accompanying consolidated balance sheets. The carrying value of the interest rate cap at December 31, 2001 materially approximates fair value. Although Stations is exposed to credit loss in the event of nonperformance by the counterparty on the interest rate cap, management does not expect nonperformance by the counterparty.

(3) Gain (Loss) on Extinguishment of Debt

On April 16, 1999, Stations commenced a tender offer and consent solicitation (the “Offer”) for any and all of the $135,000,000 in outstanding principal amount of the Senior Secured Notes. The total consideration for each of $1,000 principal of Senior Secured Notes was $1,105.78 which consisted of the Offer price per $1,000 principal of Senior Secured Notes of $1,075.78 and a consent payment of $30 per $1,000 principal amount of the Senior Secured Notes.

On May 20, 1999, Stations redeemed all of the outstanding Senior Secured Notes. The offer was financed through the Credit Facility. A total of $12,510,000 (net of $8,340,000 of applicable income taxes) was reflected as a loss on the early extinguishment of debt which was comprised of prepayment premiums, consent payments, expenses of the transaction and a write-off of unamortized fees associated with the Senior Secured Notes and the then existing credit agreement.

During July 1999, Stations retired a portion of its Discount Notes with a face amount of $3,000,000. The Discount Notes had an accreted value of $2,371,000 and were purchased for a total of $2,591,000, which includes a premium payment for early retirement. The premium payment, totaling $220,000, is included in other interest expense.

During 2000, Stations retired portions of its Discount Notes with a total face amount of $12,330,000. The Discount Notes had an accreted value of $11,390,000 and were purchased for a total of $9,820,000. A total of $942,000 (net of $628,000 of applicable income taxes) was reflected as a gain on the early extinguishment of debt.

(Note H) — Program Broadcast Rights and Liabilities

Program broadcast rights and program broadcast liabilities consist of the following:

	Program Broadcast Rights	Program Broadcast Liabilities
	(In thousands)	
Balance at December 31, 1999	$ 7,114	$ 9,586
Contracts acquired	8,100	8,100
Net addition due to station swap (Note B)	572	522
Amortization	(9,015)	—
Payments	—	(8,691)
Balance at December 31, 2000	6,771	9,517
Contracts acquired	10,783	10,783
Amortization	(9,276)	—
Payments	—	(8,873)
Balance at December 31, 2001	$ 8,278	$11,427

The current maturities of program broadcast liabilities consist of the following:

	December 31,	
	2000	2001
	(In thousands)	
Program contracts, due in varying installments	$ 9,517	$11,427
Less current maturities	(9,188)	(9,421)
Long-term portion	$ 329	$ 2,006

The maturities of the contracts are as follows at December 31, 2001:

Year Ending December 31,	(In thousands)
2002	$ 9,421
2003	877
2004	563
2005	510
2006	56
	$11,427

In addition, Stations has entered into noncancellable commitments for future program broadcast rights aggregating approximately $13,630,000 as of December 31, 2001 with future payments as follows:

Year Ending December 31,	(In thousands)
2002	$ 1,365
2003	5,246
2004	4,342
2005	2,225
2006	434
Thereafter	18
	$13,630

(Note I) — Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2000	2001
	(In thousands)	
Trade payables	$ 1,553	$ 1,207
Barter, net	279	200
Compensation and benefits	5,757	4,517
Interest	2,486	14,449
Other	2,374	2,688
	$12,449	$23,061

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Note J) — Leases

Stations leases land, office space and office and transportation equipment under agreements which expire from 2002 through 2007 and require various minimum annual rentals. The leases also require payment of the normal maintenance, real estate taxes and insurance on the properties.

Stations has the option to purchase its leased premises in Casper, Wyoming upon written notice to the landlord at any time during the 10-year term, which expires March 5, 2007. At December 31, 2001, the option purchase price was $446,000, which increases each year through 2002 by six percent and each year thereafter by three percent of the original option purchase price.

The approximate total minimum rental commitments at December 31, 2001 under these leases are due as follows:

Year Ending December 31,	(In thousands)
2002	$1,364
2003	1,278
2004	893
2005	807
2006	400
Thereafter	156
	$4,898

Total rental expense under these agreements and other monthly rentals for the years ended 1999, 2000 and 2001 was approximately $1,127,000, $1,129,000 and $1,040,000, respectively.

Stations is a lessor of certain portions of its real property to various organizations. Total rental income under these agreements for the years ended 1999, 2000 and 2001 was approximately $1,000,000, $1,031,000 and $799,000, respectively.

(Note K) — Income Tax Matters

On June 6, 1996 when Stations changed tax status from an S corporation to a C corporation, the accumulated deficit of $41,073,000, which existed on that date, was reclassified to additional paid-in capital.

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The deferred tax assets and liabilities consist of the following components for Stations:

	December 31,	
	2000	2001
	(In thousands)	
Deferred tax assets:		
Loss and tax credit carryforwards	$ 5,838	$ 11,343
Receivable allowances and accruals	1,138	946
Network agreements	973	762
Original issue discount	26,200	29,049
	34,149	42,100
Deferred tax liabilities:		
Property and equipment	5,596	4,555
Intangibles	78,480	76,811
	84,076	81,366
Net deferred tax liability	$(49,927)	$(39,266)

The total income tax benefit (expense) for the years ended December 31, 1999, 2000 and 2001 was $9,717, $(30,479) and $11,906, respectively. Those amounts have been allocated to the following financial statement items:

	Year Ended December 31,		
	1999	2000	2001
		(In thousands)	
Income (loss) from continuing operations	$ (406)	$(29,199)	$10,165
(Loss) from discontinued operations	1,783	(652)	1,741
Extraordinary item	8,340	(628)	—
	$9,717	$(30,479)	$11,906

The income tax benefit (expense) related to continuing operations before income taxes and extraordinary item for Stations consisted of the following:

	Year Ended December 31,		
	1999	2000	2001
		(In thousands)	
Current tax benefit (expense)	$(696)	$ (608)	$ 359
Deferred tax benefit (expense)	290	(28,591)	9,806
	$(406)	$(29,199)	$10,165

Under the provisions of the Internal Revenue Code, Stations and its subsidiaries have approximately $27,021,000 of net operating loss carryforwards, which expire in the years 2020 through 2022, and approximately $535,000 of tax credit carryforwards with no expiration, that are available to offset future tax liabilities.

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A reconciliation of the statutory federal income tax rate to Stations' effective tax rate on income (loss) from continuing operations is as follows:

	December 31,		
	1999	2000	2001
Computed "expected" income tax (benefit) expense	(35.0)%	35.0%	(35.0)%
Increase (decrease) resulting from:			
State income taxes, net of federal effect	(5.0)	5.0	(5.0)
Nondeductible amortization and expenses	14.7	2.5	3.2
Nondeductible goodwill write-off related to sale of stations	25.1	22.6	—
Other, net	3.9	(0.1)	(0.2)
Effective tax rate	3.7%	65.0%	(37.0)%

The 1999 and 2000 tax effects related to the extraordinary items in 1999 and 2000 (Note G) are deferred and approximate the statutory U.S. tax rate.

(Note L) — Preferred and Common Stock

The board of directors of Stations has authorized 2,500,000 shares of preferred stock of which 550,000 was issued and outstanding as of December 31, 2001. The board has the right and ability to set the terms and preferences of the preferred stock. The board has not set the terms and preferences of the remaining 1,950,000 unissued shares.

The following table summarizes common stock:

	December 31,	
	2000	2001
Common stock, class A par value $0.01, one vote per share		
Authorized shares	10,000,000	10,000,000
Issued and outstanding shares	None	None
Common stock, class B par value $0.01, ten votes per share, convertible into class A common stock at a ratio of 1:1		
Authorized shares	10,000,000	10,000,000
Issued and outstanding shares	7,400,000	7,400,000

(Note M) — Fair Value of Financial Instruments

The estimated fair value of financial instruments has been estimated by Stations using available market information and appropriate valuation methodologies as discussed below. Considerable judgment was required, however, to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts Stations could realize in a current market exchange.

Cash and cash equivalents, current receivables and current payables have carrying values which approximate fair value because of the short-term nature of those instruments. The floating rate long-term debt carrying amount approximates fair value because the interest rate fluctuates with the bank's lending rate. The interest rate cap agreement is carried at fair value.

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table shows the carrying amounts and estimated fair values of other financial instrument liabilities at December 31, 2000 and 2001:

	2000		2001	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Program broadcast liabilities	$ 9,517	$ 9,081	$ 11,427	$ 11,002
Other notes payable	6,896	6,896	6,702	6,702
Discount Notes	147,546	119,096	154,670	112,909
Senior Preferred Stock	139,636	47,152	157,845	30,179
Junior Preferred Stock	65,928	22,078	78,905	See Below

The fair value of program broadcast liabilities and other notes payable were estimated using the discounted cash flow method.

The fair value of the Discount Notes and Senior Preferred Stock were estimated using readily available quoted market prices.

The fair value of the Junior Preferred Stock at December 31, 2000 was estimated using discounted cash flow analysis, based on the interest rate, preferences and other risks inherent in the instrument. Due to Stations' current financial position and the lack of available market prices, the fair value of the Junior Preferred Stock was not practicable to be estimated at December 31, 2001.

The above fair value estimates were made at a discrete point in time based on relevant market information and other assumptions about the financial instruments. As no active market exists for a significant portion of Stations' financial instruments, fair value estimates were based on judgments regarding current economic conditions; future expected cash flows, risk characteristics and other factors. These estimates are subjective in nature and involve uncertainties and, therefore, cannot be calculated with precision. Changes in assumptions could significantly affect these estimates.

(Note N) — Pending Adoption of Accounting Standards

In July 2001, the Financial Accounting Standards Board (FASB) issued two statements — Statement 141 "Business Combinations" and Statement 142 "Goodwill and Other Intangible Assets," which will impact Stations' accounting for its goodwill and other intangible assets. Stations will be required to adopt these pronouncements for its 2002 financial statements.

Statement 141 "Business Combinations":

- Eliminates the pooling method of accounting for business combinations.
- Requires that intangible assets that meet certain criteria be reported separately from goodwill.
- Requires that negative goodwill arising from a business combination is recorded as an extraordinary gain.

Statement 142 "Goodwill and Other Intangible Assets":

- Eliminates the amortization of goodwill and other intangibles that are determined to have an indefinite life.
- Requires, at a minimum, annual impairment tests for goodwill and other intangible assets that are determined to have an indefinite life.

Upon adoption of these statements, Stations is required to:

- Evaluate its existing intangible assets and goodwill that were acquired in prior purchase business combinations and to make any necessary reclassifications in order to conform to the new criteria.

- Reassess the useful lives of intangible assets and adjust the remaining amortization periods accordingly.

In accordance with Statement 142, Stations stopped amortizing its goodwill and FCC licenses upon adoption on January 1, 2002. Stations also revised the amortization periods for its network affiliation agreements from 40 years to the remaining term of the applicable agreement. As of January 1, 2002, Stations also performed the first of the required impairment tests of goodwill and indefinite lived intangible assets, from which no impairment loss was identified.

A reconciliation of previously reported net loss applicable to common stock and basic and diluted loss per share to the amounts adjusted for the exclusion of goodwill and FCC license amortization and for the adjustment to network affiliation agreement amortization, net of applicable income taxes, follow:

	Years Ended December 31,		
	1999	2000	2001
	(In thousands, except per share data)		
Reported net loss before extraordinary item applicable to common stock	$(34,764)	$(9,099)	$(76,601)
Add back:			
Goodwill amortization	4,415	3,590	3,389
FCC license amortization	2,054	2,658	2,842
Adjust network affiliation agreement amortization	(6,188)	(6,188)	(6,188)
Adjusted net loss before extraordinary item applicable to common stock	$(34,483)	$(9,039)	$(76,558)
Extraordinary item	(12,510)	942	—
Adjusted net loss applicable to common stock	$(46,993)	$(8,097)	$(76,558)
Reported basic and diluted loss per share before extraordinary item	$ (4.70)	$ (1.23)	$ (10.35)
Add back:			
Goodwill amortization	0.60	0.49	0.46
FCC license amortization	0.28	0.36	0.38
Adjust network affiliation agreement amortization	(0.84)	(0.84)	(0.84)
Adjusted basic and diluted loss per share before extraordinary item	$ (4.66)	$ (1.22)	$ (10.35)
Extraordinary item	(1.69)	0.13	—
Adjusted basic and diluted loss per share	$ (6.35)	$ (1.09)	$ (10.35)

(Note O) — Early Adoption of Accounting Standard

In October 2001, the FASB issued Statement 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” which establishes accounting and reporting standards for the impairment or disposal of long-lived assets. This statement supercedes Statement 121 “Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of.” Statement 144 provides one accounting model to be used for long-lived assets to be disposed of by sale, whether previously held for use or newly acquired, and broadens the presentation of discontinued operations to include more disposal transactions. The provisions of Statement 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001, however, as permitted by the Statement, Stations has elected to early adopt Statement 144 as of January 1, 2001, and the accompanying financial statements have been prepared with the Station Group and WTRF-TV accounted for as discontinued operations in accordance with Statement 144. The adoption of this Statement had no effect on net loss for the year ended December 31, 2001.

(Note P) — Commitments

In accordance with FCC regulations, Stations is required to provide digital advanced television transmission (“DTV”) for each of its television stations by May 1, 2002. The conversion to DTV from current analog transmissions will require a substantial capital outlay by Stations and has been completed at one of the television stations. Stations has requested six-month extensions for each of the remaining stations which are currently pending with the FCC. Stations estimates the total costs associated with the conversion to be approximately $18,700,000. Approximately $4,147,000 has been incurred at December 31, 2001, with the remainder to be incurred in 2002 and beyond. In connection with the conversion to DTV, Stations has entered into an agreement to purchase twelve digital transmitters for approximately $4,990,000.

(Note Q) — Management Plans, Continuing Operations and Subsequent Events

Stations is currently in default under its Credit Facility due to the violation of certain covenants since June 30, 2001. The senior lenders under the Credit Facility thus blocked the payment of approximately $10,247,000 of cash interest due to the holders of the Discount Notes on November 15, 2001. The payment blockage is for a period of 179 days commencing on November 7, 2001. Due to this payment blockage, Stations has not yet made the November 15, 2001 interest payment and is in default under the Discount Notes.

In response to the above, Stations has been actively seeking to reduce its debt burden since February 2001. These efforts include, among other things, potential asset or stock sales. The Stations’ efforts to sell assets and reduce indebtedness are designed to enable Stations to service and/or prepay its debt obligations. In addition to potential asset and stock sales, Stations continues to explore other alternatives to address its cash interest obligations on the Discount Notes and its non-compliance with the Credit Facility. The events of September 11, 2001 and their adverse impact on Stations’ liquidity, together with the difficult advertising revenue climate that continued through the end of 2001, have negatively impacted some of the alternatives that were previously available to Stations.

Stations has held extensive negotiations with certain holders of the Discount Notes and other constituents in an attempt to obtain additional liquidity or otherwise address the outstanding defaults under the Discount Notes and the Credit Facility. Notwithstanding many weeks of intense discussions, Stations has been unable to accomplish an out of court restructuring with its constituents. Therefore, on March 22, 2002 Stations filed for relief under Chapter 11 of the Bankruptcy Code to fully explore all available strategic alternatives in order to identify the option that will best maximize value for Stations’ constituents.

On April 1, 2002 Stations signed a letter of intent with Gray Communications Systems, Inc. (“Gray”), whereby Gray will acquire 100% of the capital stock of Stations for a cash payment of $500,000,000 less the amount of debt assumed at closing. The transaction is subject to execution of a definitive agreement as well as approval by the FCC of the transfer of control of Stations’ FCC licenses. The transaction is also subject to approval by the Delaware bankruptcy court with jurisdiction over the Chapter 11 reorganization of Stations. The transaction is expected to close by the fourth quarter of 2002.

STATIONS HOLDING COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On April 30, 2002, Stations completed the sale of the television broadcast assets of WTRF-TV to West Virginia Media. See (Note B).

On June 4, 2002, Stations executed a merger agreement with Gray whereby Stations will become a subsidiary of Gray in exchange for approximately $502,500,000 in cash, a substantial portion of which will be used to satisfy, in full, certain indebtedness of Stations. As part of the merger agreement, Stations and Gray agreed to sell the assets of eight television stations (the “Station Group”) to a third party prior to the merger with Gray. On June 4, 2002, Stations also signed an agreement with a third party to sell the Station Group for a sales price of $30,000,000 less assumed indebtedness. The Station Group and WTRF-TV have been accounted for as discontinued operations under SFAS No. 144 for each period presented.

The assets and liabilities of the Station Group and WTRF-TV consist of the following at December 31:

	2000	2001
	(In thousands)	
Assets		
Accounts receivable	$ 8,080	$ 7,438
Program broadcast rights	2,281	2,783
Property and equipment	20,389	19,041
Goodwill	35,277	10,729
Intangible assets	44,027	41,542
Other	886	1,107
Total	$110,940	$82,640
Liabilities		
Notes and leases payable	$ 2,219	$ 1,921
Accounts payable and accrued expenses	2,297	3,133
Program broadcast liabilities	3,151	2,741
Deferred taxes	13,106	12,217
Other	1,307	1,017
Total	$ 22,080	$21,029

The assets of WTRF-TV are separately classified as “Assets of station held for sale” at December 31, 2001.

For the years ended December 31, 1999, 2000 and 2001, the net revenues included in discontinued operations for the Station Group and WTRF-TV were $40,974,000, $43,399,000 and $36,115,000, respectively. Excluding writedowns to fair value and losses on sale of $(2,984,000) in 1999 and $(24,553,000) in 2001, the amount of loss before income taxes included in discontinued operations for the years ended December 31, 1999, 2000 and 2001 was $(3,158,000), $(229,000) and $(5,273,000), respectively.

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2001	March 31, 2002
	(Unaudited) (In thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,503	$ 7,365
Receivables		
Trade, net	29,912	18,786
Notes receivable-officers	720	1,702
Other	720	604
Current portion of program broadcast rights	6,394	2,947
Prepaid expenses	2,237	2,382
Deferred income taxes	946	627
Assets of stations held for sale	18,500	47,841
Total current assets	62,932	82,254
Property and equipment	67,874	49,967
Goodwill	83,210	78,099
Intangible assets	247,665	213,123
Other assets		
Program broadcast rights, less current portion	1,884	1,029
Deferred loan and transaction costs	3,487	3,714
Notes receivable-officers	982	—
Other	203	253
	6,556	4,996
	$ 468,237	$ 428,439
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
Liabilities Not Subject to Compromise:		
Current Liabilities:		
Current maturities of notes payable	$ 432,639	$ 2,283
Current portion of program broadcast liabilities	9,421	4,819
Accounts payable and accrued expenses	23,061	9,935
Deferred revenue	580	276
Liabilities of stations held for sale	—	8,967
Total current liabilities	465,701	26,280
Long-Term Obligations		
Notes payable	4,733	2,975
Program broadcast liabilities	2,006	1,121
Deferred revenue	1,325	562
Deferred income taxes	40,212	23,326
	48,276	27,984
Liabilities subject to compromise	—	448,175
Senior exchangeable preferred stock, liquidation preference, 2001 – $150,895 and 2002 – $155,233.	157,845	162,163
Seller junior discount preferred stock, liquidation preference, 2001 – $73,296 and 2002 – $76,369.	78,905	82,436
Stockholders' (Deficit)		
Common stock, class A	—	—
Common stock, class B	74	74
Additional paid-in capital	(68,605)	(68,595)
Accumulated deficit	(213,260)	(249,414)

Stockholder’s note receivable	(699)	(664)
	(282,490)	(318,599)
	$ 468,237	$ 428,439

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

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2002
	(Unaudited) (In thousands, except share and per share data)	
Net revenues	$ 23,587	$ 25,584
Operating expenses:		
Selling, technical and program expenses	12,526	12,191
General and administrative	4,138	4,067
Depreciation and amortization	5,368	6,309
Corporate	1,664	1,543
	23,696	24,110
Operating income (loss)	(109)	1,474
Financial income (expense):		
Interest expense:		
Cash interest	(5,051)	(10,591)
Other interest	(5,661)	(192)
	(10,712)	(10,783)
Interest income	49	32
	(10,663)	(10,751)
(Loss) before reorganization items	(10,772)	(9,277)
Reorganization items:		
Professional fees	—	(931)
(Loss) from continuing operations before income tax	(10,772)	(10,208)
Income tax benefit	4,064	3,931
(Loss) from continuing operations	(6,708)	(6,277)
Discontinued Operations:		
(Loss) from operations of discontinued stations	(2,371)	(33,497)
Income tax benefit	725	11,469
(Loss) from discontinued operations	(1,646)	(22,028)
Net (loss)	(8,354)	(28,305)
Preferred stock dividends and accretion	(7,480)	(7,849)
Net (loss) applicable to common stock	$ (15,834)	$ (36,154)
Basic and diluted (loss) per common share:		
(Loss) from continuing operations	$ (1.92)	$ (1.91)
(Loss) from discontinued operations	(0.22)	(2.98)
(Loss) per common share	$ (2.14)	$ (4.89)
Weighted-average common shares outstanding	7,400,000	7,400,000

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

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STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT)

Three Months Ended March 31, 2002

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Stockholder's Note Receivable	Total
			(Unaudited) (In thousands)		
Balance at December 31, 2001	$ 74	$(68,605)	$(213,260)	$(699)	$(282,490)
Dividends on preferred stock	—	—	(7,849)	—	(7,849)
Accrued interest on note receivable	—	10	—	(10)	—
Amortization of stockholder note forgiveness	—	—	—	45	45
Net (loss)	—	—	(28,305)	—	(28,305)
Balance at March 31, 2002	$ 74	$(68,595)	$(249,414)	$(664)	$(318,599)

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

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2001	2002
	(Unaudited) (In thousands)	
Cash flows from operating activities		
Net (loss)	$(8,354)	$(28,305)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Amortization of program broadcast rights	2,284	2,260
Depreciation and amortization	4,527	4,261
Amortization and writedown of intangibles and deferred loan costs	3,087	3,841
Amortization of note discount	4,735	—
Loss on writedown of stations held for sale	—	31,288
Deferred income taxes	(4,869)	(15,474)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Receivables	7,059	5,335
Prepaid expenses and other	(493)	(344)
Payments on program broadcast liabilities	(2,346)	(2,625)
Accounts payable and accrued expenses	(86)	6,323
Deferred revenue	(143)	(94)
Net cash provided by operating activities	5,401	6,466
Cash flows from investing activities		
Purchase of property and equipment	(1,965)	(1,594)
Disbursements on notes receivable-officers, net of payments	15	—
Other, net	(23)	(65)
Net cash (used in) investing activities	(1,973)	(1,659)
Cash flows from financing activities		
Principal payments on notes payable	(337)	(537)
Net (payments) on revolver	(4,500)	—
Repurchase of initial warrants	(158)	—
Deferred transaction costs and other	(21)	(408)
Net cash (used in) financing activities	(5,016)	(945)
Increase (decrease) in cash and cash equivalents	(1,588)	3,862
Cash and cash equivalents:		
Beginning	3,983	3,503
Ending	$ 2,395	$ 7,365

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

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Three Months Ended March 31,	
	2001	2002
	(Unaudited) (In thousands)	
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	$6,276	$4,775
Cash payments for income taxes	22	74
Supplemental Schedule of Noncash Investing and Financing Activities:		
Acquisition of program broadcast rights	$1,175	$ 88
Notes payable incurred for purchase of property and equipment	558	86
Equipment acquired by barter transactions	114	40
Dividends accrued on preferred stock	6,973	7,849
Accrued interest on note receivable stockholder added to additional paid-in capital	10	10
Amortization of stockholder note forgiveness	—	45
Accretion to senior preferred stock	507	—

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

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Note A) — Nature of Business and Basis of Presentation

Nature of Business

Stations is a holding company with minimal operations other than from its wholly owned subsidiary, Benedek. Stations' owns and operates twenty-three television stations located throughout the United States. Stations' revenues are derived primarily from the sale of advertising time and, to a modest extent from compensation paid by the networks for broadcasting network programming and barter transactions for goods and services. The television stations sell commercial time during the programs to national, regional and local advertisers. The networks also sell commercial time during the programs to national advertisers. Credit arrangements are determined on an individual customer basis. Segment information is not presented since all of Stations' revenue is attributed to a single reportable segment.

Basis of Presentation

The consolidated financial statements include the accounts of Stations and Benedek. Benedek includes three wholly owned subsidiaries, Benedek License Corporation, Benedek Cable, Inc. and Benedek Interactive Media, LLC. All significant intercompany items and transactions have been eliminated in consolidation.

On March 22, 2002, Stations filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Benedek and its subsidiaries are not party to the bankruptcy action. Under Chapter 11, certain claims against the Debtor in existence prior to the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Debtor continues business operations as Debtor-in-possession. These claims are reflected in the March 31, 2002 balance sheet as "Liabilities subject to compromise."

The accompanying financial statements have been prepared assuming that Stations will continue as a going concern. Stations is in default under its credit facility and senior subordinated discount notes and Stations has filed for bankruptcy relief as described above. These facts raise substantial doubt with respect to Stations' ability to continue as a going concern. Management's plans in regard to these matters are described in Note D below. The financial statements do not include any adjustments that might result from the outcome of this uncertainty, other than the classification of Stations' credit facility, which totals $276,000,000, the Discount Notes of $154,670,000, and the interest due on the Discount Notes of $17,477,000, as a portion of liabilities subject to compromise.

The accompanying unaudited consolidated financial statements have been prepared consistent with generally accepted accounting principles for interim financial information and the instructions for Form 10-Q and Article 10 of Regulation S-X. Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. It is recommended that these financial statements be read along with the annual financial statements and footnotes thereto of Stations for the year ended December 31, 2001 included elsewhere in this report.

(Note B) — Commitments

In accordance with FCC regulations, the stations are required to provide digital advanced television transmission ("DTV") by May 1, 2002. The conversion to DTV from the current analog transmissions will require a substantial capital outlay by Stations and has been completed at one of the stations. The company has requested six month extensions for each of the remaining stations which are currently pending with the FCC. Stations estimates the total costs associated with the conversion to be approximately $18,700,000. Approximately $4,671,000 has been incurred at March 31, 2002, with the remainder to be incurred in 2002 and beyond. In connection with the conversion to DTV, Stations entered

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

into a strategic alliance agreement that requires Stations to purchase twenty-five transmitters for an amount that represents approximately $10,400,000. Through March 31, 2002, Stations had received and substantially completed payment on eight of the transmitters.

(Note C) — Adoption of Accounting Standards

Statement of Financial Accounting Standards No. 142

On January 1, 2002, Stations adopted Statement of Financial Accounting Standards (SFAS) No. 141 “Business Combinations and SFAS No. 142 “Goodwill and Other Intangible Assets.” SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and also specifies the criteria for recognition of intangible assets separately from goodwill. SFAS No. 142, requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment upon adoption and at least annually thereafter in accordance with the provisions of SFAS No. 142.

In accordance with SFAS No. 142, Stations stopped amortizing its goodwill and FCC licenses upon adoption on January 1, 2002. Amortization expense related to the goodwill and FCC licenses for the three-month period ended March 31, 2001 was approximately $1,548,000 (net of $500,000 of applicable income taxes). Stations also revised the amortization periods for its network affiliation agreements from 40 years to the remaining term of the applicable agreement. As of January 1, 2002, Stations also performed the first of the required impairment tests of goodwill and indefinite lived intangible assets, from which no impairment loss was identified.

A reconciliation of previously reported net loss applicable to common stock and basic and diluted loss per share to the amounts adjusted for the exclusion of goodwill and FCC license amortization and for the adjustment to network affiliation agreement amortization, net of applicable income taxes, follow:

	Three Months Ended March 31,	
	2001	2002
	(In thousands, except per share data)	
Reported net loss applicable to common stock	$(15,834)	$(36,154)
Add back:		
Goodwill amortization	838	—
FCC license amortization	710	—
Adjust network affiliation agreement amortization	(1,571)	—
Adjusted net loss applicable to common stock	$(15,857)	$(36,154)
Reported basic and diluted loss per share	$ (2.14)	$ (4.89)
Add back:		
Goodwill amortization	0.11	—
FCC license amortization	0.10	—
Adjust network affiliation agreement amortization	(0.21)	—
Adjusted basic and diluted loss per share	$ (2.14)	$ (4.89)

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The changes in the carrying amount of goodwill for the three-month period ended March 31, 2002 are as follows:

	(In thousands)
Balance as of January 1, 2002.	$83,210
Writedown associated with stations held for sale	(4,803)
Goodwill reclassified as asset of stations held for sale	(308)
Balance as of March 31, 2002.	$78,099

The composition of Stations' intangible assets and associated accumulated amortization is as follows as of March 31, 2002:

	Gross Carrying Amount	Accumulated Amortization	Assets Held For Sale	Net Carrying Amount
	(In thousands)			
Intangible assets subject to amortization:				
Network affiliation agreements	$104,261	$26,225	$ 8,839	$ 69,197
Other	2,736	1,527	74	1,135
Intangible assets not subject to amortization	$106,997	$27,752	8,913	$ 70,332
FCC licenses	148,132	—	5,341	142,791
Total intangible assets	$255,129	$27,752	$14,254	$213,123

The aggregate amortization expense for the three month periods ended March 31, 2001 and 2002 totaled $2,704,000 and $3,286,000, respectively. Estimated amortization expense for each of the years ending December 31, 2002 through 2006 is approximately $8,700,000 per year.

Statement of Financial Accounting Standards No. 144

On January 1, 2001, Stations adopted SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" which provides accounting and disclosure guidance for the impairment of long-lived assets and long-lived assets to be disposed of.

On April 1, 2002, Stations signed the letter of intent with Gray Communications Systems, Inc. ("Gray") , which is described more fully in Note D along with the resulting merger agreement. Included in that agreement, Stations agreed to sell all assets of eight television stations ("Station Group") to a third party prior to the merger with Gray. On June 4, 2002, Stations signed an agreement with a third party to sell the Station Group for a sales price of $30,000,000 less assumed indebtedness. This sale is to close before the merger agreement with Gray is consummated, which will most likely occur in the fourth quarter of 2002.

On November 26, 2001 Stations entered into an Asset Purchase Agreement with West Virginia Media Holdings, LLC ("West Virginia Media") pursuant to which, on April 30, 2002, Stations sold the television broadcast assets of WTRF-TV, in Wheeling, West Virginia to West Virginia Media for $18,500,000. Stations recorded a lower of cost or market adjustment of approximately $6,880,000 in the fourth quarter of 2001 to write down the assets of WTRF-TV to the sales price.

The Station Group and WTRF-TV have been classified as stations held for sale at March 31, 2002 and have accordingly been accounted for as discontinued operations under SFAS No. 144.

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The assets and liabilities of the stations classified as held for sale at March 31, 2002 consist of the following:

	December 31, 2001	March 31, 2002
	(In thousands)	
Assets		
Accounts receivable	$ 7,438	$ 5,907
Program broadcast rights	2,783	2,131
Property and equipment	19,041	18,420
Goodwill	10,729	5,926
Intangible assets	41,542	14,254
Other	1,107	1,203
Total	$82,640	$47,841
Liabilities		
Notes and leases payable	$ 1,921	$ 1,757
Accounts payable and accrued expenses	3,133	1,970
Program broadcast liabilities	2,741	2,950
Deferred taxes	12,217	1,330
Other	1,017	960
Total	$21,029	$ 8,967

At March 31, 2002 Stations recorded a write-down before income taxes of approximately $31,288,000. This writedown was needed to adjust the carrying value of the stations held for sale to their fair value.

For the three months ended March 31, 2001 and 2002, the net revenues included in discontinued operations for the stations held for sale were $8,350,000 and $8,081,000, respectively. Excluding a writedown to fair value of $(31,288,000) in 2002, the amount of loss before income taxes included in discontinued operations for the three months ended March 31, 2001 and 2002 was $(2,371,000) and $(2,209,000), respectively.

(Note D) – Management Plans, Continuing Operations and Subsequent Events

Stations has been in default under its Credit Facility due to the violation of certain covenants since June 30, 2001. The senior lenders under the credit facility thus blocked the payment of approximately $10,247,000 of cash interest due to the holders of the Senior Subordinated Discount Notes (“Discount Notes”). Due to this payment blockage, Stations has not yet made the November 15, 2001 interest payment and is in default under the Discount Notes.

In response to the above, Stations has been actively seeking to reduce its debt burden since February 2001. These efforts included, among other things, potential asset or stock sales. Stations’ efforts to sell assets and reduce indebtedness were designed to enable Stations to service and/or prepay their debt obligations. In addition to potential asset and stock sales, Stations continued to explore other alternatives to address its cash interest obligations on the Discount Notes and its non-compliance with the Credit Facility. However, the events of September 11, 2001 and their adverse impact on Stations’ liquidity together with the difficult advertising revenue climate that continued through the end of 2001, negatively impacted some of the alternatives that were previously available to Stations.

STATIONS HOLDING COMPANY, INC., DEBTOR-IN-POSSESSION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Stations held extensive negotiations with certain holders of the Discount Notes and other constituents in an attempt to obtain additional liquidity or otherwise address the outstanding defaults under the Discount Notes and the Credit Facility. Notwithstanding many weeks of intense discussions, Stations was unable to accomplish an out of court restructuring with its constituents. Therefore, on March 22, 2002 Stations filed for relief under Chapter 11 of the Bankruptcy Code to fully explore all available strategic alternatives in order to identify the option that would best maximize value for Stations' constituents.

On April 1, 2002 Stations signed a letter of intent with Gray and on June 4, 2002 Stations executed a merger agreement with Gray whereby Stations will become a subsidiary of Gray in exchange for approximately $502,500,000 in cash. This amount anticipates payment in full of the Credit Facility and Discount Notes and partial payment to the holders of the Senior Preferred Stock and the Junior Preferred Stock.

Stations and Gray agreed in the merger agreement to the disposition by Stations of the Station Group. On June 4, 2002 Stations thus entered into an agreement to sell the Station Group to a third party for a sales price of $30,000,000 less assumed indebtedness. The proceeds of the transaction, which is a condition of closing pursuant to the merger agreement, will be consummated immediately prior to the closing of the merger agreement with Gray, will be used to repay in part Stations' lenders under the Credit Facility. The merger agreement with Gray and the sale of the Station Group are expected to close in the fourth quarter of 2002.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. *Other Expenses of Issuance and Distribution.*

An estimate (other than the SEC registration fee) of the fees and expenses of issuance and distribution (other than discounts and commissions) of the securities offered hereby (all of which will be paid by Gray Communications Systems, Inc., the "registrant") is as follows:

SEC registration fee	$ 59,188.20
New York Stock Exchange listing fee	25,000.00
Trustee's fees and expenses	50,000.00
Legal fees and expenses	1,000,000.00
Accounting fees and expenses	100,000.00
Printing costs	100,000.00
Miscellaneous expenses	100,000.00
Total	$1,434,188.20

Item 15. *Indemnification of Directors and Officers.*

Sections 14-2-851 and 14-2-857 of the Georgia Business Corporation Code (the "GBCC") permit, in general, a Georgia corporation to indemnify any person made, or threatened to be made, a party to an action or proceeding by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, against any judgment, fines, amounts paid in settlement and expenses, including attorney's fees actually and reasonably incurred as a result of such action or proceeding, or any appeal therein, if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, in criminal actions or proceedings, had no reasonable cause to believe that his or her conduct was unlawful, provided that a corporation may not indemnify a person in any action brought by or in the right of the corporation. Sections 14-2-853 and 14-2-857 of the GBCC permit the corporation to pay in advance of a final disposition of such action or proceeding the expenses incurred in defending such action or proceeding upon receipt, in the case of a director or officer, of a written affirmation of his or her good faith belief that he or she has met the standard of conduct required by Section 14-2-851 and of an undertaking by or on behalf of the director or officer to repay such amount as, and to the extent, required by statute.

The certificate of incorporation of the registrant provides that the registrant shall indemnify, to the fullest extent permitted by the GBCC, all directors from and against any and all of the expenses, liabilities or other matters referred to in, or covered by, the GBCC; provided, however, that to the extent required by the GBCC, the registrant shall not eliminate or limit the liability of a director (1) for any appropriation, in violation of his or her duties, of any business opportunity of the registrant, (2) for acts or omissions which involve intentional misconduct or a knowing violation of law, (3) for types of liability set forth in Section 14-2-832 of the GBCC, or (4) for any transaction from which the director derived an improper personal benefit.

Item 16. *Exhibits.*

The following is a list of all the exhibits filed herewith, incorporated by reference as part of the registration statement, previously filed or to be filed by amendment as noted.

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Exhibit Number		Description
2.1	—	Merger Agreement, dated June 4, 2002, by and among Stations Holding Company, Inc. , Gray Communications Systems, Inc. and Gray MidAmerica Television, Inc.
3.1	—	Restated Articles of Incorporation of Gray Communications Systems, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-K for the year ended December 31, 1996)
3.2**	—	Articles of Amendment to the Articles of Incorporation of Gray Communications Systems, Inc. dated April 15, 2002.
3.3	—	By-Laws of Gray Communications Systems, Inc., as amended (incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-K for the year ended December 31, 1996
3.4	—	Amendment of the By-Laws of Gray Communications Systems, Inc. dated January 6, 1999 (incorporated by reference to Exhibit 3.3 to the Registrant's Form 10-K for the year ended December 31, 1998)
4.1**	—	Registration Rights Agreement, dated April 22, 2002, by and among Gray Communications Systems, Inc. and each of the investors in the Series C convertible preferred stock
4.2**	—	Preferred Stock Purchase Agreement, dated April 22, 2002, by and among Gray Communications Systems, Inc. and certain of the investors in the Series C convertible preferred stock
4.3**	—	Exchange Agreement, dated April 22, 2002, among Gray Communications Systems, Inc. and certain of the investors in the Series C convertible preferred stock
4.4**	—	Form of Indenture for Senior Debt Securities to be entered into between Gray and a Trustee to be named
4.5**	—	Form of Indenture for Subordinated Debt Securities to be entered into between Gray and a Trustee to be named
5.1*	—	Opinion of Proskauer Rose LLP
5.2*	—	Opinion of Troutman Sanders LLP
5.3	—	Opinion of Troutman Sanders LLP regarding the securities offered by the selling security holders
10.1	—	Lock Up, Voting and Consent Agreement, dated as of June 4, 2002, by and among Stations Holding Company, Inc., Gray Communications Systems, Inc. and the holders of shares of Stations Class B Common Stock listed on the signature pages thereto
10.2	—	Lock Up, Voting and Consent Agreement, dated as of June 4, 2002, by and among Stations Holding Company, Inc., Gray Communications Systems, Inc. and the holders of shares of Stations 11.5% Senior Exchangeable Preferred Stock listed on the signature pages thereto
10.3	—	Lock Up, Voting and Consent Agreement, dated as of June 13, 2002, by and among Stations Holding Company, Inc., Gray Communications Systems, Inc. and the holders of shares of Stations Junior Preferred Stock listed on the signature pages thereto
10.4	—	Lock Up, Voting and Consent Agreement, dated as of June 4, 2002, by and among Stations Holding Company, Inc., Gray Communications Systems, Inc. and the holders of Stations 13.25% Senior Subordinated Discount Notes listed on the signature pages thereto
10.5	—	Designated Stations Asset Purchase Agreement, dated June 4, 2002, by and among Chelsey Broadcasting Company, LLC, Benedek Broadcasting Corporation and Benedek License Corporation
12.1**	—	Statement Regarding Computation of Ratios
23.1	—	Consent of PricewaterhouseCoopers LLP
23.2	—	Consent of Ernst & Young LLP
23.3	—	Consent of McGladrey & Pullen, LLP
23.4*	—	Consent of Proskauer Rose LLP (incorporated by reference to Exhibit 5.1)
23.5*	—	Consent of Troutman Sanders LLP (incorporated by reference to Exhibit 5.2)
23.6	—	Consent of Troutman Sanders LLP regarding the securities offered by the selling security holders (incorporated by reference to Exhibit 5.3)
24.1**	—	Power of Attorney (included in Signature Page)

* To be filed by amendment.

** Previously filed.

Item 17. ***Undertakings.***

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement; provided, however, that (i) and (ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by (i) and (ii) is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h)

under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to the Registration Statement No. 333-88694 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia on July 12, 2002.

GRAY COMMUNICATIONS SYSTEMS, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement No. 333-88694 has been signed below by the persons whose signatures appear below, which persons have signed such registration statement in the capacities indicated on July 12, 2002:

Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
* Robert S. Prather, Jr.	Director
* Hilton H. Howell, Jr.	Director
* William E. Mayher, III	Director
* Richard L. Boger	Director
* Ray M. Deaver	Director
* Howell W. Newton	Director
* Hugh Norton	Director
* Harriett J. Robinson	Director
/s/ JAMES C. RYAN James C. Ryan Attorney-in-Fact	

* Executed by Attorney-in-Fact.

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THE ALBANY HERALD PUBLISHING COMPANY, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
* Robert S. Prather, Jr.	Director
* Hilton H. Howell, Jr.	Director
* William E. Mayher, III	Director
* Richard L. Boger	Director
* Ray M. Deaver	Director
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* Hugh Norton	Director
* Harriett J. Robinson	Director
/s/ JAMES C. RYAN James C. Ryan Attorney-in-Fact	

* Executed by Attorney-in-Fact.

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POST CITIZEN MEDIA, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
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/s/ JAMES C. RYAN James C. Ryan Attorney-in-Fact	

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GRAY COMMUNICATIONS OF INDIANA, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
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WEAU-TV, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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WVLT-TV, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
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WRDW-TV, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement No. 333-88694 has been signed below by the persons whose signatures appear below, which persons have signed such registration statement in the capacities indicated on July 12, 2002:

Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
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WITN-TV, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
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GRAY KENTUCKY TELEVISION, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement No. 333-88694 has been signed below by the persons whose signatures appear below, which persons have signed such registration statement in the capacities indicated on July 12, 2002:

Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
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/s/ JAMES C. RYAN James C. Ryan Attorney-in-Fact	

* Executed by Attorney-in-Fact.

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Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to the Registration Statement No. 333-88694 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia on July 12, 2002.

GRAY COMMUNICATIONS OF TEXAS, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement No. 333-88694 has been signed below by the persons whose signatures appear below, which persons have signed such registration statement in the capacities indicated on July 12, 2002:

Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
* Robert S. Prather, Jr.	Director
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GRAY COMMUNICATIONS OF TEXAS-SHERMAN, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
* Robert S. Prather, Jr.	Director
* Hilton H. Howell, Jr.	Director
* William E. Mayher, III	Director
* Richard L. Boger	Director
* Ray M. Deaver	Director
* Howell W. Newton	Director
* Hugh Norton	Director
* Harriett J. Robinson	Director
/s/ JAMES C. RYAN James C. Ryan Attorney-in-Fact	

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GRAY TRANSPORTATION COMPANY, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
(Principal Executive Officer)

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GRAY REAL ESTATE AND DEVELOPMENT CO.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
(Principal Executive Officer)

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GRAY FLORIDA HOLDINGS, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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KOLN/ KGIN, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

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WEAU LICENSEE CORP.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
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KOLN/ KGIN LICENSE, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
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WJHG LICENSEE CORP.

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WCTV LICENSEE CORP.

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WVLT LICENSEE CORP.

By: /s/ J. MACK ROBINSON

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WRDW LICENSEE CORP.

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WITN LICENSEE CORP.

By: /s/ J. MACK ROBINSON

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WKYT LICENSEE CORP.

By: /s/ J. MACK ROBINSON

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WYMT LICENSEE CORP.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
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KWTX-KBTX LICENSEE CORP.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
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KXII LICENSEE CORP.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
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GRAY TELEVISION MANAGEMENT, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
(Principal Executive Officer)

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GRAY MIDAMERICA HOLDINGS, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
(Principal Executive Officer)

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/s/ JAMES C. RYAN James C. Ryan Attorney-in-Fact	

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GRAY PUBLISHING, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
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GRAY DIGITAL, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
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KWTX-KBTX LP CORP.

By: /s/ J. MACK ROBINSON

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KXII LP CORP.

By: /s/ J. MACK ROBINSON

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PORTA-PHONE PAGING LICENSEE CORP.

By: /s/ J. MACK ROBINSON

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KXII L.P.

By: GRAY COMMUNICATIONS OF TEXAS-SHERMAN, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
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Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to the Registration Statement No. 333-88694 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia on July 12, 2002.

KWTX-KBTX L.P.

By: GRAY COMMUNICATIONS OF TEXAS, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement No. 333-88694 has been signed below by the persons whose signatures appear below, which persons have signed such registration statement in the capacities indicated on July 12, 2002:

Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
* Robert S. Prather, Jr.	Director
* Hilton H. Howell, Jr.	Director
* William E. Mayher, III	Director
* Richard L. Boger	Director
* Ray M. Deaver	Director
* Howell W. Newton	Director
* Hugh Norton	Director
* Harriett J. Robinson	Director
/s/ JAMES C. RYAN James C. Ryan Attorney-in-Fact	

* Executed by Attorney-in-Fact.

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LYNQX COMMUNICATIONS, INC.

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement No. 333-88694 has been signed below by the persons whose signatures appear below, which persons have signed such registration statement in the capacities indicated on July 12, 2002:

Signature	Title
/s/ J. MACK ROBINSON J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
* Robert S. Prather, Jr.	Director
* Hilton H. Howell, Jr.	Director
* William E. Mayher, III	Director
* Richard L. Boger	Director
* Ray M. Deaver	Director
* Howell W. Newton	Director
* Hugh Norton	Director
* Harriett J. Robinson	Director
/s/ JAMES C. RYAN James C. Ryan Attorney-in-Fact	

* Executed by Attorney-in-Fact.

Exhibit: 2.1

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

STATIONS HOLDING COMPANY, INC.,

GRAY COMMUNICATIONS SYSTEMS, INC.

AND

GRAY MIDAMERICA TELEVISION, INC.

DATED AS OF
JUNE 4, 2002

CONTENTS

EXHIBITS AND SCHEDULES

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of the 4th day of June, 2002, is made and entered into by and among STATIONS HOLDING COMPANY, INC., a Delaware corporation and debtor and debtor-in-possession ("SHC"), GRAY COMMUNICATIONS SYSTEMS, INC., a Georgia corporation ("Gray") and GRAY MIDAMERICA TELEVISION, INC., a Delaware corporation and a newly-formed wholly-owned subsidiary of Gray ("Merger Corp.").

PREAMBLE:

SHC is the owner and licensee, through its direct and indirect Subsidiaries, of the various television stations listed on Schedule A hereto (the "Current Stations") pursuant to authorizations issued by the FCC. Concurrently with the execution of this Agreement, Benedek Broadcasting Corporation ("BBC") (a wholly-owned subsidiary of SHC) and Benedek License Corporation ("BLC") (a wholly-owned subsidiary of BBC) are entering into an Asset Purchase Agreement (the "Purchase Agreement") pursuant to which BBC and BLC will sell all of the assets related to the Current Stations listed on Schedule C (the "Designated Stations") to Chelsey Broadcasting Company, LLC, a Delaware limited liability company (the "Purchaser"). The Current Stations other than the Designated Stations are referred to herein as the "Stations." Gray, Merger Corp. and SHC intend that, immediately after and subject to the prior closing of the transactions contemplated by the Purchase Agreement, Gray shall acquire SHC through the merger of Merger Corp. with and into SHC (the "Merger"). The Boards of Directors of Gray, Merger Corp. and SHC are of the opinion that the transactions described in this Agreement are in the best interests of the parties and their respective shareholders and stockholders. At the Effective Time, the outstanding shares of capital stock of SHC shall be converted as follows: (i) the outstanding shares of SHC Senior Preferred Stock shall be converted into the right to receive a cash payment, (ii) the outstanding shares of SHC Junior Preferred Stock shall be converted into the right to receive a cash payment and (iii) the outstanding shares of SHC Class A Common Stock and SHC Class B Common Stock shall be cancelled with no consideration issued in exchange therefor.

As SHC has filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code of 1978, as amended (the "Bankruptcy Code"), the consummation of the transactions contemplated by this Agreement shall be subject to the approval by the Bankruptcy Court of a plan of reorganization (the "Plan of Reorganization") that contemplates the Merger on the terms set forth herein and that provides for the treatment of creditors and stockholders of SHC in the manner set forth in the plan of reorganization summary attached hereto as Exhibit A (the "Plan Summary").

Certain terms used in this Agreement are defined in Article 10 hereof.

AGREEMENT:

In consideration of the foregoing, the mutual agreements, covenants, representations and warranties contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereinafter set forth, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1
TRANSACTIONS AND TERMS OF MERGER

1.1 MERGER. Subject to the terms and conditions of this Agreement, at the Effective Time, Merger Corp. shall be merged with and into SHC in accordance with the provisions of Section 251 of the DGCL and with the effect provided in Section 259 of the DGCL. SHC shall be the surviving corporation in the Merger (the "Surviving Corporation"). The Surviving Corporation shall continue to be governed by the Laws of the State of Delaware. The Merger shall be consummated pursuant to the terms of this Agreement, which has been approved and adopted by the respective Boards of Directors of Gray, Merger Corp. and SHC.

1.2 TIME AND PLACE OF CLOSING. The closing of the transactions contemplated hereby (the "Closing") will take place at 9:00 A.M., Atlanta, Georgia time on the date that the Effective Time occurs (or the immediately preceding day if the Effective Time is earlier than 9:00 A.M., Atlanta, Georgia time), or at such other time as the parties may mutually agree (such actual date of Closing, the "Closing Date"). The Closing shall be held at the offices of Alston & Bird LLP, 1201 West Peachtree Street, Atlanta, Georgia 30309-3424, or at such other location as the parties may mutually agree.

1.3 EFFECTIVE TIME. The Merger and the other transactions contemplated by this Agreement shall become effective on the date and at the time the Certificate of Merger reflecting the Merger shall become effective with the Secretary of State of the State of Delaware (the "Effective Time"). Subject to the terms and conditions hereof, unless otherwise mutually agreed upon in writing by the authorized officers of each party hereto, the parties shall use their reasonable efforts to cause the Effective Time to occur on the seventh (7th) Business Day following the satisfaction or waiver of all of the conditions set forth in Article 8. Notwithstanding the foregoing sentence, the Effective Time shall not occur prior to October 1, 2002 and Gray may, on one occasion by written notice to SHC, delay the Effective Time for up to one hundred twenty (120) days in the event that there shall have occurred (i) any general suspension of trading in equity securities in the United States securities or financial markets for in excess of two consecutive trading days, (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States, (iii) a commencement of a war, armed hostilities or other national or international calamity directly involving the United States, (iv) any limitation by any governmental authority on the extension of credit by banks or other lending institutions in the United States, or (v) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

1.4 EXECUTION OF LOCK UP, VOTING AND CONSENT AGREEMENTS. Simultaneously with the execution of this Agreement and as a condition hereto, the SHC stockholders and bondholders set forth on Schedule B have executed and delivered to Gray those certain Lock Up, Voting and Consent Agreements substantially in the forms of Exhibit 1.4(a), Exhibit 1.4(b), Exhibit 1.4(c) and Exhibit 1.4(d).

1.5 DELIVERY OF LETTER OF CREDIT AND ESCROW OF SHARES. Simultaneously with the execution of this Agreement, Gray shall (i) deliver or cause to be delivered to SHC a standby letter of credit in the amount of twelve million five hundred thousand dollars ($12,500,000) in the form of Exhibit 1.5(a) (the "LC") and (ii) deposit, or cause to be deposited with the Escrow Agent a number of shares of Gray Class B Common Stock having an aggregate value of twelve million five hundred thousand dollars ($12,500,000) based on the Average Price (the "Escrow Shares") to be applied as provided in the succeeding sentence. Gray shall maintain the LC in effect until the earlier of (i) the Effective Time or (ii) ten (10) Business Days after the termination of this Agreement; provided, that in the event that the LC or any replacement therefore shall expire by its terms prior to either of the foregoing dates, Gray shall renew the LC or obtain a replacement LC and deliver same to SHC at least five (5) Business Days prior to such expiration. The LC and the Escrow Shares will be paid to SHC or Gray as provided in Section 9.2(b) of this Agreement. At the Effective Time and subject to the conditions thereto, the LC and the Escrow Shares shall be returned to Gray and cancelled.

ARTICLE 2
TERMS OF MERGER

2.1 CERTIFICATE OF INCORPORATION. The Certificate of Incorporation of SHC shall be the Certificate of Incorporation of the Surviving Corporation until duly amended or repealed.

2.2 BYLAWS. The Bylaws of SHC shall be the Bylaws of the Surviving Corporation until duly amended or repealed. .

2.3 DIRECTORS AND OFFICERS. The directors and officers of Merger Corp. in office immediately prior to the Effective Time, together with such additional Persons as may thereafter be elected, shall serve as the directors and officers, respectively, of the Surviving Corporation from and after the Effective Time in accordance with the Bylaws of the Surviving Corporation.

2.4 TAX TREATMENT. The parties hereby adopt this Agreement to be treated for federal income tax purposes as an acquisition of the capital stock of SHC.

ARTICLE 3
MANNER OF CONVERTING STOCK

3.1 CONVERSION OF SHARES. Subject to Section 3.2, at the Effective Time, by virtue of the Merger and without any action on the part of SHC, Gray, Merger Corp., or their respective stockholders or shareholders, the stock of the constituent corporations shall be converted as follows:

(a) Each share of Gray Class A Common Stock and Gray Class B Common Stock issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding from and after the Effective Time.

(b) Each share of Merger Corp. Common Stock issued and outstanding immediately prior to the Effective Time shall cease to be outstanding from and after the Effective Time and shall be converted into one share of SHC Class B Common Stock.

(c) Each share of SHC Senior Preferred Stock (excluding shares subject to the provisions of Section 3.4) issued and outstanding immediately prior to the Effective Time shall cease to be outstanding and shall become and be converted into the right to receive a cash payment equal to the quotient obtained by dividing (i) the sum of $500,000,000 minus (A) the principal amount of the Discount Notes outstanding at the Effective Time plus accrued interest thereon through the Effective Time, determined in accordance with the Plan of Reorganization, minus (B) the principal amount of the indebtedness outstanding at the Effective Time under the BBC Loan Agreement plus accrued interest and any mandatory interest payments or pre-payment penalties, premiums or other costs thereon through the

Effective Time, determined in accordance with the Plan of Reorganization, plus (C) subject to adjustment in accordance with Section 3.5(b), the Working Capital Positive Adjustment, if any, minus (D) subject to adjustment in accordance with Section 3.5(b), the Working Capital Negative Adjustment, if any, plus (E) the DTV Positive Adjustment, if any, and minus (F) the DTV Negative Adjustment, if any (the result of the addition and subtraction of the foregoing items in this clause (i) being referred to in the aggregate as the "Merger Consideration") divided by (ii) 100,000 (the number of outstanding shares of SHC Senior Preferred Stock at the Effective Time) (the "Per Share Merger Consideration").

(d) Each share of SHC Junior Preferred Stock (excluding shares subject to the provisions of Section 3.4) issued and outstanding immediately prior to the Effective Time shall cease to be outstanding and shall become and be converted into the right to receive a cash payment equal to the quotient obtained by dividing (i) $2,500,000 (the "Junior Preferred Stock Merger Consideration") by (ii) 450,000 (the number of outstanding shares of SHC Junior Preferred Stock at the Effective Time) (the "Per Share Junior Preferred Stock Merger Consideration").

(e) Each share of SHC Class A Common Stock and SHC Class B Common Stock and any options or warrants to acquire such shares issued and outstanding immediately prior to the Effective Time shall be cancelled with no consideration issued in exchange therefor.

3.2 INTENTIONALLY OMITTED.

3.3 INTENTIONALLY OMITTED.

3.4 SHARES HELD BY SHC. Each of the shares of SHC Senior Preferred Stock held by SHC or any of the SHC Subsidiaries other than in a fiduciary capacity shall be canceled and retired at the Effective Time and no consideration shall be issued in exchange therefor.

3.5 WORKING CAPITAL ADJUSTMENT.

(a) At least five (5) days prior to the Closing Date, SHC shall prepare and deliver to Gray a pro forma statement of the estimated Working Capital Adjustment as of the Effective Time (the "Preliminary Working Capital Statement"). An amount equal to eighty-five percent (85%) of the estimated Working Capital Adjustment reflected on the Preliminary Working Capital Statement shall be utilized in determining the Merger Consideration paid by Gray at the Effective Time (the amount so utilized is referred to herein as the "Estimated Working Capital Adjustment").

(b) As soon as practicable after the Closing and in all events within sixty (60) days after the Closing Date, Gray shall prepare a final statement of the Working Capital Adjustment as of the Effective Time (the "Final Working Capital Statement") and shall submit such Final Working Capital Statement to the Stockholder Representative for review and approval. The Final Working Capital Statement shall be certified by an officer of Gray, on behalf of Gray, to be true and complete. Gray shall make available to the Stockholder Representative all information reasonably necessary to determine the correct amount of Working Capital Adjustment, including appropriate supporting documents and such other information as may be reasonably requested by the Stockholder Representative. The Stockholder Representative (and his authorized representatives) shall have the right to visit the location where Gray has available the supporting documents and other information during normal business hours to verify and review such documentation and other information upon providing reasonable notice to Gray. If the Stockholder Representative disputes the Final Working Capital Statement, he shall so notify Gray within thirty (30) days after receipt of the Final Working Capital Statement setting forth in reasonable detail the basis for any such dispute. If the Stockholder Representative notifies Gray that he accepts the Final Working Capital Statement, or fails to dispute such Final Working Capital Statement within the thirty (30) day period specified in the preceding sentence, Gray's determination of the Final Working Capital Statement shall be conclusive and binding on the parties upon the expiration of such period.

(c) Gray and the Stockholder Representative shall use good faith efforts to resolve any dispute involving the determination of the Working Capital Adjustment and the Final Working Capital Statement. If the parties are unable to resolve any dispute within fifteen (15) days following the delivery of the Stockholder Representative's notice concerning disputed adjustments, Gray and the Stockholder Representative shall jointly designate a qualified Big 4 firm of independent certified public accountants (the "Neutral Auditors") to resolve such dispute. If the parties are unable to agree on the designation of the Neutral Auditors, then an accounting firm will be selected by lot from two names submitted by the Stockholder Representative and two names submitted by Gray, none of which shall be employed, or shall have been employed at any time in the past three years, by SHC, the Stockholder Representative or Gray. The Neutral Auditors' resolution of the dispute shall be made within sixty (60) days of their selection, shall be based on presentations by the Stockholder Representative and Gray and not by independent financial audit, and shall be final and binding on the parties. The Neutral Auditors' resolution of the dispute may be enforced by any court of competent jurisdiction. All of the fees and expenses of the Neutral Auditors shall be shared equally by Gray, on the one hand, and the holders of the SHC Senior Preferred Stock, on the other hand, with the SHC Senior Preferred Stock holders' portion being paid by an adjustment to the Working Capital Adjustment.

(d) Within seven (7) days after the Working Capital Adjustment is finally determined in accordance with the preceding provisions of this Section 3.5, if the Working Capital Adjustment as finally determined in accordance with the preceding provisions of this Section 3.5 is more than the Estimated Working Capital Adjustment Gray shall pay to the Exchange Agent, as an adjustment to the amount of the Merger Consideration originally paid to the Exchange Agent pursuant to Section 4.1, the amount by which the Working Capital Adjustment, as so finally determined, exceeds the Estimated Working Capital Adjustment. Such amount shall be paid in accordance with the same procedures set forth in Article 4 as applied to the initial Merger Consideration.

3.6 ACCOUNTING PRINCIPLES. Completion of the Preliminary Working Capital Statement and Final Working Capital Statement, and determination of the Working Capital, shall be made by the application of the following accounting principles: All revenues (including without limitation unbilled time sales agreements through 11:59 p.m. on the day immediately preceding the Closing Date) and all expenses arising from the operation of the SHC Companies, including business and non-governmental license fees, utility charges, real and personal property taxes and assessments levied against any of the SHC Companies, property and equipment rentals, applicable copyright or other fees, sales and service charges, taxes, programming fees and expenses, employee compensation, including wages, commissions, bonus pay, payroll taxes, accrued vacation, sick leave, holiday, and compensatory pay for all employees of the SHC Companies, prepaid and deferred items, shall be charged or credited in accordance with the methods historically used by the SHC Companies as disclosed in their annual audited consolidated financial statements, and prorated as of the close of business at 11:59 p.m. on the day preceding the Closing Date.

ARTICLE 4
EXCHANGE OF STOCK

4.1 EXCHANGE PROCEDURES.

(a) At or prior to the Effective Time, Gray shall deposit, or shall cause to be deposited, with the Exchange Agent, for the benefit of the holders of SHC Senior Preferred Stock, for exchange in accordance with Article 3 of this Agreement and this Article 4, the Merger Consideration as determined utilizing the Estimated Working Capital Adjustment in accordance with Section 3.5(a), without any interest thereon (the "Exchange Fund"), to be paid pursuant to Article 3 of this Agreement and this Article 4 in exchange for outstanding shares of SHC Senior Preferred Stock. Pursuant to the provisions of Section 3.5(d), any required adjustment to the amount of the Merger Consideration originally paid to the Exchange Agent shall be made within seven (7) days after the Working Capital Adjustment is finally determined in accordance with the provisions of Section 3.5.

(b) At the time of the mailing of the disclosure statement as required by the Bankruptcy Code in connection with SHC's plan of reorganization as contemplated in Section 7.8 or on such other date as Gray and SHC shall mutually agree, Gray shall send or cause to be sent to each holder of SHC Senior Preferred Stock and SHC Junior Preferred Stock, transmittal materials for use in exchanging such stockholder's shares of SHC Senior Preferred Stock and SHC Junior Preferred Stock, respectively, for such stockholder's portion of the Merger Consideration or the Junior Preferred Stock Merger Consideration, as the case may be, (which shall specify that delivery shall be effected, and risk of loss and title to the shares of SHC Senior Preferred Stock shall pass, only upon proper delivery of such shares to the Exchange Agent and that delivery shall be effected, and risk of loss and title to the certificates theretofore representing shares of SHC Junior Preferred Stock shall pass, only upon proper delivery of such certificates to Gray). At the Effective Time Gray shall instruct the Exchange Agent to commence a wire transfer of immediately available funds in respect of the portion of the Merger Consideration into which shares of a stockholder's SHC Senior Preferred Stock are converted at the Effective Time to be delivered to such stockholder or a bank account of its designation, as the case may be, as soon as practicable after the occurrence of the later of (i) delivery to the Exchange Agent of the appropriate transmittal materials for such holder's shares of SHC Senior Preferred Stock and (ii) the Effective Time. Gray shall cause a wire transfer of immediately available funds in respect of the portion of the Junior Preferred Stock Merger Consideration into which shares of a stockholder's SHC Junior Preferred Stock are converted at the Effective Time to be delivered to such stockholder or a bank account of its designation, as the case may be, upon the occurrence of the later of (i) delivery to Gray of the appropriate transmittal materials for such holder's shares of SHC Junior Preferred Stock and (ii) the Effective Time. No interest will be paid on any cash to be paid pursuant to Article 3 and this Article 4 upon such delivery.

(c) Notwithstanding the foregoing, neither the Exchange Agent nor any party hereto shall be liable to any former holder of SHC Senior Preferred Stock or SHC Junior Preferred Stock, as the case may be, for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(d) Any portion of the Exchange Fund that remains unclaimed by the former holders of SHC Senior Preferred Stock for twelve (12) months after the Closing Date shall be paid to Gray. Any former holders of SHC Senior Preferred Stock who have not theretofore complied with this Article 4 shall thereafter look only to Gray for payment of the consideration deliverable in respect of each share of SHC Senior Preferred Stock that such holder holds, as determined pursuant to this Agreement, in each case, without any interest thereon.

4.2 RIGHTS OF FORMER SHC STOCKHOLDERS. At the Effective Time, the stock transfer books of SHC shall be closed as to holders of SHC Capital Stock immediately prior to the Effective Time and no transfer of SHC Capital Stock by any such holder thereafter shall be made or recognized. Until surrendered for exchange in accordance with the provisions of Section 4.1 of this Agreement, each share and each certificate representing shares of SHC Senior Preferred Stock and SHC Junior Preferred Stock (other than shares or certificates for shares to be canceled pursuant to Section 3.4 of this Agreement) shall from and after the Effective Time represent for all purposes only the right to receive the consideration provided in Section 3.1 of this Agreement in exchange therefor. In the event any SHC Senior Preferred Stock or SHC Junior Preferred Stock certificate shall have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen, or destroyed and, if required by Gray, the posting by such Person of a bond in such amount as Gray may reasonably direct as indemnity against any claim that may be made against it with respect to such certificate, the Exchange Agent (with respect to the shares of SHC Senior Preferred Stock) and Gray (with respect to the shares of SHC Junior Preferred Stock) shall issue in exchange for such lost, stolen, or destroyed certificate, the consideration deliverable in respect thereof pursuant to this Agreement.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF SHC

Prior to the execution hereof, SHC has delivered to Gray and Merger Corp. the schedules to this Agreement (the "Schedules") setting forth, among other things, items the disclosure of which is necessary or appropriate either (i) in response to an express informational requirement contained in or requested by a provision hereof or (ii) as an exception to one or more representations or warranties contained in this Article 5; provided that the listing of an item in one section of the Schedules shall be deemed to be a listing in the other sections of the Schedules to the extent that such information is reasonably determinable to be so applicable to such other section or sections of the Schedule. The subject matter of the representations and warranties contained in this Article 5 shall not apply to the Designated Stations. Except as provided in the Schedules, SHC hereby represents and warrants to Gray and Merger Corp. as follows (it being understood that the inclusion of any item on a Schedule hereto shall not be deemed an acknowledgement that such item (i) is Material, (ii) would have a Material Adverse Effect or (iii) is required to be disclosed under this Agreement):

5.1 ORGANIZATION, STANDING, AND POWER.

(a) SHC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority, subject to Bankruptcy Court approval, to own, lease and operate its assets and to carry on its business, as presently conducted. Each of the SHC Subsidiaries (other than Benedek Interactive Media, LLC) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to own, lease and operate its assets and to carry on its business, as presently conducted. Benedek Interactive Media, LLC is a limited liability company duly organized and validly existing under the laws of the State of Delaware and has full power and authority to own, lease and operate its assets and to carry on its business, as presently conducted. Except as set forth on Schedule 5.1 and except where a failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect, each of SHC and each of the SHC Subsidiaries is duly qualified to transact business as a foreign corporation or limited liability company, as applicable, in good standing in the jurisdictions listed next to its name in Schedule 5.1. Except where a failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect, the SHC Companies are not required to be qualified in any other jurisdiction.

(b) Copies which are correct and complete of the Certificate of Incorporation or the Certificate of Formation, as applicable, and all amendments thereto, (certified by the Secretary of State of Delaware) and By-Laws or the Operating Agreement, as applicable, of each of the SHC Companies, and all amendments thereto have been previously delivered or made available to Gray and Merger Corp. Copies of all records of the proceedings of incorporators, stockholders, boards of directors, authorized persons, members and committees thereof, as applicable, of each of the SHC Companies, which are set forth in each of the respective SHC Companies' minute books (collectively, the "Minute Books"), are correct and complete and accurately reflect all proceedings of each of the SHC Companies' respective incorporators, stockholders, boards of directors, authorized persons, members and committees thereof, as applicable. The Minute Books have been previously made available to Gray and Merger Corp. for review.

5.2 AUTHORIZATION AND ENFORCEABILITY.

(a) Subject to Bankruptcy Court approval, SHC has full corporate power and authority to enter into this Agreement and the Other Agreements. Except for Bankruptcy Court approval of the Plan of Reorganization, the execution, delivery and performance by SHC of its obligations hereunder and thereunder have been duly and validly authorized by all necessary corporate action. Assuming due authorization, execution and delivery of this Agreement and the Other Agreements by Gray and Merger Corp., no further action or approval is required in order to constitute this Agreement and the Other Agreements as legal, valid and binding obligations of SHC, enforceable in accordance with their terms, except in all cases as the enforceability of this Agreement and the Other Agreements may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedies of specific performance, injunction, and other forms of equitable relief are subject to certain principles of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

(b) Except as set forth on Schedule 5.21, neither the execution and delivery of this Agreement or any of the Other Agreements by SHC, nor the consummation by SHC of the transactions contemplated hereby or thereby nor compliance by SHC with any of the provisions hereof or thereof, will (i) conflict with or result in a breach of any provision of SHC's Certificate of Incorporation or Bylaws, or (ii) constitute or result in a Material Default under, or require any Consent pursuant to, or result in the creation of any Lien on any asset of any SHC Company under, any Material network affiliation agreement or Material programming agreement of any SHC Company, or (iii) subject to receipt of the requisite Consents referred to in Section 8.1(a) and (b) of this Agreement, violate in any Material respect any Law or Order applicable to any SHC Company or any of their respective Material assets.

(c) Subject to the receipt of the requisite Consents referred to in Section 8.1(a) and (b) of this Agreement and except for filing the Certificate of Merger with the Secretary of State of the State of Delaware and except as set forth on Schedule 5.2, no notice to, filing with, or Consent of, any Regulatory Authority is necessary for the consummation by SHC of the Merger and the other transactions contemplated in this Agreement or any of the Other Agreements, except for any county or local Regulatory Authority notice, filing or Consent, the violation of which individually or in the aggregate is not Material.

5.3 CAPITALIZATION. The authorized capital stock of SHC consists, as of the date of this Agreement, of ten million (10,000,000) shares of SHC Class A Common Stock, of which none are issued and outstanding; ten million (10,000,000) shares of SHC Class B Common Stock, of which seven million four hundred thousand (7,400,000) shares are issued and outstanding; two million five hundred thousand (2,500,000) shares of Preferred Stock, of which four hundred fifty thousand (450,000) shares of SHC Junior Preferred Stock are issued and outstanding, and of which one hundred thousand (100,000) shares of SHC Senior Preferred Stock are issued and outstanding. Each of the outstanding shares of SHC Capital Stock is duly and validly issued and outstanding, is fully paid and nonassessable and was issued pursuant to a valid registration statement filed under the Securities Act or a valid exemption from registration thereunder, and under all applicable state securities laws. Except as set forth on Schedule 5.3(i), no shares of SHC Capital Stock are reserved for issuance. Except as set forth on Schedule 5.3(ii), SHC has no obligation to issue any additional shares of SHC Capital Stock or securities convertible or exchangeable for SHC Capital Stock, or any Rights for the purchase of (a) any shares of SHC Capital Stock or (b) any securities convertible into or exchangeable for any shares of SHC Capital Stock. Except as set forth on Schedule 5.3(iii), there are no outstanding rights to either demand registration of any shares of SHC Capital Stock under the Securities Act, or to sell any shares of SHC Capital Stock in connection with such a registration. Set forth on Schedule 5.3(iv) is a list which is true and correct of (i) the record holders of the outstanding SHC Class B Common Stock as of the date hereof, (ii) the record holders of the outstanding SHC Junior Preferred Stock as of the date hereof, (iii) the record holders of the outstanding SHC Senior Preferred Stock as reflected in the transfer records of the Bank of New York, the transfer agent, (iv) the record holders of the warrants to purchase the SHC Class A Common Stock as reflected in the transfer records of the Bank of New York, the warrant agent and (v) the holders of options to purchase SHC Class B Common Stock.

5.4 SHC SUBSIDIARIES. SHC has disclosed in Schedule 5.4(i) all of SHC's Subsidiaries as of the date of this Agreement. SHC or one of its Subsidiaries owns all of the issued and outstanding shares of capital stock or membership interest, as applicable, of each SHC Subsidiary. No equity securities of any SHC Subsidiary are or may become required to be issued (other than to another SHC Company) by reason of any Rights, and except as set forth on Schedule 5.4(ii), there are no Contracts by which any SHC Subsidiary is bound to issue (other than to another SHC Company) additional shares of its capital stock or membership interest, as applicable, or Rights or by which any SHC Company is or may be bound to transfer any shares of the capital stock or membership interest, as applicable, of any SHC Subsidiary (other than to another SHC Company). Except as set forth on Schedule 5.4(iii), there are no Contracts relating to the rights of any SHC Company to vote or to dispose of any shares of the capital stock or membership interest, as applicable, of any SHC Subsidiary. All of the shares of capital stock or membership interest, as applicable, of a SHC Subsidiary held by a SHC Company are fully paid and, except as expressly provided otherwise under applicable Law, nonassessable under the applicable Law of the jurisdiction in which such Subsidiary is incorporated or organized and are owned by the SHC Company free and clear of any Lien, except Permitted Liens or Liens that are set forth on Schedule 5.4(iv). Except for (i) interests in the SHC Subsidiaries or (ii) as set forth in Schedule 5.4(v), SHC does not own, directly or indirectly (through any SHC Subsidiary or otherwise), any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any Person.

5.5 FINANCIAL STATEMENTS. SHC has disclosed in Schedule 5.5, and has previously delivered or made available to Gray and Merger Corp. copies of, the SHC Financial Statements. The SHC Financial Statements (as of the dates thereof and for the periods covered thereby) (i) are in accordance with the books and records of the SHC Companies, (ii) fairly present the consolidated financial position of the SHC Companies as of the dates indicated and the consolidated results of operations, changes in stockholders' equity, and cash flows of the SHC Companies for the periods indicated, in accordance with

GAAP (subject to any exceptions as to consistency specified therein or as may be indicated in the notes thereto or, in the case of interim financial statements, to normal recurring year-end adjustments which were not or will not be material in amount or effect and as otherwise disclosed in Schedule 5.5) and (iii) have been prepared in accordance with GAAP.

5.6 NO UNDISCLOSED LIABILITIES. As of December 31, 2001, none of the SHC Companies had any Liabilities (whether accrued, absolute, contingent or otherwise, and whether due or to become due) normally shown on a balance sheet (including the footnotes thereto) prepared in accordance with GAAP which is not shown on the December 31, 2001 consolidated balance sheet of the SHC Companies, or disclosed herein or in a schedule hereto or in any document referred to in a schedule or in the Financial Statements (including the footnotes thereto), which is reasonably likely to result in a Material Adverse Effect. Except as set forth in the December 31, 2001 consolidated balance sheet, none of the SHC Companies has outstanding on the date hereof any Liability normally shown on a balance sheet (including the footnotes thereto) prepared in accordance with GAAP, other than those incurred since December 31, 2001 in the ordinary course of business or disclosed herein or in a schedule hereto or in any document referred to in a schedule or in the Financial Statements (including the footnotes thereto), which is reasonably likely to result in a Material Adverse Effect.

5.7 ABSENCE OF CHANGES. Except as disclosed on Schedule 5.7, since December 31, 2001, (i) the SHC Companies have carried on their respective businesses in the ordinary course consistent with past practice in all Material respects, (ii) none of the SHC Companies has directly or indirectly declared, paid or authorized any dividends or other distributions or payments in respect of its capital stock or other securities, except dividends, distributions or payments made to another SHC Company and (iii) none of the SHC Companies has made any change in any method of accounting or accounting practice except for changes required by GAAP.

5.8 TAX MATTERS. Except as set forth in Schedule 5.8:

(a) Each of the SHC Companies has duly filed with the appropriate Regulatory Authorities all required Material Tax Returns in all jurisdictions in which Material Tax Returns are required to be filed as of the date hereof and such Material Tax Returns are correct and complete in all Material respects. As of the date hereof, none of the SHC Companies is the beneficiary of any extension of time within which to file any Material Tax Return. All Taxes shown on any Tax Return for all periods ending on or before December 31, 2001, have been fully paid or appropriate deposits or adequate accruals have been made therefor on the Balance Sheet.

(b) Since January 1, 1999, none of the SHC Companies has incurred any liability for Taxes other than in the ordinary course of business. Since January 1, 1999, none of the SHC Companies has been delinquent in the payment of any Material Tax, and since January 1, 1999, no Material Liability has been assessed, asserted or threatened in writing against any of the SHC Companies or any of their respective assets in connection with any Tax. Since January 1, 1999, none of the SHC Companies has received any written notice of Material assessment or proposed Material assessment in connection with any Tax Returns, and as of the date hereof, there are no pending Tax examinations of or Tax claims asserted in writing against any of the SHC Companies or any of their respective assets, including without limitation, any written claim by any Regulatory Authority in any jurisdiction where any of the SHC Companies did not file Tax Returns that such SHC Company is or may be subject to or liable for Taxes imposed by that Regulatory Authority or jurisdiction. There are no Liens for any Taxes (other than any Lien for current real property or ad valorem Taxes not yet due and payable) on any of the assets of any of the SHC Companies.

(c) Since January 1, 1999, none of SHC Companies' Tax Returns have been audited by the IRS or any other Regulatory Authority, and since January 1, 1999 none of the SHC Companies has waived any statute of limitations in respect of Taxes or agreed to a Tax assessment or deficiency. No Tax is required to be withheld pursuant to Section 1445 of the Code as a result of any of the transfers contemplated by this Agreement, and each of the SHC Companies will provide any certificate reasonably requested by Gray or Merger Corp. at Closing with respect thereto.

(d) As of the date hereof, each of the SHC Companies is in compliance in all Material respects with, and its records contain the information and documents (including properly completed IRS Forms W-9) necessary to comply in all Material respects with applicable information reporting and Tax withholding requirements under federal, state, and local Tax Laws, and such records identify in all Material respects accounts subject to backup withholding under Section 3406 of the Code.

(e) As of the date hereof, none of the SHC Companies has made any payments, is obligated to make any payments, or is a party to any Contract that could obligate it to make any payments that would be disallowed as a deduction under Section 280G of the Code.

5.9 ASSETS. The SHC Companies have good and marketable title, free and clear of all Liens, to all of their respective assets other than the Permitted Liens and the Liens set forth in Schedule 5.21 and Schedule 5.9. All of the current lender's and owner's title insurance policies issued to or on behalf of any of the SHC Companies relating to any of the Real Property are listed on Schedule 5.21, copies of substantially all of which have been previously made available to Gray and Merger Corp. All Material tangible properties owned or used by the SHC Companies are in good condition, reasonable wear and tear excepted, and are usable in the ordinary course of business consistent with SHC's past practices. All of the tangible properties of the SHC Companies are adequate in all Material respects for their present uses and operation. The SHC Companies' assets (including their respective interest in leased assets) include all Material assets required to operate their respective businesses as presently conducted.

5.10 REAL PROPERTY.

(a) Schedule 5.21(a)(i) contains a correct and complete list of the locations of all of the Real Property, except for such omissions therefrom with respect to owned Real Property which do not have an individual property value in excess of $100,000 or having a property value in excess of $100,000 but not in excess of $1,000,000 in the aggregate for all such owned Real Property.

(b) To SHC's Knowledge, except as set forth on Schedule 5.21(a)(i), no zoning or similar land use restrictions are presently in effect that would impair in any Material respect the operation of the respective businesses of the SHC Companies as presently conducted or that would impair in any Material respect the use, occupancy and enjoyment of any of the Real Property in the manner in which such Real Property is currently used. To SHC's Knowledge, except as set forth on Schedule 5.21(a)(i), all of the Real Property is in compliance in all Material respects with all applicable zoning or similar land use restrictions of all Regulatory Authorities having jurisdiction thereof and with all recorded restrictions, covenants and conditions affecting any of the Real Property. Since January 1, 2001, except as set forth on Schedule 5.21(a)(i), none of the SHC Companies has received any written notice from any Regulatory Authority with regard to Material encroachments on or off the Real Property, Material violations of building codes, zoning, subdivision or other similar Laws, or other Material defects in the good valid marketable and insurable title of said Real Property.

(c) Except as set forth in Schedule 5.21(a)(i), and except for such Contracts not required to be disclosed thereon, there are no Contracts affecting the Real Property or any part thereof.

(d) As of the date hereof, no right of adverse possession by any Third Party has been claimed in writing or, to the Knowledge of SHC, threatened with respect to the Real Property and none of such property is subject to any Order for its sale, condemnation, expropriation or taking (by eminent domain or otherwise) by any Regulatory Authority nor has any such sale, condemnation, expropriation or taking been proposed in writing or, to the Knowledge of SHC, threatened.

5.11 INTENTIONALLY OMITTED.

5.12 INTELLECTUAL PROPERTY.

(a) Schedule 5.12 contains a list which is correct and complete in all Material respects of all of the SHC Companies' Intellectual Property which is registered with the United States Patent and Trademark Office or the equivalent state agency and owned by the SHC Companies as of the date hereof. The SHC Companies own or have a valid right to use all of their respective Intellectual Property used or held for use by the SHC Companies in connection with the operation of the SHC Companies as currently conducted by the SHC Companies, without Materially infringing upon the rights of any other Person.

(b) No present or former officer, director, partner or employee of any of the SHC Companies owns or has any proprietary, financial or other interest, direct or indirect, in any Material portion of any of the SHC Companies' Material Intellectual Property, except as described on Schedule 5.12.

5.13 COMPUTER SOFTWARE AND DATABASES. Schedule 5.13 accurately identifies all Material Computer Software and Databases owned, licensed, leased, internally developed or otherwise used in connection with the respective businesses of the SHC Companies as presently conducted as of the date of this Agreement. As of the date of this Agreement, the SHC Companies have the right to use all Material Computer Software and Databases that are necessary to conduct the respective businesses as presently conducted by the SHC Companies. To SHC's Knowledge, SHC is not Materially violating any "off the shelf" or "shrink wrapped" computer software, programs or licenses.

5.14 ACCOUNTS RECEIVABLE. Except as set forth on Schedule 5.14, the Accounts Receivable are (i) validly existing, (ii) enforceable by the SHC Companies in accordance with the terms of the instruments or documents creating them and (iii) represent monies due for, and have arisen solely out of, bona fide sales and deliveries of goods, performance of services and other business transactions in the ordinary course of business consistent with past practices. None of the Accounts Receivable represents monies due for goods either sold on consignment or sold on approval. The allowance for collection losses on the Balance Sheet was established in the ordinary course of business consistent with past practices and in accordance with GAAP and there are no Material defenses, rights of set-off, counterclaims, assignments, restrictions, encumbrances or conditions enforceable by Third Parties on or affecting any Account Receivable.

5.15 INSURANCE. All of the assets and the operations of the SHC Companies of an insurable nature and of a character usually insured by companies of similar size and in similar businesses are insured by any of the SHC Companies in such amounts and against such losses, casualties or risks as is (i) usual in such companies and for such assets, operations and businesses, (ii) required by any Law applicable to any of the SHC Companies, or (iii) required by any Contract of any of the SHC Companies. Schedule 5.15(i) contains a list which is complete and accurate in all Material respects of all insurance policies now in force and held or owned by any of the SHC Companies and such Schedule indicates the name of the insurer, agent, type of coverage, policy number, amount of coverage, expiration date and any pending claims thereunder. Copies which are correct and complete in all Material respects of all such policies have been previously delivered or made available to Gray and Merger Corp. by SHC on or before the date of this Agreement. As of the date hereof, all such policies are in full force and effect and enforceable in accordance with their terms in all Material respects, except as set forth on Schedule 5.15(ii). Except as set forth on Schedule 5.15(iii), since January 1, 2001, no written notice of cancellation or non-renewal with respect to, or disallowance of any Material claim under, any insurance policies or binders of insurance which relate to the assets or the operations of the SHC Companies has been received by SHC.

5.16 BONDS, LETTERS OF CREDIT AND GUARANTEES. Schedule 5.16 contains a list which is complete and accurate in all Material respects of all bonds (whether denominated bid, litigation, performance, fidelity, or otherwise), letters of credit, and guarantees issued by any of the SHC Companies and now in force or outstanding, and copies which are correct and complete in all Material respects of all such bonds, letters of credit and guarantees have been previously delivered or made available to Gray and Merger Corp. by SHC on or before the date of this Agreement. The bonds, letters of credit and guarantees listed in Schedule 5.16 satisfy in all Material respects requirements for bonds, letters of credit or guarantees set forth in (i) any Law applicable to any of the SHC Companies or their respective businesses and (ii) any Material Contracts of any of the SHC Companies. Except as set forth on Schedule 5.16, none of the SHC Companies are in Material Default regarding the provisions of any bond, letter of credit or guarantee, including, without limitation, the failure to make timely payment of all premiums and fees due thereon.

5.17 COMPLIANCE WITH LAW. Except as set forth on Schedule 5.17:

(a) Since January 1, 1999, each of the SHC Companies has complied with and is in compliance in all Material respects with all Material Laws, Licenses and Orders applicable to, of or binding on any of the SHC Companies, their respective assets or their respective businesses, including without limitation, the terms of the FCC Licenses, the Communications Act, and PUC Laws and SHC has no Knowledge of any basis for any Material claim of current or past non-compliance with any Material Law, License or Order. Since January 1, 1999, SHC has not received any written notices from any Regulatory Authority with respect to any failure or alleged failure of any of the SHC Companies to comply in any Material respect with any Material Law, License or Order by any of the SHC Companies, nor, to the Knowledge of SHC, are any such written notices threatened.

(b) Benedek License Corporation holds the FCC Licenses set forth on Schedule 5.17, which constitute all necessary authorizations from the FCC to enable the SHC Companies to broadcast and transmit the present television programming of the SHC Companies. Other than FCC rule making procedures of general applicability, no application, action, proceeding, notice of violation, order of forfeiture, or complaint is pending or, to SHC's Knowledge, threatened in writing the effect of which would be the revocation, modification, nonrenewal or suspension of any of the FCC Licenses, the issuance of a cease-and-desist order, or the imposition of any administrative or judicial sanction with respect to the SHC Companies' respective businesses that would Materially and adversely affect any of the SHC Companies under any such FCC Licenses. As of the date hereof, all returns, reports and statements required to be filed by any of the SHC Companies with the FCC relating to their respective businesses have been filed and complied with in all Material respects and are complete and correct in all

Material respects as filed. As of the date hereof, all FCC regulatory fees associated with FCC Licenses have been paid.

(c) Except as set forth in the Planned DTV Capital Expenditures described in Schedule D, there are no Material capital expenditures that any of the SHC Companies Knows will be required to be made in connection with the SHC Companies' respective assets or their respective businesses as now conducted in order to comply in all Material respects with any Law applicable to any of the SHC Companies, or any of their respective assets or businesses as now conducted.

5.18 ENVIRONMENTAL. Except (i) as set forth in Schedule 5.18, (ii) as may be reflected in the environmental assessment reports listed on Schedule 5.18 or obtained by Gray and Merger Corp. as the result of the environmental due diligence conducted by Gray and Merger Corp. and/or (iii) as would not otherwise have, or be reasonably expected to result in, a Material Adverse Effect:

(a) There are no existing violations of (i) any Environmental Law, or (ii) any Order related to environmental matters, with respect to the ownership, use, condition or operation of the Real Property or any other asset of any of the SHC Companies. None of the SHC Companies has used any assets or premises of any of the SHC Companies or any part thereof for the handling, treatment, storage, or disposal of any Hazardous Substances.

(b) No Release of any Hazardous Substances has occurred or is occurring at any assets owned, leased, operated or managed, directly or indirectly, by any of the SHC Companies or any part thereof while such assets were owned, leased, operated or managed, directly or indirectly, by any of the SHC Companies.

(c) To SHC's Knowledge, no soil or water in or under any assets owned, leased, operated or managed, directly or indirectly, by any of the SHC Companies has been contaminated by any Hazardous Substance while such assets were owned, leased, operated or managed, directly or indirectly, by any of the SHC Companies.

(d) All waste containing any Hazardous Substances generated, used, handled, stored, treated or disposed of (directly or indirectly) by any of the SHC Companies has been released or disposed of in substantial compliance with all Environmental Laws.

(e) To SHC's Knowledge, no underground tanks or other underground storage facilities presently located at any Real Property owned, leased, operated or managed by any of the SHC Companies are causing a Release.

(f) The SHC Companies have complied in all material respects with all applicable reporting requirements under all Environmental Laws concerning the Release of Hazardous Substances and none of the SHC Companies has made any such reports concerning any Real Property of any of the SHC Companies or concerning the operations or activities of any of the SHC Companies.

(g) No building or other Improvement or any Real Property owned, leased, operated or managed, directly or indirectly, by any of the SHC Companies contains any friable asbestos-containing materials.

(h) Schedule 5.18 contains a list which is correct and complete of all environmental site assessments and other studies relating to the investigation of the possibility of the presence or existence of any environmental matter with respect to the SHC Companies, or their respective businesses, any assets owned, leased, operated or managed, directly or indirectly, by any of the SHC Companies, and SHC has previously delivered or made available to Gray and Merger Corp. a correct and complete copy of each such assessment and study, except for the assessment and study related to the studio and office located in Dothan, Alabama.

5.19 LITIGATION AND CLAIMS. As of the date hereof, except for the Bankruptcy Case:

(a) Except as disclosed on Schedule 5.19(i), there is no Material Litigation pending or, to the Knowledge of or any of the SHC Companies, threatened in writing.

(b) Except as disclosed on Schedule 5.19(ii), there are no outstanding Orders binding upon any of the SHC Companies, their respective businesses and assets or SHC Capital Stock that would be Materially adverse or restrictive to the business of the SHC Companies.

(c) Except as disclosed on Schedule 5.19(iii) and except as generally applicable to the broadcasting industry, there are no pending or, to the Knowledge of SHC, threatened investigations or inquiries regarding any of the SHC Companies or their respective businesses or assets by any Regulatory Authority that individually or in the aggregate would have, or be reasonably expected to have, a Material Adverse Effect on the SHC Companies or their respective businesses or assets.

(d) Except as disclosed on Schedule 5.19(iv), no Litigation has been pending during the three (3) years prior to the date hereof that resulted in (i) losses or damages to any SHC Company in excess of $250,000 individually or $1,000,000 in the aggregate or (ii) any injunctive relief against any of the SHC Companies.

(e) Except as disclosed on Schedule 5.19(v), in connection with the SHC Companies' preparation of the SHC Financial Statements for the fiscal year ended December 31, 2001, none of the SHC Companies have been advised by any attorney representing it that there are any "loss contingencies" (as defined in Statement of Financing Accounting Standards No. 5 issued by the Financial Accounting Standards Board in March 1975 ("FASB 5"), which would be required by FASB 5 to be disclosed or accrued in financial statements of any of the SHC Companies, were such financial statements prepared as of the date hereof.

5.20 BENEFIT PLANS.

(a) Schedule 5.20 contains and correct and complete list of (i) every Employee Benefit Plan of any of the SHC Companies that is a defined benefit pension plan or, a defined contribution that was in effect at any time from January 1, 1996 through the date of this Agreement and (ii) every Employee Benefit Plan of the SHC Companies that is not described in the foregoing clause (i) that is currently in effect. On or after January 1, 1996, none of the SHC Companies or any entity aggregated with any of the SHC Companies under Code Section 414 (for purposes of this Section, an "ERISA Affiliate") has had an "obligation to contribute" (as defined in ERISA Section 4212) to a "multiemployer plan" (as defined in ERISA Sections 4001(a)(3) and (3)(37)(A)). No Employee Benefit Plan is or has been a multiemployer plan within the meaning of Section 3(37) of ERISA nor a multiple employer welfare arrangement within the meaning of Section 3(40) of ERISA. Notwithstanding the foregoing, there shall be excluded from Schedule 5.20, any listing which is of an item that could not result in any Material Liability.

(b) The Employee Benefit Plans listed on Schedule 5.20 have been or will be made available to Gray for review, including correct and complete copies of: (i) all governing plan documents, including without limitation, all trust agreements or other funding arrangements for such Employee Benefit Plans (including insurance Contracts), and all amendments thereto, (ii) with respect to any such Employee Benefit Plans or amendments, all determination letters, rulings, opinion letters, information letters, or advisory opinions issued by the United States Internal Revenue Service, the United States Department of Labor, or the Pension Benefit Guaranty Corporation after December 31, 1996, (iii) annual reports or returns, audited or unaudited Financial Statements, actuarial valuations and reports, and summary annual reports prepared for any Employee Benefit Plan with respect to the most recent three plan years, and (iv) the summary plan descriptions and any material modifications thereto.

(c) Except as disclosed in Schedule 5.20, all the Employee Benefit Plans and the related trusts subject to ERISA Materially comply with and have been administered in Material compliance with, (i) the applicable provisions of ERISA, (ii) all applicable provisions of the Code relating to qualification and tax exemption under Code Sections 401(a) and 501(a) or otherwise applicable to secure intended tax consequences, (iii) all applicable state or federal securities Laws, and (iv) all other applicable Laws and collective bargaining agreements, and none of the SHC Companies, none of their respective Employee Benefit Plans nor any fiduciary for any such Employee Benefit Plan has received any notice from any Regulatory Authority questioning or challenging such compliance. Except as disclosed on Schedule 5.20, no event has occurred which will or could give rise to disqualification of any such plan or loss of intended tax consequences under the Code or to any tax under Section 511 of the Code.

(d) Except as disclosed in Schedule 5.20, no Material oral or written representation or communication with respect to any aspect of the Employee Benefit Plans has been made to employees of any of the SHC Companies prior to the date hereof that is not in accordance with the written or otherwise preexisting terms and provisions of such plans. Except as disclosed in Schedule 5.20, none of the SHC Companies, nor any administrator or fiduciary of any Employee Benefit Plan (or any agent of any of the foregoing) has engaged in any transaction, or acted or failed to act in any manner that could subject any of the SHC Companies or Gray to any direct or indirect Material Liability (by indemnity or otherwise) for breach of any fiduciary, co-fiduciary or other duty under ERISA. Except as disclosed on Schedule 5.20, there are no unresolved Material claims or disputes under the terms of, or in connection with, the Employee Benefit Plans other than claims for benefits which are payable in the ordinary course and no Litigation has been commenced with respect to any Employee Benefit Plan.

(e) Except as disclosed in Schedule 5.20, all Employee Benefit Plan documents and annual reports or returns, audited or unaudited financial statements, actuarial valuations, summary annual reports, and summary plan descriptions issued with respect to the Employee Benefit Plans are correct and complete, have been timely filed with the IRS and the United States Department of Labor, have been timely distributed to participants in the Employee Benefit Plans, and there have been no Material changes in the information set forth therein.

(f) Except as disclosed in Schedule 5.20, no "party in interest" (as defined in Section 3(14) of ERISA) or "disqualified person" (as defined in Code Section 4975) of any Employee Benefit Plan has engaged in any nonexempt "prohibited transaction" (described in Code Section 4975 or ERISA Section 406). Except as disclosed in Schedule 5.20, there has been no (i) "reportable event" (as defined in Section 4043 of ERISA), or event described in Sections 4041, 4042, 4062 (including ERISA Sections 4062(e)), 4064, 4069 or 4063 of ERISA, or (ii) termination or partial termination, withdrawal or partial withdrawal with respect to any of the ERISA Plans which any of the SHC Companies maintains or contributes to or has maintained or contributed to. Except as disclosed in Schedule 5.20, none of the SHC Companies has incurred any liability under Title IV of ERISA, including any Liability that could arise under Title IV of ERISA as a result of any of the SHC Companies' membership in a "controlled group" as defined in ERISA Sections 4001(a)(14) and 4001(b)(1).

(g) Except as disclosed in Schedule 5.20, since the date of the most recent actuarial valuation, there has been (i) no Material change in the financial position of any pension plan as defined in ERISA Section 3(2) ("ERISA Pension Plan"), (ii) no change in the actuarial assumptions with respect to any ERISA Pension Plan, and (iii) no increase in benefits under any ERISA Pension Plan as a result of ERISA Pension Plan amendments or changes in any applicable regulation which is reasonably likely to have, individually or in the aggregate, with respect to all of the foregoing a Material Adverse Effect on the funding status of such ERISA Pension Plan. Except as disclosed in Schedule 5.20, all contributions with respect to an Employee Benefit Plan of SHC or of an ERISA Affiliate that is subject to Code Section 412 or ERISA Section 302 have been, or will be, timely made and there is no Lien or expected to be a Lien under Code Section 412(n) or ERISA Section 302(f) or tax under Code Section 4971. No ERISA Pension Plan of any of the SHC Companies or of an ERISA Affiliate has a "liquidity shortfall" as defined in Code Section 412(m)(5). No event described in Code Section 401(a)(29) has occurred or can reasonably be expected to occur with respect to SHC or its ERISA Affiliates. All premiums required to be paid under ERISA Section 4006 have been paid by the SHC Companies and by any Person aggregated with any of the SHC Companies under ERISA Sections 4001(a)(14) and 4001(b)(1).

(h) Except as disclosed in Schedule 5.20, none of the SHC Companies has, and does not, maintain an Employee Benefit Plan providing welfare benefits (as defined in ERISA Section 3(1)) to employees after retirement or other separation of service except to the extent required under Part 6 of Title I of ERISA or Code Section 4980B or their successors. No tax under Code Sections 4980B or 5000 has been incurred with respect to any Employee Benefit Plan and no circumstances exist which could give rise to such taxes.

(i) Except as disclosed on Schedule 5.20, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will (1) entitle any current or former employee of any of the SHC Companies to severance pay, unemployment compensation or any payment contingent upon a change in control or ownership of any of the SHC Companies, or (2) accelerate the time of payment or vesting, or increase the amount, of any compensation due to any such employee or former employee.

(j) Except as disclosed on Schedule 5.20, no individuals participating in (or eligible to participate in) any Employee Benefit Plan maintained (or contributed to) by any of the SHC Companies are independent contractors.

5.21 CONTRACTS.

(a) Lists.

(i) Real Property. Schedule 5.21(a)(i) is a list of all Contracts of any of the SHC Companies affecting or relating to the Real Property, including, without limitation, Contracts evidencing Liens (other than Permitted Liens) (other than Contracts affecting rights in the Real Property in which (i) any SHC Company is the lessor or (ii) any Contract which individually does not involve the payment by any of the SHC Companies of more than $100,000 annually or involving more than $100,000 annually but not more than $2,000,000 in the aggregate for all such Contracts).

(ii) Personal Property. Schedule 5.21(a)(ii) is a list of all Contracts of any of the SHC Companies affecting or relating to the Personal Property, including, without limitation, Contracts evidencing Liens (other than Contracts affecting rights in the Personal Property which individually do not involve the payment by any of the SHC Companies of more than $100,000 annually or involving more than $100,000 annually but not more than $2,000,000 in the aggregate for all such Contracts).

(iii) Capital Assets. Schedule 5.21(a)(iii) is a list of all outstanding Contracts of any of the SHC Companies for the acquisition or disposition of capital assets of the SHC Companies (other than Contracts entered into in the ordinary course of business consistent with past practice and other than Contracts which individually do not involve the payment by any of the SHC Companies of more than $100,000 annually or involving more than $100,000 annually but not more than $2,000,000 in the aggregate for all such Contracts).

(iv) Employment. Schedule 5.21(a)(iv) is a list of all Contracts of any of the SHC Companies with any employee or officer of any of the SHC Companies (other than those entered into in the ordinary course of business consistent with past practice that are terminable within one year from the date hereof by any of the SHC Companies or other than those Contracts which individually do not involve the payment by any of the SHC Companies of more than $100,000 annually or involve more than $100,000 annually but not more than $2,000,000 in the aggregate for all such Contracts).

(v) Sales Representatives. Schedule 5.21(a)(v) is a list of all Contracts of any of the SHC Companies with any agent, broker, sales representative of, or any Person in a similar representative capacity for, the SHC Companies (other than those Contracts which individually do not involve the payment by any of the SHC Companies of more than $100,000 annually or involve more than $100,000 annually but not more than $2,000,000 in the aggregate for all such Contracts).

(vi) Powers of Attorney. Schedule 5.21(a)(vi) is a list of all powers of attorney given by any of the SHC Companies in connection with any Litigation or any filing with a Regulatory Authority, whether limited or general, to any Person continuing in effect.

(vii) Programming and Network Affiliation Agreements. Schedule 5.21(a)(vii) is a list of (A) all network affiliation agreements and (B) all programming agreements of any of the SHC Companies (other than those Programming Contracts which individually do not involve the payment by any of the SHC Companies of $100,000 annually or involve more than $100,000 annually but not more than $2,000,000 in the aggregate for all such Contracts).

(viii) Any Other Contracts. Schedule 5.21(a)(viii) is a list of any other Contracts of the SHC Companies (other than (i) those Contracts which individually do not involve the payment by any of the SHC Companies of $100,000 annually or involve more than $100,000 annually but not more than $2,000,000 in the aggregate for all such Contracts), (ii) those Contracts involving the sales of advertising time entered into in the ordinary course of business, (iii) retransmission consents and (iv) Tradeout Agreements entered into in the ordinary course of business), but including Contracts that (A) evidence, create, guarantee or service indebtedness of any of the SHC Companies, (B) establish or provide for any joint venture, partnership or similar arrangement involving any of the SHC Companies, or (C) guarantee or endorse the Liabilities of any other Person.

Notwithstanding the foregoing, the cumulative aggregate amount of all omissions from the Schedules referred to above shall not exceed $5,000,000.

The lists in all Schedules referred to above are correct and complete in all Material respects.

(b) Copies. Copies which are correct and complete in all Material respects of all the written Contracts, and correct and complete descriptions of all oral Contracts, required to be set forth in Schedule 5.21, have been previously delivered or made available to Gray and Merger Corp. on or before the date hereof.

(c) No Default. Except as set forth on Schedule 5.21(c), neither SHC nor, to SHC's Knowledge, any other party is in Material Default under any of the Contracts referred to in Section 5.21(a).

(d) Assurances. Each of the written Contracts referred to in this Section 5.21 is in full force and effect in all Material respects and constitutes a valid, legal and binding agreement of the parties thereto, enforceable in accordance with its terms, except for bankruptcy, insolvency, reorganization, moratorium or other Laws affecting creditors' rights generally.

5.22 INTENTIONALLY OMITTED.

5.23 LABOR MATTERS. Schedule 5.23 contains a list which is correct and complete in all Material respects as of the date hereof, of all employees of the SHC Companies whose compensation (excluding commissions) for the first three months of 2002 as annualized exceeds $100,000. Except (i) disclosed on Schedule 5.23, (ii) for those employees with written employment Contracts, or (iii) as required by Law, the employment of all employees of the SHC Companies is terminable at will by the SHC Companies, subject only to the payment of severance in accordance with the SHC Companies' policies and procedures therefor. Except as and to the extent set forth in Schedule 5.23, (i) none of the SHC Companies is a party to any union agreement or collective bargaining agreement with any labor organization or employee association applicable to any employees of the SHC Companies and as of the date hereof, to SHC's Knowledge, no attempt to organize any of the employees of the SHC Companies has been made, proposed or threatened in writing, (ii) none of the SHC Companies, since January 1, 2001, has had any Material Equal Employment Opportunity Commission charges or other Material claims of employment discrimination made against it, (iii) no Material wage and hour department investigations, since January 1, 2001, have been made of any of the SHC Companies, (iv) no labor strike, slowdown, stoppage or lockout is pending or to SHC's Knowledge, threatened in writing against or affecting the SHC Companies, (v) no Material unfair labor practice charge or complaint against any of the SHC Companies, is or since January 1, 2001, has been pending or, to the Knowledge of SHC, threatened before the National Labor Relations Board or any similar Regulatory Authority, and (vi) none of the SHC Companies have received any written notice that any of the executive officers will terminate his or her employment currently or at any time within sixty (60) days after the Closing Date or will otherwise not be available to the SHC Companies. To the best of SHC's Knowledge, since January 1, 2001, the SHC Companies have not effected any facility closing, mass layoff or other similar transaction that would result in a Material liability or obligation to the SHC Companies under the Worker Adjustment and Retraining Notification Act or any similar applicable state or local Law.

5.24 INTENTIONALLY OMITTED.

5.25 BROKERS AND FINDERS. Except as set forth on Schedule 5.25, no finder or any agent, broker or other Person acting pursuant to authority of any of the SHC Companies are entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement.

5.26 INTERESTED TRANSACTIONS. Except as set forth in Schedule 5.26, none of the SHC Companies is a party to any Contract or other transaction with any Affiliate of any of the SHC Companies, any Related Person of any Affiliate of any of the SHC Companies (other than as a stockholder or employee of the SHC Companies or with or between another SHC Company other than with respect to any Designated Stations), or any Person in which any of the foregoing (individually or in the aggregate) beneficially or legally owns, directly or indirectly, five percent (5%) or more of the equity or voting interests. Except as described in Schedule 5.26, none of the Persons described in the first sentence of this Section 5.26 owns, or during the last three (3) years has owned, directly or indirectly, beneficially or legally, (individually or in the aggregate) five percent (5%) or more of the equity or voting interests of any Person that competes with the SHC Companies or their respective businesses as presently conducted.

5.27 OFFICERS, DIRECTORS AND BANK ACCOUNTS. Schedule 5.27 lists (i) the names of all officers and directors of each of the SHC Companies and (ii) the name and location of each bank or other institution in which any of the SHC Companies has any deposit account in which any of the SHC Companies has any interest or access and all account numbers.

5.28 STATEMENTS TRUE AND CORRECT. No representation or warranty made by SHC nor any statement, certificate or instrument furnished or to be furnished to Gray pursuant to this Agreement or any other document, agreement or instrument referred to herein or therein, including, without limitation, the Financial Statements, contains any untrue statement of Material fact or omits to state a Material fact necessary to make the statements contained therein not misleading.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF GRAY AND MERGER CORP

Gray and Merger Corp., jointly and severally, hereby represent and warrant to SHC as follows:

6.1 ORGANIZATION, STANDING, AND POWER. Gray is a corporation duly organized, validly existing, and in good standing under the laws of the State of Georgia, and has full corporate power and authority to own, lease and operate its assets and carry on its business, as presently conducted. Each of the Gray Subsidiaries is a corporation or limited partnership duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has full power, corporate or otherwise, and authority to own, lease and operate its assets and carry on its business, as presently conducted.

6.2 AUTHORITY; NO BREACH.

(a) Gray and Merger Corp. each have full corporate power and authority to enter into this Agreement and the Other Agreements. The execution, delivery, and performance by Gray and Merger Corp. of its obligations hereunder and thereunder have been duly and validly authorized by all necessary corporate action. Assuming due authorization, execution and delivery of this Agreement and the Other Agreements by SHC, no further action or approval is required in order to constitute this Agreement and the Other Agreements as legal, valid, and binding obligations of Gray and Merger Corp, enforceable against Gray and Merger Corp. in accordance with their terms (except in all cases as enforceability of this Agreement and the Other Agreements may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and the remedies of specific performance, injunction and other forms of equitable relief are subject to certain principles of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought).

(b) Neither the execution and delivery of this Agreement or any of the Other Agreements by Gray or Merger Corp., nor the consummation by Gray or Merger Corp. of the transactions contemplated hereby or thereby, nor compliance by Gray or Merger Corp. with any of the provisions hereof or thereof, will (i) conflict with or result in a breach of any provision of Gray's Amended Articles of Incorporation or Bylaws, (ii) conflict with or result in a breach of any provision of Merger Corp.'s Certificate of Incorporation or Bylaws, or (iii) subject to receipt of the requisite Consents referred to in Section 8.1(a) and (b) of this Agreement, violate in any Material respects any Law or Order applicable to any Gray Company or any of their respective Material assets.

(c) Subject to the receipt of the requisite Consents referred to in Section 8.1(a) and (b) of this Agreement and except for filing the Certificate of Merger with the Secretary of State of the State of Delaware, no notice to, filing with or Consent of, any Regulatory Authority is necessary for the consummation by Gray and Merger Corp. of the Merger and the other transactions contemplated in this Agreement or any of the Other Agreements, except for any county or local Regulatory Authority notice, filing or Consent the violation of which individually or in the aggregate is not Material.

6.3 BROKERS AND FINDERS. No finder or any agent, broker or other Person acting pursuant to authority of any of the Gray Companies is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement.

6.4 STATEMENTS TRUE AND CORRECT. No representation or warranty made by Gray, nor any statement, certificate or instrument furnished or to be furnished to SHC pursuant to this Agreement or any other document, agreement or instrument referred to herein or therein, contains any untrue statement of Material fact or omits to state a Material fact necessary to make the statements contained therein not misleading.

6.5 ESCROW SHARES. The Escrow Shares have been duly authorized, and are validly issued and outstanding, fully paid and non-assessable, with no personal liability attaching to the ownership thereof.

6.6 SEC FILINGS; FINANCIAL STATEMENTS.

(a) Gray has filed all forms, reports, and documents required to be filed by Gray with the SEC since January 1 of the second complete fiscal year preceding the date of this Agreement (collectively, the "Gray SEC Reports"). The Gray SEC Reports (i) at the time filed, complied in all Material respects with the applicable requirements of the Securities Act and the Exchange Act, as the case may be, and (ii) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing) contain any untrue statement of a Material fact or omit to state a Material fact required to be stated in such Gray SEC Reports or necessary in order to make the statements in such Gray SEC Reports, in light of the circumstances under which they were made, not misleading.

(b) Each of the Gray Financial Statements (including, in each case, any related notes) contained in the Gray SEC Reports, including any Gray SEC Reports filed after the date of this Agreement until the Closing Date, complied or will comply as to form in all Material respects with the applicable published rules and regulations of the SEC with respect thereto, was or will be prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such financial statements or, in the case of unaudited statements, as permitted by Form 10-Q of the SEC), and fairly presented or will fairly present the consolidated financial position of the Gray Companies as of the respective dates and the consolidated results of its operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not or are not expected to be Material in amount or effect.

6.7 NO ATTRIBUTABLE INTEREST. Gray and Merger Corp. are legally and financially qualified under the Communications Act to enter into this Agreement and the Other Agreements, as applicable, and to consummate the transactions contemplated hereby. In connection with the transactions contemplated by this Agreement and the Other Agreements, it is not necessary for Gray, Merger Corp. or any Affiliate of Gray or Merger Corp. (or any Person who has an attributable interest in Gray under the Communications Act) to seek or obtain any waiver from the FCC, dispose of any interest in any media or communications property or interest (including, without limitation, any of the Stations or any part thereof), terminate any venture or arrangement, or effectuate any changes or restructuring of its ownership, including, without limitation, the withdrawal or removal of officers or directors or the conversion or repurchase of equity securities of Gray, Merger Corp. or any Affiliate of Gray or Merger Corp. or owned by Gray, Merger Corp. or any Affiliate of Gray or Merger Corp. (or any Person in which Gray, Merger Corp. or any Affiliate of Gray or Merger Corp. has any attributable interest under the Communications Act). Gray and Merger Corp. are able to certify on an FCC Form 314 that they are financially qualified.

6.8 LITIGATION.

(a) No Litigation is pending or, to Gray's or Merger Corp.'s knowledge, threatened in writing, which, if adversely determined, would affect Gray or Merger Corp.'s ability to carry out this Agreement or the Other Agreements.

(b) There are no outstanding Orders binding upon any of the Gray Companies, their respective businesses or Gray's capital stock which prohibit Gray's or Merger Corp.'s ability to carry out this Agreement or the Other Agreements.

ARTICLE 7
COVENANTS AND ADDITIONAL AGREEMENTS OF SHC, GRAY AND MERGER CORP.

7.1 MUTUAL COVENANTS. Unless the prior written consent of Gray or SHC shall have been obtained, and except (x) for the sale of the Designated Stations to the Purchaser pursuant to the Purchase Agreement and any and all actions required, necessary or advisable in order to comply with the Purchase Agreement and to consummate the transactions contemplated thereby and (y) as otherwise expressly contemplated herein, from the date of this Agreement until the Closing Date or termination of this Agreement, each party shall and shall cause each of its Subsidiaries to (i) operate its business only in the usual, regular, and ordinary course, (ii) use commercially reasonable efforts to preserve intact its business organizations and assets and maintain its rights and franchises, and (iii) take no action that would Materially adversely affect the ability of any party to (a) obtain any Consents required for the transactions contemplated hereby, or (b) perform its covenants and agreements under this Agreement in all Material respects and to consummate the Merger and to satisfy the conditions to Closing set forth in Article 8; provided, however, that the foregoing shall not prevent any Gray Company from discontinuing or disposing of any of its assets or business, or, subject to Section 7.7(b), from acquiring or agreeing to acquire any other Person or any assets thereof, if such action is, in the judgment of Gray, desirable in the conduct of the business of Gray and its Subsidiaries.

7.2 COVENANTS OF SHC. Except as specifically contemplated or permitted by this Agreement or as disclosed in Schedule 7.2, from the date of this Agreement until the earlier of the Effective Time or the termination of this Agreement, SHC covenants and agrees that it will not do or agree or commit to do, or permit any of its Subsidiaries to do or agree or commit to do, any of the following without the prior written consent of Gray (which consent shall not be withheld unreasonably):

(a) amend the Certificate of Incorporation, Bylaws, or other governing instruments of any SHC Company;

(b) (i) incur, guarantee, or otherwise become responsible for, any additional debt obligation or other obligation for borrowed money (other than indebtedness of a SHC Company to another SHC Company) in excess of an aggregate of $500,000 (for the SHC Companies on a consolidated basis including the capital leases described in clause (iii) below), (ii) impose, or suffer the imposition, on any share of stock held by any SHC Company of any Lien or (iii) enter into any new capital leases or extend the term of any existing capital leases (other than any capital lease with respect to automobiles, weather systems and others in process entered into in the ordinary course of business and consistent with past practices) in excess of an aggregate of $500,000 (for the SHC Companies on a consolidated basis including the debt described in clause (i) above);

(c) repurchase, redeem, or otherwise acquire or exchange, directly or indirectly, any shares, or any securities convertible into any shares, of the capital stock of any SHC Company, or declare or pay any dividend or make any other distribution in respect of any SHC Capital Stock other than the declaration of normal and mandatory accrued dividends on the SHC Senior Preferred Stock and the SHC Junior Preferred Stock;

(d) issue, sell, pledge, encumber, authorize the issuance of, enter into any Contract to issue, sell, pledge, encumber, or authorize the issuance of, or otherwise permit to become outstanding, any additional shares of SHC Capital Stock or any other capital stock of any SHC Company, or any stock appreciation rights, or any option, warrant, conversion, or other Right to acquire any such stock, or any security convertible into any such stock (other than the issuance of SHC Class A Common Stock upon the exercise of any warrants therefor outstanding on the date hereof);

(e) adjust, split, combine, or reclassify any capital stock of any SHC Company or issue or authorize the issuance of any other securities in respect of or in substitution for shares of SHC Capital Stock or sell, lease, mortgage, or otherwise dispose of or otherwise encumber any shares of capital stock of any Subsidiaries of SHC (unless any such shares of stock are sold or otherwise transferred to another SHC Company) or any assets other than in the ordinary course of business consistent with past practices for reasonable and adequate consideration;

(f) acquire direct or indirect control over, or invest in equity securities of, any Person;

(g) grant any increase in compensation or benefits to the employees or officers of any SHC Company except as required by Law or Contract or except such increases as are in the ordinary course of business consistent with past practices and consistent in all Material respects with the 2002 operating budget (or the 2003 operating budget if the Closing does not occur prior to January 1, 2003) of the SHC Companies; pay any bonus except pursuant to the provisions of any Contract or any applicable program or plan adopted prior to the date of this Agreement consistent in all Material respects with the 2002 operating budget (or the 2003 operating budget if the Closing does not occur prior to January 1, 2003) of the SHC Companies; enter into or amend any severance agreements with officers of any SHC Company; or grant any increase in fees or other increases in compensation or other benefits to directors of any SHC Company;

(h) voluntarily accelerate the vesting of any stock options or other stock-based compensation or employee benefits;

(i) except in the ordinary course of business and consistent with past practices or with respect to the renewal, amendment or extension of any collective bargaining agreement to which any of the SHC Companies is a party, enter into or amend any employment Contract between any SHC Company and any Person (unless such amendment is required by Law or Contract) that the SHC Company does not have the unconditional right to terminate without Liability (other than Liability for services already rendered), at any time on or after the Effective Time;

(j) adopt any new employee benefit plan or program of any SHC Company or make any Material change in or to any existing employee benefit plans or programs of any SHC Company other than any such new plan or change that is required by Law or any collective bargaining agreement to which any of the SHC Companies is a party or that, in the opinion of counsel, is necessary or advisable to maintain the tax qualified status of any such plan;

(k) 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 GAAP;

(l) commence or settle any Material Litigation other than in accordance with past practice or to the extent the same is covered by insurance; provided, however, that, except to the extent specifically reserved against in the SHC Financial Statements dated prior to the date of this Agreement, no SHC Company shall settle any Litigation involving any Liability of any SHC Company for Material money damages or imposing Material restrictions upon the operations of any SHC Company;

(m) 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;

(n) fail to promptly notify Gray of any inquiry, investigation, or proceeding related to any of the Stations that is initiated by the FCC;

(o) fail to use all commercially reasonable efforts to promptly remedy any Material adverse change, condition or event that causes or is reasonably likely to cause any of the Stations to be or go off the air; or

(p) 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 this Agreement.

Notwithstanding any of the foregoing provisions of this Section 7.2, prior to the Closing, control of the operation of the Stations shall remain exclusively with the SHC Companies. Additionally, none of the foregoing provisions of this Section 7.2 shall limit or prohibit any of the SHC Companies from taking or omitting to take any actions or entering into any agreements or understandings with respect to the Designated Stations or in connection with the sale thereof pursuant to the terms and conditions of the Purchase Agreement; provided, however, that any such action or inaction does not have any adverse effect on SHC or any of the Stations after the Closing.

7.3 ADVERSE CHANGES IN CONDITION. SHC agrees to give written notice promptly to Gray upon becoming aware of the occurrence or impending occurrence of any event or circumstance relating to it or any of its Subsidiaries that is reasonably likely to cause or constitute a Material breach of any of its representations, warranties, or covenants contained herein, or have a Material Adverse Effect and to use its reasonable efforts to prevent or promptly to remedy the same.

7.4 REPORTS. SHC and its Subsidiaries shall file all reports required to be filed by it with Regulatory Authorities between the date of this Agreement and the Effective Time and SHC shall deliver to Gray copies of any of the reports filed by SHC listed on Schedule 7.4.

7.5 RIGHT OF INSPECTION; ACCESS. SHC shall give to Gray and its designees, during normal working hours upon prior notice, reasonable access to all of their assets, Contracts, reports and other records of the SHC Companies and shall furnish to Gray and its designees all additional financial, legal and other information with respect to the SHC Companies and their respective assets and businesses that Gray may reasonably request and which are normally prepared in the ordinary course of business and consistent with past practice of any of the SHC Companies. SHC shall also allow and arrange for Gray and its designees reasonable access and opportunity, during normal business hours upon prior notice, to consult and meet with the executive officers, directors, attorneys and accountants of the SHC Companies, and with the consent of SHC, which consent shall not be withheld unreasonably, to consult and meet with the employees of the SHC Companies. SHC shall instruct such individuals to cooperate fully with Gray and its designees. Gray and its designees shall have the right to request copies of any of the records referred to above.

7.6 PURCHASE AGREEMENT. Prior to the date of this Agreement, SHC has provided to Gray the form of the Purchase Agreement relating to the sale of the Designated Stations. SHC shall not amend or agree to amend the Purchase Agreement in a manner that, after the Effective Time, would be adverse to any of the SHC Companies, without Gray's consent, which consent shall not be withheld unreasonably.

7.7 FCC MATTERS.

(a) As promptly as practical following the date of this Agreement and in all events within ten (10) Business Days after the date of this Agreement, SHC and Gray shall prepare and file, and SHC and Gray shall cause their Subsidiaries to prepare and file, with the FCC all necessary applications for approval of the transactions contemplated in this Agreement. In connection therewith, Gray shall provide the information requested by the FCC and take actions reasonably necessary to enable the FCC to grant the applications within the time periods contemplated by this Agreement.

(b) SHC and Gray further covenant that from the date hereof until the Effective Time, without the prior written consent of SHC or Gray, as the case may be, neither SHC nor Gray shall take any action, and SHC and Gray shall not permit their Subsidiaries to take any action, that could reasonably be likely to Materially adversely affect, or delay or interfere with, obtaining the FCC Order or complying with or satisfying the terms thereof, including without limitation, acquiring any new or increased attributable interest, as defined in the FCC rules, in any media property, which property could not be held (without the need for a waiver) in common control by SHC and Gray following the Effective Time.

(c) The SHC Companies shall use commercially reasonable efforts to continue the construction and initiate operations of digital television facilities with respect to the Stations in accordance with the plan set forth in Schedule D hereto. SHC shall keep Gray reasonably informed of the progress of such construction and initiation and consult with Gray on a periodic basis with respect to the digital conversion matters referred to above.

7.8 BANKRUPTCY COURT ACTIONS. All of the obligations of SHC under this Agreement are subject to the approval of the Bankruptcy Court. Within 30 days following the date of this Agreement, SHC shall file with the Bankruptcy Court (i) a motion seeking entry of the Confirmation Order and (ii) a motion seeking approval of a disclosure statement with respect thereto, approval of procedures to solicit votes on the Plan of Reorganization, and scheduling a hearing on the confirmation of the Plan of Reorganization, which motion shall seek to schedule hearings on disclosure statement approval and Plan of Reorganization confirmation on the shortest time periods permitted by the Bankruptcy Court pursuant to the Federal Rules of Bankruptcy Procedure, Title 11, United States Code and the local rules of the Bankruptcy Court. SHC shall make available to Gray the form of orders, motions, Plan of Reorganization and disclosure statement referred to in this Section 7.8 intended to be submitted by SHC and shall afford Gray the reasonable opportunity to comment thereon prior to the filing thereof and each of the Plan of Reorganization and disclosure statement shall conform to the Plan Summary.

7.9 AGREEMENT AS TO EFFORTS TO CONSUMMATE. Subject to the terms and conditions of this Agreement, each party agrees to use, and to cause its Subsidiaries to use, its reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, or advisable under applicable Laws to consummate and make effective, as soon as practicable after the date of this Agreement (but no sooner than October 1, 2002), the transactions contemplated by this Agreement, including, without limitation, using its reasonable efforts to lift or rescind any Order adversely affecting its ability to consummate the transactions contemplated herein and to cause to be satisfied the conditions applicable to such party referred to in Article 8 of this Agreement; provided, however, that nothing herein shall preclude either party from exercising its rights under this Agreement. Each party shall use, and shall cause each of its Subsidiaries to use, its reasonable efforts to obtain all Consents necessary or desirable for the consummation of the transactions contemplated by this Agreement.

7.10 NOTICE OF MATERIAL DEVELOPMENTS AND CONFIDENTIALITY.

(a) Prior to the Effective Time, (i) SHC shall keep Gray advised of all Material developments relevant to its business and to consummation of the transactions contemplated hereby and (ii) Gray shall keep SHC advised of all Material developments relevant to consummation of the transactions contemplated hereby.

(b) Each party shall, and shall cause its advisers and agents to, maintain the confidentiality of all confidential information furnished to it by the other party concerning its and its

Subsidiaries' businesses, operations, and financial positions and shall not use such information for any purpose except in furtherance of the transactions contemplated by this Agreement. If this Agreement is terminated prior to the Effective Time, each party shall promptly return all documents and copies thereof, and all work papers containing confidential information received from the other party.

7.11 PRESS RELEASES. Prior to the Effective Time, SHC and Gray shall consult with each other as to the form and substance of any press release or other public disclosure (other than Bankruptcy Court filings made by SHC) materially related to this Agreement or any other transaction contemplated hereby; provided, however, that nothing in this Section 7.11 shall be deemed to prohibit any party from making any disclosure which its counsel advises as necessary or advisable in order to satisfy such party's disclosure obligations imposed by Law or the rules of any relevant stock exchange.

7.12 STATE TAKEOVER LAWS. SHC shall take all necessary steps to exempt the transactions contemplated by this Agreement from, or if necessary challenge the validity or applicability of, any applicable Takeover Laws.

7.13 INTENTIONALLY OMITTED.

7.14 HSR FILINGS. SHC and Gray shall, as promptly as practicable following the execution of this Agreement, and in all events within fifteen (15) days after the date of this Agreement, and in cooperation with each other, file with the Department of Justice and the Federal Trade Commission the premerger notification and report form and any other documents required under the Hart-Scott Act, and each shall use its commercially reasonable efforts to obtain earliest termination of all waiting periods under the Hart-Scott Act. Gray shall pay all the fees incident to the filings under the Hart-Scott Act.

7.15 EXPENSES. Except as provided in the following sentence, regardless of whether the transactions contemplated by this Agreement are consummated, SHC shall be responsible for all expenses and fees incurred by the SHC Companies in connection with the transactions contemplated hereby and Gray shall be responsible for all expenses and costs incurred by it in connection with the transactions contemplated hereby. SHC and Gray shall each pay one-half of the processing fees incident to the filing of the transfer of control applications with the FCC.

7.16 INDEMNIFICATION.

(a) For a period of six years after the Effective Time, Gray shall indemnify, defend and hold harmless the present and former directors, officers, employees and agents of the SHC Companies (each, an "Indemnified Party") against all Liabilities arising out of actions or omissions arising out of the Indemnified Party's service or services as directors, officers, employees or agents of any of the SHC Companies or, at any of the SHC Companies' request, of another corporation, partnership, joint venture, trust or other enterprise occurring at or prior to the Effective Time (including the transactions contemplated by this Agreement) to the fullest extent permitted under Delaware Law, by the SHC Companies' Certificates of Incorporation and Bylaws and any indemnification agreements, in each case as in effect on the date hereof, including provisions relating to advances of expenses incurred in the defense of any Litigation and whether or not Gray is insured against any such matter.

(b) Any Indemnified Party wishing to claim indemnification under paragraph (a) of this Section 7.16, upon learning of any such Liability or Litigation, shall promptly notify Gray thereof. In the event of any such Litigation (whether arising before or after the Effective Time and if, after the Effective Time, arising up to the sixth anniversary thereof), (i) Gray shall have the right to assume the defense thereof and Gray shall not be liable to such Indemnified Parties for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnified Parties in connection with the defense thereof, except that if Gray elects not to assume such defense or counsel for the Indemnified Parties advises that there are substantive issues that raise conflicts of interest between Gray and the Indemnified Parties, the Indemnified Parties may retain counsel satisfactory to them, and Gray shall pay all reasonable fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received; provided, that Gray shall be obligated pursuant to this paragraph (b) to pay for only one firm of counsel for all Indemnified Parties in any jurisdiction; (ii) the Indemnified Parties will cooperate in the defense of any such Litigation; and (iii) Gray shall not be liable for any settlement effected without its prior written consent, which consent will not be withheld unreasonably; and provided further that Gray shall not have any obligation hereunder to any Indemnified Party when and if and to the extent a court of competent jurisdiction shall determine, and such determination shall have become final, that the indemnification of such Indemnified Party in the manner contemplated hereby is prohibited by applicable Law.

(c) If Gray or any successors or assigns shall consolidate with or merge into any other Person and shall not be the continuing or surviving Person of such consolidation or merger or shall transfer all or substantially all of its assets to any Person, then and in each case, proper provision shall be made so that the successors and assigns of Gray shall assume the obligations set forth in this Section 7.16.

(d) The provisions of this Section 7.16 are intended to be for the benefit of and shall be enforceable by, each Indemnified Party and their respective heirs and representatives.

7.17 DESIGNATED STATIONS PURCHASE PRICE ALLOCATION. In connection with Section 4.3 of the Purchase Agreement, SHC shall, and shall cause BBC and BLC to, deliver to Gray the Allocation Schedule (as defined therein) as promptly as possible after SHC's (or BBC's and BLC's) receipt of the Allocation Schedule. SHC shall, and shall cause BBC and BLC to, timely request and follow Gray's reasonable instructions with respect to the Allocation Schedule, any Objection Notice, any Benedek Allocation Schedule (as such terms are defined in the Purchase Agreement), and any independent appraisal with respect thereto.

7.18 DELIVERY OF FINANCIAL STATEMENTS. SHC shall deliver to Gray (i) within twenty (20) days following the end of each month correct and complete copies of all unaudited monthly consolidated income statements of the SHC Companies for each month ending after the date of this Agreement and prior to the Closing Date in the format historically utilized internally by the SHC Companies and (ii) within forty-five (45) days following the end of each calendar quarter correct and complete copies of all unaudited quarterly consolidated balance sheets, income statements and statements of cash flows of the SHC Companies for each calendar quarter ending after the date of this Agreement and prior to the Closing Date in the format historically utilized internally by the SHC Companies. In addition, if the Closing has not yet occurred, SHC shall deliver to Gray within seventy (70) days following December 31, 2002 correct and complete copies of the audited consolidated balance sheet of the SHC Companies at December 31, 2002, and the audited consolidated statement of income and statement of cash flows of the SHC Companies for the year then ended.

7.19 RESALE REGISTRATION STATEMENT FOR THE ESCROW SHARES; LIMITATIONS ON SUBSEQUENT TRANSFERS.

(a) In the event of a termination of this Agreement and the delivery of the Escrow Shares as provided in Section 9.2(b) of this Agreement, Gray agrees to file with the SEC a registration statement (the "Registration Statement") under the Securities Act with respect to the resale or distribution of the Escrow Shares by SHC and/or an Affiliate of SHC within thirty (30) days after such termination. The registration provided by this Section 7.19 shall be effected by the filing of a registration statement on Form S-3 or, if such form is unavailable, Form S-1 or Form S-4, which shall provide for sales to be made on a continuous basis pursuant to Rule 415 under the Securities Act (or any similar rule that may be adopted by the SEC). Gray shall use its reasonable best efforts to cause such Registration Statement to become effective at the earliest practicable time. Gray agrees to keep the Registration Statement filed pursuant to this Section 7.19 continuously effective and current for a period to expire upon the earlier of (i) six (6) months following the effectiveness of the Registration Statement, or (ii) the date that all of the Escrow Shares covered by the Registration Statement have been sold or distributed thereunder. Gray also agrees that it will cause the Escrow Shares to be promptly listed with the New York Stock Exchange. In connection with the preparation of the Registration Statement, SHC agrees to provide any and all information regarding SHC and the resale or distribution of the Escrow Shares required to be included in the Registration Statement.

(b) SHC agrees that during the Make Whole Period it will sell the Escrow Shares only in a manner designed to maximize the proceeds therefrom consistent with commercially reasonable trade execution practices.

(c) SHC agrees that neither it nor any of its Affiliates will sell, distribute or otherwise transfer (or consent to any sale, distribution or transfer of), or enter into any agreement or commitment to undertake any of the foregoing, any of the Escrow Shares other than:

(i) pursuant to the Registration Statement; or

(ii) in a manner exempt from registration, in which event it shall have delivered to Gray an opinion of counsel reasonably acceptable to Gray and its counsel that registration is not required under the Securities Act or under any applicable securities laws of any jurisdiction.

(d) All expenses incident to Gray's performance of or compliance with this Section 7.19, including without limitation all registration and filling fees, fees for listing the securities on the New York Stock Exchange, fees and expenses of compliance with securities or blue sky laws, printing expenses, fees and disbursements of custodians and all independent certified public accountants, and other Persons retained by Gray, shall be borne by Gray. The expenses of SHC, including the cost of its legal counsel and brokerage and other transaction fees, shall be borne by SHC.

(e) (i) Gray agrees to indemnify, to the extent permitted by Law, each Person selling or distributing securities under the Registration Statement, such Person's officers, directors, partners, agents and Affiliates and each other Person that controls such Person (within the meaning of the Securities Act) against all losses, claims, damages, liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof and whether or not such indemnified party is a party thereto) and expenses, including without limitation the reasonable fees, disbursements and other charges of legal counsel and reasonable costs of investigation, to which such indemnitee may become subject under the Securities Act or otherwise, insofar as losses are caused by (x) any untrue or alleged untrue statement of material fact contained in the Registration Statement (or any prospectus included therein) or any amendment thereof or supplement thereto, (y) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, or (z) any violation or alleged violation by Gray of the Securities Act or Exchange Act, any state securities Laws or any rules or regulations of the New York Stock Exchange, except in each case insofar as the same are caused by or contained in any information furnished in writing to Gray by such Person expressly for use therein or by such Person's failure to deliver a copy of the Registration Statement (or prospectus included therein) or any amendments or supplements thereto after Gray has furnished such Person with a sufficient number of copies of the same.

(ii) Each Person (including, without limitation, SHC) that is selling or distributing securities under the Registration Statement shall furnish to Gray in writing such information concerning such Person and the distribution of the Escrow Shares as Gray reasonably requests for use in connection with such Registration Statement and, to the extent permitted by Law, shall indemnify Gray, its directors and officers and each Person who controls Gray (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from (x) any untrue or alleged untrue statement of material fact contained in the Registration Statement (or any prospectus included therein) or any amendment thereof or supplement thereto, (y) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, or (z) any violation or alleged violation by Gray of the Securities Act or Exchange Act, but only to the extent that such untrue statement, omission or violation is contained in or directly results from any information so furnished in writing by such Person; provided, however, that the obligation to indemnify shall be individual, not joint and several, for each such Person and shall be limited to the net amount of proceeds received by such Person from the sale or distribution of securities pursuant to such Registration Statement.

(iii) The indemnification provided for under this Section 7.19(e) shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of the Escrow Shares. Gray also agrees to make such provisions, as are reasonably requested by any indemnified party, for contribution to such party in the event Gray's indemnification is unavailable for any reason such that such provisions provide the same obligations and benefits to the indemnified party as those which would have been applicable had the indemnification provisions set forth above had been available.

(f) If the indemnification provided for in Section 7.19(e) shall for any reason be unavailable to an indemnified party under subsection (i) or (ii) of Section 7.19(e) in respect of any loss or action in respect thereof, then, in lieu of the amount paid or payable under subsection (i) or (ii) of Section 7.19(e), the indemnified party and the indemnifying party under subsection (i) or (ii) of Section 7.19(e) shall contribute to the aggregate losses (including legal or other expenses reasonably incurred in connection with investigating the same except as limited by Section 7.19(e)) (i) in such proportion as is appropriate to reflect the relative fault of SHC, on the one hand, and Gray, on the other hand, which resulted in such loss or action in respect thereof, with respect to the statements, omissions or action which resulted in such loss or action in respect thereof, as well as any other relevant equitable considerations, or (ii) if the allocation provided by clause (i) above is not permitted by applicable Law, in such proportion as shall be appropriate to reflect the relative benefits received by SHC, on the one hand, and Gray, on the other hand, from the sale of the Escrow Shares; provided, however, that, for purposes of this clause (ii), the relative benefits received by SHC shall be deemed not to exceed the net amount received by SHC from the sale of the Escrow Shares. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any

Person who was not guilty of such fraudulent misrepresentation. In addition, no Person shall be obligated to contribute hereunder any amounts in payment for any settlement of any action or loss effected without such Person's consent.

(g) SHC agrees and acknowledges that the certificates representing the Escrow Shares, and any other securities issued in respect thereto or any other securities not registered under the Securities Act, shall be stamped or otherwise imprinted with restrictive legends in customary form. Any such legends shall be removed upon the sale of the Escrow Shares pursuant to the Registration Statement or an exemption from registration under the Securities Act.

(h) The Registration Statement shall not be deemed to be effective:

(i) unless it has been declared effective by the SEC and remains effective in compliance with the provisions of the Securities Act and the Laws of any state or other jurisdiction applicable to the disposition of the Escrow Shares covered by the Registration Statement until such time as all of such Escrow Shares have been disposed of in accordance with such Registration Statement.

(ii) if, after it has become effective, such Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or other Regulatory Authority for any reason other than a violation of applicable Law solely by SHC and/or an Affiliate of SHC and has not thereafter become effective.

(i) Gray shall, as expeditiously as possible:

(i) prepare and file with the SEC such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective and to comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Escrow Shares covered by the Registration Statement until such time as all of the Escrow Shares have been disposed of in accordance with the method of disposition set forth in the Registration Statement;

(ii) furnish to SHC and/or an Affiliate of SHC covered by the Registration Statement such number of copies of such drafts and final conformed versions of the Registration Statement and of each such amendment and supplement thereto (in each case including all exhibits and any documents incorporated by reference), such number of copies of such drafts and final versions of the prospectus contained in the Registration Statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as SHC and/or an Affiliate of SHC may reasonably request in writing;

(iii) use its reasonable best efforts (A) to register or qualify all Escrow Shares and other securities covered by the Registration Statement under such other securities or blue sky laws of such states or other jurisdictions of the United States of America as SHC and/or an Affiliate of SHC covered by the Registration Statement shall reasonably request in writing, (B) to keep such registration or qualification in effect for so long as the Registration Statement remains in effect and (C) to take any other action that may be reasonably necessary or advisable to enable SHC and/or an Affiliate of SHC to consummate the disposition in such U.S. jurisdictions as SHC shall reasonably request, except that Gray shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subsection (iii) be obligated to be so qualified, to subject itself to taxation in such jurisdiction or to consent to general service of process in any such jurisdiction;

(iv) notify SHC upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and promptly prepare and furnish to SHC a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of the Escrow Shares, such prospectus, as supplemented or amended, shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstance under which they were made; and

(v) enter into such customary agreements and take such other actions as SHC shall reasonably request in order to expedite or facilitate the disposition of such Escrow Shares.

(j) In connection with the preparation and filing of the Registration Statement under the Securities Act pursuant to this Agreement, Gray shall give SHC, its counsel and accountants the reasonable opportunity to participate in the preparation of the Registration Statement, each prospectus included therein, or filed with the SEC, and each amendment thereof or supplement thereto, and shall give each of them reasonable access to its books and records and such reasonable opportunities to discuss the business of Gray with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the reasonable opinion of SHC, to conduct a reasonable investigation within the meaning of the Securities Act.

ARTICLE 8
CONDITIONS PRECEDENT TO OBLIGATIONS TO CONSUMMATE

8.1 CONDITIONS TO OBLIGATIONS OF EACH PARTY. The respective obligations of each party to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by the parties pursuant to Section 11.3 of this Agreement to the extent permitted by Law:

(a) Bankruptcy Court Approval. The Bankruptcy Court shall have approved the Confirmation Order and the Confirmation Order shall have become a Final Bankruptcy Court Order.

(b) Regulatory Approvals.

(i) The FCC shall have issued the FCC Order, without any condition or qualification materially adverse to Gray, SHC or their respective Subsidiaries, or materially adverse to the acquisition of control of SHC and its Subsidiaries by Gray as provided in this Agreement.

(ii) All waiting periods applicable to this Agreement and the transactions contemplated hereby under the Hart-Scott Act shall have expired or been terminated.

(c) Legal Proceedings. No Order shall be in effect to enjoin, restrain or prohibit the consummation of the transactions contemplated by this Agreement and no action or proceeding shall have been instituted by any Regulatory Authority seeking any such Order which Order would reasonably be expected to have a Material Adverse Effect.

(d) Designated Stations. The transactions contemplated by the Purchase Agreement shall have been consummated unless the failure to consummate such transactions is the result of either the wrongful refusal of the Purchaser to consummate such transactions or the election by the Purchaser not to consummate such transactions by reason of the failure of BBC to satisfy the conditions set forth in Sections 13.1.1 or 13.1.2 of the Purchase Agreement. In the event the transactions contemplated by the Purchase Agreement shall not have been consummated as a result of FCC action or inaction, each of Gray and SHC agree to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable Laws to consummate and make effective the transactions contemplated by this Agreement and the Purchase Agreement at the earliest practicable date.

8.2 CONDITIONS TO OBLIGATIONS OF GRAY. The obligations of Gray to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by Gray pursuant to Section 11.3 of this Agreement:

(a) Representations and Warranties. The representations and warranties made by SHC set forth in this Agreement shall be correct and complete at the Effective Time with the same force and effect as if such representations and warranties had been made on and as of the Effective Time (except that representations and warranties that by their terms are made as of a specified date shall be correct and complete only as of such date) except for representations and warranties the inaccuracies of which relate to matters that are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on SHC; provided, however, that for purposes of this sentence only, those representations and warranties that are qualified by references to "Material" or "Material Adverse Effect" or variations of such terms shall not be deemed to include such qualifications.

(b) Performance of Agreements and Covenants. Each and all of the agreements and covenants of each of the SHC Companies to be performed and complied with pursuant to this Agreement and the Other Agreements provided for herein prior to the Effective Time shall have been duly performed and complied with in all Material respects.

(c) Certificates. SHC shall have delivered to Gray (i) a certificate or certificates dated as of the Closing Date certifying as to the fulfillment of the conditions contained in Sections 8.2(a) and 8.2(b) of this Agreement and (ii) certified copies of resolutions duly adopted by the Board of Directors of SHC authorizing the execution, delivery and performance of this Agreement, and the consummation of the transactions provided for herein.

(d) Opinion of Counsel. Gray shall have received a written opinion of Covington & Burling, FCC counsel to SHC, dated as of the Closing Date and substantially in the form of Exhibit 8.2(d).

(e) Return of LC. SHC shall have returned the LC to Gray.

(f) FCC Order. The FCC Order shall have become a Final FCC Order. For purposes of this Agreement: "Final FCC Order" means an FCC Order (a) which has not been vacated, reversed, stayed, set aside, annulled or suspended, (b) with respect to which no appeal, request for stay, or petition for rehearing, reconsideration or review by any Person or by the FCC on its motion, is pending, and (c) as to which the time for filing any such appeal, request, petition, or similar document or the time for reconsideration or review by the FCC on its own motion under the express provisions of the Communications Act, has expired (or if any such appeal, request, petition or similar document has been filed, the FCC Order has been upheld in a proceeding pursuant thereto and no additional review or reconsideration may be sought).

(g) Network Consents. SHC shall have obtained and delivered to Gray the written consents (or waivers with respect thereto) required by any of the network affiliation agreements listed on Schedule 8.2(g) as a result of the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby, without any Material modification to the terms thereof in effect on the date of this Agreement.

(h) Litigation. No Litigation pending or threatened involving any of the SHC Companies (whether or not disclosed in the Schedules), if adversely determined, individually or in the aggregate would have, or be reasonably expected to have, a Material Adverse Effect on the SHC Companies or their respective businesses or assets.

8.3 CONDITIONS TO OBLIGATIONS OF SHC. The obligations of SHC to perform this Agreement and consummate the Merger and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by SHC pursuant to Section 11.3 of this Agreement:

(a) Representations and Warranties. Except as provided in the following sentence, the representations and warranties made by Gray and Merger Corp. set forth in this Agreement shall be correct and complete at the Effective Time with the same force and effect as if such representations and warranties had been made on and as of the Effective Time (except that representations and warranties that by their terms are made as of some specified date shall be correct and complete only as of such date) except for representations and warranties the inaccuracies of which relate to matters that are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Gray or Merger Corp.; provided, however, that for purposes of this sentence only, those representations and warranties which are qualified by references to "Material" or "Material Adverse Effect" or variations of such terms shall not be deemed to include such qualifications. The foregoing sentence shall not in any manner whatsoever apply to any inaccuracy in the representations and warranties contained in Section 6.8 of this Agreement as a result of any application for review or petition for reconsideration of, or appeal from, the FCC Order.

(b) Performance of Agreements and Covenants. Each and all of the agreements and covenants of Gray and Merger Corp. to be performed and complied with pursuant to this Agreement and the Other Agreements provided for herein prior to the Effective Time shall have been duly performed and complied with in all Material respects.

(c) Certificates. Gray and Merger Corp. shall each have delivered to SHC (i) a certificate or certificates dated as of the Closing Date certifying as to the fulfillment of the conditions contained in Sections 8.3(a) and 8.3(b) of this Agreement and (ii) certified copies of resolutions duly adopted by the Boards of Directors of Gray and Merger Corp. authorizing the execution, delivery and performance of this Agreement, and the consummation of the transactions provided for herein.

ARTICLE 9
TERMINATION

9.1 TERMINATION. Notwithstanding any other provision of this Agreement, and notwithstanding the approval of this Agreement by the Bankruptcy Court, this Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time:

(a) By mutual consent of Gray and SHC; or

(b) By Gray or SHC (provided that the terminating party is not then in Material breach of any representation or warranty contained in this Agreement or in Material breach of any covenant or other agreement contained in this Agreement) in the event of the inaccuracy of any representation or warranty of the non-terminating party contained in this Agreement which (i) would reasonably be expected to have or result in a Material Adverse Effect on the non-terminating party and (ii) cannot be or has not been cured within thirty (30) days after the giving of written notice to the non-terminating party of such inaccuracy, which written notice shall describe in reasonable detail the Material breach giving rise to the right to terminate this Agreement; or

(c) By Gray or SHC (provided that the terminating party is not then in Material breach of any representation or warranty contained in this Agreement or in Material breach of any covenant or other agreement contained in this Agreement) in the event of a Material breach by the non-terminating party of any covenant or agreement contained in this Agreement that cannot be or has not been cured within thirty (30) days after the giving of written notice to the non-terminating party of such breach, which written notice shall describe in reasonable detail the Material breach giving rise to the right to terminate this Agreement; provided, however, that Gray shall have no right of cure with respect to any breach of its obligation to pay the Merger Consideration or the Junior Preferred Stock Merger Consideration; or

(d) By Gray or SHC in the event that the Merger shall not have been consummated by March 31, 2003 (or such later date up to one hundred twenty (120) days thereafter to which the Effective Time may be delayed by Gray pursuant to Section 1.3), in each case only if the failure to consummate the transactions contemplated hereby on or before such date is not caused by any Material breach of this Agreement by the party electing to terminate pursuant to this Section 9.1(d); provided, however, that for purposes of this Section 9.1(d), the March 31, 2003 termination date specified herein shall be automatically extended by one day for each day that the Closing has not occurred as a result of the failure of the condition contained in Section 8.1(d); or

(e) By Gray or SHC if it is reasonably anticipated that any of the conditions precedent to the obligations of such party to consummate the Merger (other than the condition precedent set forth in Section 8.1(d)) cannot be satisfied or fulfilled by the date specified in Section 9.1(d) of this Agreement and such failure was not the fault of the terminating party.

9.2 EFFECT OF TERMINATION.

(a) In the event of the termination of this Agreement pursuant to Section 9.1 of this Agreement, this Agreement shall become void and have no effect, except that (i) the provisions of this Section 9.2, Article 11 and Sections 1.5, 7.10(b), 7.15 and 7.19 of this Agreement shall survive any such termination, and (ii) subject to the provisions of Section 9.2(b), a termination pursuant to Section 9.1(b), 9.1(c) or 9.1(e) of this Agreement shall not relieve the breaching party from Liability for an uncured breach of a representation, warranty, covenant, or agreement giving rise to such termination.

(b)

(i) If the non-occurrence of Closing is the result of a Material Default by Gray of any of its representations or warranties or any of its covenants or agreements hereunder, and SHC has not Materially Defaulted on any of its representations or warranties or any of its covenants or agreements hereunder, then (A) SHC may draw on the LC and (B) SHC shall instruct the Escrow Agent to deliver to SHC the Escrow Shares pursuant to the Share Escrow Agreement. The aggregate proceeds of the drawing on the LC and the Escrow Shares shall total twenty five million dollars ($25,000,000) (the "Default Payment"); provided, however, that Gray shall have the option, in its sole discretion, of replacing 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, by providing timely notice in accordance with the Escrow Agreement.

(ii) In the event the Escrow Shares are paid to SHC pursuant to the Share Escrow Agreement and:

(A) in compliance with Section 7.19, SHC sells any of the Escrow Shares within six (6) months of the initial date of effectiveness of the Registration Statement (provided that if it does not remain continuously effective throughout such six (6) month period, such six (6) month period shall be extended by the number of days on which the Registration Statement is not effective) (the "Make Whole Period") and the average price per share of all such sales during such Make Whole Period (the "Average Escrow Share Sales Price") is less than the Average Price, Gray shall pay to SHC an amount equal to (i) the difference between the Average Price and the Average Escrow Share Sales Price multiplied by (ii) the number of Escrow Shares sold during such Make Whole Period; or

(B) SHC sells any of the Escrow Shares within the Make Whole Period and the Average Escrow Share Sales Price is greater than the Average Price, SHC shall pay to Gray an amount equal to (i) the difference between the Average Escrow Share Sales Price and the Average Price multiplied by (ii) the number of Escrow Shares sold during such Make Whole Period.

To the extent that any Escrow Shares remain unsold following the Make Whole Period and the average closing price of Gray Class B Common Stock on the New York Stock Exchange (or the principal national exchange on which such Common Stock is then listed) for the five (5) trading days ending on the last day of the Make Whole Period is greater than the Average Price, SHC shall pay to Gray the difference between such average and the Average Price multiplied by the number of unsold shares.

Any payment to be made pursuant to this Section 9.2(b)(ii) shall be made one time and within three (3) Business Days after the earlier of (1) (I) the expiration of the six (6) month period referenced above and (II) receipt of a notice regarding any monies owed and (2) (I) the date on which all Escrow Shares are sold and (II) receipt of a notice regarding any monies owed. Any payment to be made by any party pursuant to this Section 9.2(b)(ii) shall be made in immediately available United States funds.

(iii) The Default Payment to be made to SHC pursuant to this Section 9.2(b) shall be deemed to be liquidated damages paid to compensate SHC for the damages resulting to SHC from Gray's default, if, and only if, Gray Materially complies with Section 7.19 and this Section 9.2. The parties agree that actual damages pursuant to a breach of this Agreement prior to the Effective Time would be impossible to measure. Receipt of the Default Payment shall be the sole and exclusive remedy that SHC shall have in the event of such default and shall constitute a waiver of any and all other legal or equitable rights or remedies that SHC may otherwise have as a result of a default by Gray. In consideration of the receipt of the Default Payment as liquidated damages, SHC may not obtain any further legal or equitable relief, including specific performance, to which it may otherwise have been entitled and Gray shall have no further Liability to SHC as a result of any such default.

(iv) If the Closing does not occur due to the nonfulfillment of any of the conditions in Sections 8.1 or 8.2, without Gray being in Material Default in the performance of any of its representations or warranties or any of its covenants or agreements under this Agreement, SHC shall not be entitled to the LC or the Escrow Shares and, promptly after the termination of this Agreement, the LC and the Escrow Shares shall be returned to Gray.

ARTICLE 10
DEFINITIONS

(a) The terms set forth below shall have the meaning ascribed thereto in the referenced sections:

TERM	SECTION
Average Escrow Share Sales Price..................................	9.2(b)(ii)(A)
Bankruptcy Code...	Preamble
BBC...	Preamble
BLC...	Preamble
Closing...	1.2
Closing Date..	1.2
Current Stations..	Preamble
Default Payment...	9.2(b)
Designated Stations...	Preamble
Effective Time..	1.3
ERISA Affiliate...	5.20(a)
ERISA Pension Plan..	5.20(g)
Escrow Shares...	1.5
Estimated Working Capital Adjustment..............................	3.5(a)
Exchange Fund...	4.1(a)
Final Working Capital Statement...................................	3.5(b)

TERM	SECTION
FASB 5	5.19(d)
Gray	Introduction
Indemnified Party	7.16(a)
Junior Preferred Stock Merger Consideration	3.1(d)
LC	1.5
Make Whole Period	9.2(b)(ii)(A)
Merger	Preamble
Merger Consideration	3.1(c)
Merger Corp	Introduction
Minute Books	5.1(b)
Neutral Auditors	3.5(c)
Per Share Junior Preferred Stock Merger Consideration	3.1(d)
Per Share Merger Consideration	3.1(c)
Plan of Reorganization	Preamble
Plan Summary	Preamble
Preliminary Working Capital Statement	3.5(a)
Purchase Agreement	Preamble
Purchaser	Preamble
Registration Statement	7.21(a)
SHC	Introduction
Stations	Preamble
Surviving Corporation	1.1
WARN Act	5.23

(b) The following terms (in their singular and plural forms as appropriate) as used in this Agreement shall have the meanings set forth below unless the context requires otherwise:

"ACCOUNTS RECEIVABLE" means, as of any applicable date, all accounts receivable, notes receivable, and other monies due to SHC or any of its Subsidiaries for sales and deliveries of goods, performance of services and other business transactions (whether or not on the books of SHC or any of its Subsidiaries).

"AFFILIATE" of a Person means: (i) any Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person, (ii) any executive officer, director or partner or direct or indirect beneficial or legal owner of any ten percent (10%) or greater equity or voting interest of such Person; or (iii) any entity for which a Person described in (ii) above acts in any such capacity.

"AGREEMENT" means this Agreement (including the Preamble), including the Exhibits and Schedules delivered pursuant hereto or referred to herein, each of which is incorporated herein by reference.

"AVERAGE PRICE" means the average of the trading prices of Gray Class B Common Stock as reported on the New York Stock Exchange (as reported by The Wall Street Journal or, if not reported thereby, another authoritative source selected by Gray) for the twenty (20) consecutive full trading days in which such shares are traded on the New York Stock Exchange ending at the close of trading on the second full trading day immediately preceding the date of this Agreement. If the price of Gray Class B Common Stock is adjusted at any time following the first (1st) day of such period and prior to the date of this Agreement as a result of an action by Gray resulting in a share split, reverse share split, share dividend or similar recapitalization, then all prices preceding such adjustment shall themselves be adjusted so as to be comparable with those following such adjustment.

"BALANCE SHEET" means the consolidated audited balance sheet of SHC and its Subsidiaries as of December 31, 2001 and included in the SHC Financial Statements.

"BANKRUPTCY CASE" means the voluntary petition for relief filed by SHC under chapter 11 of title 11 of the United States Code in the Bankruptcy Court on March 22, 2002, Case No. 02-10822.

"BANKRUPTCY COURT" means the United States Bankruptcy Court for the District of Delaware.

"BBC LOAN AGREEMENT" means the Loan Agreement dated as of May 20, 1999, as amended as of June 18, 1999 and as of March 22, 2000 by and among SHC, Benedek Broadcasting Corporation, the Financial Institutions Signatory Thereto and Toronto Dominion (Texas), Inc. as Administrative Agent and Collateral Agent.

"BUSINESS DAY" means a day other than a Saturday, a Sunday, a day on which banking institutions in the States of Georgia or New York are authorized or obligated by law or required by executive order to be closed, or a day on which the New York Stock Exchange is closed.

"CODE" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"COMMUNICATIONS ACT" means the Communications Act of 1934, as amended, and the rules, regulations, and orders of the FCC promulgated thereunder.

"COMPUTER SOFTWARE" means all computer programs, materials, tapes, source and object codes (other than off the shelf and "shrink wrapped" programs and software) as well as all documentation and listings related thereto used in the respective businesses of the SHC Companies.

"CONFIRMATION ORDER" means the order of the Bankruptcy Court confirming the Plan of Reorganization pursuant to Section 1129 of the Bankruptcy Code.

"CONSENT" means any consent, approval, authorization, clearance, exemption, waiver, or similar affirmation by any Person pursuant to any Contract, Law, Order or License.

"CONTRACT" means any written or oral contract, agreement, understanding, lease, usufruct, plan, instrument, commitment, restriction, arrangement, obligation, undertaking, practice or authorization of any kind or character or other document, in each case to which any Person is a party or that is binding on any Person or its securities, assets or business.

"DATABASES" means databases in all forms, versions and media as well as all documentation and listings therefor used by the SHC Companies, other than Licenses.

"DEFAULT" means (1) a breach of, default under, or misrepresentation in or with respect to any Contract or License, (2) the occurrence of an event that with the passage of time or the giving of notice or both would constitute a breach of, default under, or misrepresentation in any Contract or License, or (3) the occurrence of an event that with or without the passage of time or the giving of notice or both would give rise to a right of any Person to exercise any remedy or obtain any relief under, terminate or revoke, suspend, cancel, or modify or change the current terms of, or renegotiate, or to accelerate the maturity or performance of, or to increase or impose any Liability under, any Contract, Law, Order or License.

"DESIGNATED STATIONS" means those Stations listed on Schedule C.

"DGCL" means the General Corporation Law of the State of Delaware.

"DISCOUNT NOTES" means the 13-1/4% Senior Subordinated Discount Notes Due 2006 issued by SHC.

"DTV" means digital television.

"DTV EXPENDITURES" means the aggregate amount incurred by the SHC Companies with respect to the DTV conversion of the Stations through the Effective Time, such amount to be determined in accordance with a certificate signed by both the Treasurer and the Senior Vice President-Planning and Technology of SHC to be delivered by SHC at the Effective Time.

"DTV NEGATIVE ADJUSTMENT" means the amount, if any, by which the DTV Expenditures are less than the DTV Target. If the DTV Expenditures are greater than the DTV Target, then the DTV Negative Adjustment shall be zero.

"DTV POSITIVE ADJUSTMENT" means the amount, if any, by which the DTV Expenditures are greater than the DTV Target. If the DTV Expenditures are less than the DTV Target, then the DTV Positive Adjustment shall be zero.

"DTV TARGET" means the amount, as of the Effective Time, that the SHC Companies would have spent on the DTV conversion of the Stations had SHC made such expenditures in accordance with the DTV budget set forth on Schedule D, such amount to be determined in accordance with such Schedule D.

"EMPLOYEE BENEFIT PLAN" means collectively, each Material pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other incentive plan, any other written or unwritten employee program, arrangement, agreement or understanding, whether arrived at through collective bargaining or otherwise, any medical, vision, dental or other health plan, any life insurance plan, or any other employee benefit plan or fringe benefit plan, including, without limitation, any "employee benefit plan," as that term is defined in Section 3(3) of ERISA currently or previously adopted, maintained by, sponsored in whole or in part by, or contributed to by SHC or any SHC Subsidiary or ERISA Affiliate thereof or under which SHC or any SHC Subsidiary or any ERISA Affiliate thereof has any Material Liability for the benefit of employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries are eligible to participate. "Employee Benefit Plans" also means any Material plans, programs, agreements, arrangements or understandings previously maintained by, sponsored in whole or in part by, or contributed to by SHC, or any SHC Subsidiary or ERISA Affiliate thereof that could result in a Material Liability to SHC, including but not limited to, any plan covered by or subject to Title IV of ERISA. Employee Benefit Plans include (but are not limited to) "employee benefit plans" as defined in Section 3(3) of ERISA and any other Material plan, fund, policy, program, practice, custom, understanding or arrangement providing compensation or other benefits to any current or former officer or employee or director or independent contractor of SHC, or any SHC Subsidiary, or any dependent or beneficiary thereof, maintained by SHC, or any SHC Subsidiary or under which SHC, or any SHC Subsidiary has any obligation or Material Liability, whether or not they are or are intended to be (i) covered or qualified under the Code, ERISA or any other applicable Law, (ii) written or oral, (iii) funded or unfunded, (iv) actual or contingent, or (v) generally available to any or all employees (or former employees) of SHC, or any SHC Subsidiary (or their beneficiaries or dependents), including, without limitation, all incentive, bonus, deferred compensation, flexible spending accounts, cafeteria plans, vacation, holiday, medical, disability, share purchase or other similar plans, policies, programs, practices or arrangements.

"ENVIRONMENTAL LAWS" means all applicable Laws, now or hereafter in effect, imposing liability, establishing standards of conduct or otherwise relating to pollution or protection of the environment (including, without limitation, natural resources, surface water, groundwater, soils, and ambient air), human health and safety, land use matters or the presence, use, generation, treatment, storage, disposal, Release or threatened Release, transport or handling of Hazardous Substances, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601, et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Section 1801, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901, et seq.), the Federal Clean Water Act (33 U.S.C. Section 1251 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Occupational Safety and Health Act (29 U.S.C. Section 651 et seq.), the Oil Pollution Act of 1990 (33 U.S.C. Section 2701 et seq.), and the Safe Drinking Water Act (42 U.S.C. Section 300 et seq.).

"ERISA" means Employee Retirement Income Security Act of 1974, as amended.

"ERISA PLAN" means any Employee Benefit Plan which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA, or an "employee welfare benefit plan" as that term is defined in Section 3(1) of ERISA.

"ESCROW AGENT" means SunTrust Bank, as escrow agent under the Share Escrow Agreement.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXCHANGE AGENT" means The Bank of New York acting as exchange agent hereunder.

"FCC" means the Federal Communications Commission.

"FCC LICENSES" means all licenses, permits, and authorizations issued by the FCC for the operation of the Stations as currently operated.

"FCC ORDER" means the grant of the applications filed pursuant to Section 7.7(a) of this Agreement, signifying the approval of the FCC to all necessary transactions contemplated herein.

"FINAL BANKRUPTCY COURT ORDER" means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

"GAAP" means generally accepted accounting principles consistently applied.

"GRAY CLASS A COMMON STOCK" means the no par value Class A Common Stock of Gray.

"GRAY CLASS B COMMON STOCK" means the no par value Class B Common Stock of Gray.

"GRAY COMPANIES" means, collectively, Gray and all of Gray's Subsidiaries.

"HART-SCOTT ACT" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C.A. Section 18(a), as amended, and all Laws promulgated thereunder.

"HAZARDOUS SUBSTANCES" means (a) any substance, material, element, compound, waste or chemical, whether solid, liquid or gaseous which is defined, listed or otherwise classified or regulated in any way as a "contaminant," "pollutant," "toxic pollutant," "toxic substance," "hazardous substance," "hazardous waste," "special waste," or "solid waste" under any Environmental Laws; (b) petroleum and its refined products; (c) polychlorinated biphenyls; (d) any substance exhibiting a hazardous waste characteristic as defined by any Environmental Laws, including, without limitation, corrosivity, ignitability, toxicity or reactivity as well as any radioactive or explosive materials; (e) radon; and (f) any raw materials, building components (including, without limitation, friable asbestos-containing materials) and manufactured products containing hazardous substances listed or classified as such under Environmental Laws.

"IMPROVEMENTS" means all buildings, structures, fixtures and other improvements included in the Real Property.

"INTELLECTUAL PROPERTY" means (i) patents and pending patent applications together with any and all continuations, divisions, reissues, extensions and renewals thereof, (ii) trade secrets, know-how, inventions, formulae and processes, whether trade secrets or not, (iii) trade names, trademarks, service marks, logos, assumed names, brand names and all registrations and applications therefor together with the goodwill of the business symbolized thereby, (iv) copyrights and any registrations and applications therefor, (v) technology rights and licenses, and (vi) all other intellectual property owned by, registered in the name of, or used in the business of a Person or in which a Person or its business has any interest.

"IRS" means the Internal Revenue Service of the United States of America.

"KNOWLEDGE" or "KNOWN" with respect to SHC means the actual personal knowledge of the following individuals: K. James Yager, A. Richard Benedek, Louis Wall, Christopher Cornelius, Clyde Payne, Keith Bland and Mary Flodin, after reasonable due inquiry and all facts that any of the foregoing individuals reasonably should have known after due inquiry.

"LAW" means any code, law, ordinance, regulation, rule, or statute of any Regulatory Authority.

"LIABILITY" means any direct or indirect, primary or secondary, liability, indebtedness, obligation, penalty, expense (including, without limitation, costs of investigation, collection and defense), claim, deficiency, guaranty or endorsement of or by any Person (other than endorsements of notes, bills and checks presented to banks for collection or deposit in the ordinary course of business) of any type, whether accrued, absolute, contingent, liquidated, unliquidated, matured, unmatured or otherwise.

"LICENSE" means any license, franchise, permit, easement, right, certificate, authorization, approval or filing to which any Person is a party or that is or may be binding on any Person or its securities, property or business.

"LIEN" means any mortgage, lien, security interest, pledge, hypothecation, encumbrance, restriction, reservation, encroachment, infringement, easement, conditional sale agreement, title retention or other security arrangement, defect of title, adverse right or interest or charge of, on, or with respect to any property or property interest.

"LITIGATION" means any action, administrative or other proceeding, arbitration, cause of action, claim, complaint, criminal prosecution, hearing, investigation, litigation filed or brought against any SHC Company by any Person alleging potential liability against or affecting SHC or any of its Subsidiaries, their respective assets (including, without limitation, Material Contracts relating to SHC or any of its Subsidiaries) , any of their respective Employee Benefit Plans, any fiduciary for any such Employee Benefit Plan with respect to any of such Employee Benefit Plans, before or by any Regulatory Authority or arbitration, mediation or similar tribunal filed or brought against any SHC Company.

"LOCK UP, VOTING AND CONSENT AGREEMENTS" means the various Lock Up, Voting and Consent Agreements entered into by and between SHC and the stockholders and bondholders that are signatories thereto.

"MATERIAL" or "MATERIALLY" shall be determined in light of the facts and circumstances of the matter in question and, in the case of SHC, as to the SHC Companies taken as a whole, but not including the Designated Stations.

"MATERIAL ADVERSE EFFECT" means (A) any Material adverse effect on (i) the business, operations, assets, Liabilities, condition (financial or otherwise) or results of operations of such Person together with its Subsidiaries and parent entity taken as a whole (in the case of SHC, excluding the Designated Stations), (ii) the ability of such party to consummate timely the transactions contemplated by this Agreement, or (iii) the ability of such party to perform timely any of its Material obligations under this Agreement or any of the Other Agreements, if such change or effect Materially impairs the ability of such party to perform its Material obligations hereunder or thereunder, taken as a whole.

"MERGER CORP. COMMON STOCK" means the no par value common stock of Merger Corp.

"NEW YORK STOCK EXCHANGE" means the New York Stock Exchange, Inc.

"ORDER" means any decree, injunction, judgment, order, ruling, writ, quasi-judicial decision or award or administrative decision or award of any federal, state, local, foreign or other court, arbitrator, mediator, tribunal, administrative agency or Regulatory Authority to which any Person is a party or that is or may be binding on any Person or its securities, assets or business.

"OTHER AGREEMENTS" means the agreements, documents, assignments and instruments to be executed and delivered by SHC, Gray or Merger Corp., as applicable, pursuant to this Agreement.

"PERMITTED LIENS" means any and all of (i) Liens for inchoate mechanics' and materialmen's Liens for construction in progress and workmen's, repairmen's, warehousemen's and carriers' Liens arising in the ordinary course of business, (ii) Liens for Taxes not yet due and payable, and for Taxes being contested in good faith, (iii) Liens and imperfections of title the existence of which does not materially detract from the value, of or materially interfere with the use and enjoyment, of the property subject thereto or affected thereby, for the same uses and operations as currently conducted and (iv) with respect to Real Property, provided that the following are not violated by existing Improvements in any Material respect and do not prohibit or Materially restrict the continued use and operation of such Real Property for the same uses and operations as currently conducted, (A) covenants, restrictions, agreements, reservations, easements, and rights of way that would be shown by a current title report, (B) conditions that would be shown by a current survey, title report or physical inspection or (C) zoning, building or other similar restrictions imposed by applicable Law.

"PERSON" means a natural person or any legal, commercial or governmental entity, such as, but not limited to, a business association, corporation, general partnership, joint venture, limited partnership, limited liability company or trust.

"PERSONAL PROPERTY" means collectively all of the personal property or interests therein owned, leased, used or controlled by any of the SHC Companies including, without limitation, machinery, tools, equipment (including office equipment and supplies), furniture, furnishings, vehicles, leasehold improvements, all other tangible personal property other than inventory (which is specifically excluded from the Personal Property).

"PUC LAWS" means local public utility commission laws, rules and regulations.

"REAL PROPERTY" means collectively all the real property or interests therein owned, leased, occupied, used or controlled by any of the SHC Companies, together with (i) all rights, easements, tenements, hereditaments, appurtenances, privileges, immunities, mineral rights and other benefits belonging or appertaining thereto which run with said real property and (ii) all right, title and interest, if any, of any of the SHC Companies in and to (A) any land lying in the bed of any street, road, avenue, open or proposed, adjoining said real property, (B) any award made or to be made in lieu of the land described in the preceding clause (A), (C) any unpaid condemnation award for any of said real property, and (D) all strips and rights-of-way abutting or adjoining said real property, if any. The Real Property includes, without limitation, all of the right, title and interest of any of the SHC Companies in and to all buildings, structures, building fixtures and other improvements located on the land described in the preceding sentence.

"REGULATORY AUTHORITY" means any federal, state, county, local, foreign or other governmental or public agency, instrumentality, commission, authority, board or body, including without limitation the Federal Trade Commission, the United States Department of Justice, the FCC, the Pension Benefit Guaranty Corporation and the Bankruptcy Court.

"RELATED PERSON" means, with regard to any natural Person, its spouse, parent, sibling, child, aunt, uncle, niece, nephew, in-law, grandparent and grandchild (including by adoption) and any trustees or other fiduciaries for the benefit of such relatives.

"RELEASE" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, seeping, migrating, dumping or disposing of any Hazardous Substances (including the abandonment or discarding of barrels, containers and other closed receptacles containing any Hazardous Substances) into the indoor or outdoor environment.

"RIGHTS" means, with respect to any Person, securities, or obligations convertible into or exercisable for, or giving any Person any right to subscribe for or acquire, or any options, calls, or commitments relating to, or any stock appreciation right or other instrument the value of which is determined in whole or in part by reference to the market price or value of, shares of capital stock of such Person.

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SHARE ESCROW AGREEMENT" means the escrow agreement in substantially the form of Exhibit 1.5(b).

"SHC CAPITAL STOCK" means, collectively, the SHC Class A Common Stock, SHC Class B Common Stock, the SHC Junior Preferred Stock and the SHC Senior Preferred Stock.

"SHC CLASS A COMMON STOCK" means the $.01 par value Class A Common Stock of SHC.

"SHC CLASS B COMMON STOCK" means the $.01 par value Class B Common Stock of SHC.

"SHC COMPANIES" means SHC and each of the SHC Subsidiaries.

"SHC FINANCIAL STATEMENTS" means the financial statements of SHC set forth in Schedule 5.5.

"SHC JUNIOR PREFERRED STOCK" means the $.01 par value Series C Junior Discount Preferred Stock of SHC.

"SHC SENIOR PREFERRED STOCK" means the $.01 par value eleven and one-half percent (11-1/2%) Senior Exchangeable Preferred Stock of SHC.

"SHC SUBSIDIARIES" means each of SHC's Subsidiaries, including without limitation, Benedek Broadcasting Corporation, Benedek License Corporation, Benedek Cable, Inc. and Benedek Interactive Media, LLC.

"STOCKHOLDER REPRESENTATIVE" means the Person(s) appointed as the Stockholder Representative pursuant to Section 11.11, which initially shall be Noraland Finances Ltd.-BVI.

"SUBSIDIARIES" means any Person of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such Person, is at the time directly or indirectly owned or controlled by another Person, or by any one or more Subsidiaries of such other Person, or by such other Person and one or more of its Subsidiaries or Affiliates.

"TAKEOVER LAWS" means any applicable state "moratorium," "control share," "fair price," "business combination," or other anti-takeover laws and regulations.

"TAX" or "TAXES" means any federal, state, county, local, foreign and other taxes, assessments, charges, fees, and impositions, including interest and penalties thereon or with respect thereto, whether disputed or not.

"TAX RETURNS" means all returns, reports, filings, declarations and statements relating to Taxes that are required to be filed, recorded, or deposited with any Regulatory Authority, including any attachment thereto or amendment thereof.

"THIRD PARTY" or "THIRD PARTIES" means any Person that is not Gray or SHC or an Affiliate of Gray or SHC.

"TRADEOUT AGREEMENT" means any Contract, pursuant to which any of the SHC Companies has sold or traded commercial air time of any of the Stations in consideration of any property or services in lieu of or in addition to cash, excluding all film and program barter agreements.

"WORKING CAPITAL" means the amount, as of the Effective Time, of the consolidated current assets of the SHC Companies less the amount of the consolidated current liabilities of the SHC Companies determined in accordance with the provisions of Sections 3.5 and 3.6 and GAAP, except that:

(i) consolidated current liabilities shall not include any amounts due under or in respect of (a) the SHC Discount Notes, (b) the BBC Loan Agreement, (c) the capital leases, notes and mortgages identified on any of the Schedules referred to in Section 5.21 and (d) any accrued interest or other charges on any of the foregoing;

(ii) the consolidated current assets and consolidated current liabilities attributable to the Designated Stations (determined based on the current assets to be transferred to, and the current liabilities to be assumed by, the

Purchaser under the Purchase Agreement) shall be excluded from the determination of Working Capital;

(iii) the current liability accrual in respect of the WOWT pension plan shall be the same amount as reflected in the Balance Sheet (such amount is $957,344 as of December 31, 2001) less actual cash payments made by the SHC Companies to the WOWT pension trust fund from December 31, 2001 through the Closing Date.

(iv) to the extent unpaid at the Effective Time, amounts payable under the Retention Agreements shall be included as a current liability (to avoid duplication, to the extent not already included on either the Preliminary Working Capital Statement or the Final Working Capital Statement, as the case may be);

(v) amounts attributable to Notes Receivable Officers shall be excluded from the determination of Working Capital;

(vi) amounts attributable to deferred income tax assets shall be excluded from the determination of Working Capital;

(vii) all amounts payable or benefits to be provided by Gray or any SHC Company under that certain letter agreement of even date herewith between Gray and Richard, Laura and Stephen Benedek shall be excluded from the determination of Working Capital;

(viii) to the extent unpaid at the Effective Time, amounts due to Merrill Lynch & Co. under the engagement letter dated March 22, 2002 shall be included as a current liability (to avoid duplication, to the extent not already included on either the Preliminary Working Capital Statement or the Final Working Capital Statement, as the case may be) and shall be paid by the Surviving Corporation; and

(ix) to the extent unpaid at the Effective Time, amounts due to SHC's professionals in connection with the Bankruptcy Case, shall be set aside in escrow account with an escrow agent selected by SHC to be disbursed therefrom in accordance with an order of the Bankruptcy Court and the amount so set aside shall not be included as a current asset, and the liability for such payment shall not be included as a current liability, in the determination of Working Capital.

"WORKING CAPITAL ADJUSTMENT" means the Working Capital Negative Adjustment or the Working Capital Positive Adjustment, as the case may be.

"WORKING CAPITAL NEGATIVE ADJUSTMENT" means the amount, if any, by which the Working Capital is less than the Working Capital Target. If the Working Capital exceeds the Working Capital Target, then the Working Capital Negative Adjustment shall be zero.

"WORKING CAPITAL POSITIVE ADJUSTMENT" means the amount, if any, by which the Working Capital exceeds the Working Capital Target. If the Working Capital is less than the Working Capital Target, then the Working Capital Positive Adjustment shall be zero.

"WORKING CAPITAL TARGET" means $12,200,000.

ARTICLE 11
MISCELLANEOUS

11.1 NOTICES.

(a) All notices, requests, demands and other communications hereunder shall be (i) delivered by hand, (ii) mailed by registered or certified mail, return receipt requested, first class postage prepaid and properly addressed, (iii) sent by national overnight courier service, or (iv) sent by facsimile, graphic scanning or other telegraphic communications equipment to the parties or their assignees, addressed as follows:

To SHC:	STATIONS HOLDING COMPANY, INC. 2895 Greenspoint Parkway, Suite 250 Hoffman Estates, Illinois 60195 Attention: K. James Yager Facsimile: (847) 585-3451
with copies to:	SHACK SIEGEL KATZ FLAHERTY & GOODMAN P.C. 530 New York Avenue New York, New York 10036 Attention: Paul S. Goodman Facsimile: (212) 730-1964
To Gray:	GRAY COMMUNICATIONS SYSTEMS, INC. 4370 Peachtree Road, NE Atlanta, Georgia 30319 Attention: Robert S. Prather, Jr. Facsimile: (404) 261-9607
with copies to:	ALSTON & BIRD LLP 1201 West Peachtree Street Atlanta, Georgia 30309 Attention: Stephen A. Opler Facsimile: (404) 881-4777

(b) All notices, requests, instructions or documents given to any party in accordance with this Section 11.1 shall be deemed to have been given (i) on the date of receipt if delivered by hand, overnight courier service or if sent by facsimile, graphic scanning or other telegraphic communications equipment or (ii) on the date three (3) Business Days after depositing with the United States Postal Service if mailed by United States registered or certified mail, return receipt requested, first class postage prepaid and properly addressed.

(c) Any party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 11.1.

11.2 ENTIRE AGREEMENT. This Agreement (including the Preamble), the Schedules, and the Exhibits hereto constitute the entire agreement between the parties relating to the subject matter hereof and thereof and supersede all prior oral and written, and all contemporaneous oral negotiations, discussions, writings and agreements relating to the subject matter of this Agreement.

11.3 MODIFICATIONS, AMENDMENTS AND WAIVERS.

(a) Prior to or at the Effective Time, Gray, acting through the Board of Directors of Gray, chief executive officer or other authorized officer, shall have the right to waive any Material Default in the performance of any term of this Agreement by any of the SHC Companies, to waive or extend the time for the compliance or fulfillment by the SHC Companies of any and all of its obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of the SHC Companies under this Agreement, except any condition which, if not satisfied, would result in the Material violation of any Law. No such waiver shall be effective unless in writing signed by a duly authorized officer of Gray.

(b) Prior to or at the Effective Time, the SHC Companies acting through the Board of Directors of SHC or an authorized officer, shall have the right to waive any Material Default in the performance of any term of this Agreement by Gray or Merger Corp., to waive or extend the time for the compliance or fulfillment by Gray or Merger Corp. of any and all of its obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of Gray or Merger Corp. under this Agreement, except any condition which, if not satisfied, would result in the Material violation of any Law. No such waiver shall be effective unless in writing signed by a duly authorized officer of SHC.

(c) The failure or delay of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect its right to enforce that provision. No single or partial waiver by any party of any condition of this Agreement, or the breach of any term, agreement or covenant or the inaccuracy of any representation or warranty of this Agreement, whether by conduct or otherwise, in any one or more instances shall be construed or deemed to be a further or continuing waiver of any such condition, breach or inaccuracy or a waiver of any other condition, breach or inaccuracy.

11.4 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the parties hereto, and their respective successors, designees and assigns, but no assignment shall relieve any party of the obligations hereunder. This Agreement or any portion thereof cannot be assigned by any party without the prior written consent of the other parties hereto; provided, however, that Gray may assign this Agreement without the consent of the other parties to any of its lenders as collateral security and that Merger Corp., without the consent of the other parties, may assign this Agreement to any Affiliate of Gray.

11.5 TABLE OF CONTENTS; CAPTIONS; REFERENCES. The table of contents and the captions and other headings contained in this Agreement as to the contents of particular articles, sections, paragraphs or other subdivisions contained herein are inserted for convenience of reference only and are in no way to be construed as part of this Agreement or as limitations on the scope of the particular articles, sections, paragraphs or other subdivisions to which they refer and shall not affect the interpretation or meaning of this Agreement. All references in this Agreement to "Section" or "Article" shall be deemed to be references to a Section or Article of this Agreement.

11.6 GOVERNING LAW. This Agreement will be governed by and construed and enforced in accordance with the laws of the State of New York applicable to contracts made and performed therein, without giving effect to the conflict of laws principles thereof.

11.7 PRONOUNS. All pronouns used herein shall be deemed to refer to the masculine, feminine or neuter gender as the context requires.

11.8 SEVERABILITY. Should any one or more of the provisions of this Agreement be determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby. To the extent such determination is reasonably likely to give rise to a Material Adverse Effect, the parties shall endeavor in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as practicable to that of the invalid, illegal or unenforceable provisions.

11.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original; but all of such counterparts shall together constitute one and the same instrument.

11.10 INTERPRETATIONS. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Gray or SHC, whether under any rule of construction or otherwise. No party to this Agreement shall be considered the draftsman. On the contrary, this Agreement has been reviewed, negotiated and accepted by all parties and their attorneys and shall be construed and interpreted according to the ordinary meaning of the words used so as fairly to accomplish the purposes and intentions of all parties hereto.

11.11 STOCKHOLDER REPRESENTATIVE.

(a) By accepting the Merger Consideration, each of the holders of SHC Junior Preferred Stock and SHC Senior Preferred Stock hereby irrevocably makes, constitutes, and appoints the Stockholder Representative as the representative, agent and true and lawful attorney in fact of and for each of the Stockholders in connection with this Agreement. Each of the Stockholders hereby authorizes and empowers the Stockholder Representative to make or give any approval, waiver, request, consent, instruction or other communication on behalf of each of the Stockholders with respect to the Working Capital Adjustment. Upon the death, resignation or incapacity of the Stockholder Representative, or at any other time, a successor may be appointed by the vote of the holders of a majority of the SHC Senior Preferred Stock outstanding immediately prior to the Effective Time, so long as such successor shall agree in writing to accept such appointment in accordance with the terms hereof. Notice of the selection of a successor Stockholder Representative appointed in the manner permitted in this Section 11.11 shall be provided to Gray and Merger Corp. promptly.

(b) By accepting the Merger Consideration, each Stockholder hereby agrees to indemnify and to save and hold harmless the Stockholder Representative from any liability incurred by the Stockholder Representative based upon or arising out of any act, whether of omission or commission, of the Stockholder Representative pursuant to the authority herein granted, other than acts, whether of omission or commission, of the Stockholder Representative that constitute gross negligence or willful misconduct in the exercise by the Stockholder Representative of the authority herein granted.

11.12 NON-SURVIVAL OF REPRESENTATIONS AND COVENANTS. The respective representations, warranties, obligations, covenants and agreements of the parties shall not survive the Effective Time, except for those covenants and agreements contained herein which by their terms apply in whole or in part after the Effective Time.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, SHC, Gray and Merger Corp. have duly executed this Agreement under seal as of the date first above written.

STATIONS HOLDING COMPANY, INC.
Debtor and Debtor-In-Possession

By: /s/ K. James Yager

Name:
Title:

GRAY COMMUNICATIONS SYSTEMS, INC.:

By: /s/ J. Mack Robinson

Name: J. Mack Robinson
Title: President

By: /s/ Robert S. Prather, Jr.

Name: Robert S. Prather, Jr.
Title: Executive Vice President - Acquisitions

MERGER CORP.:

GRAY MIDAMERICA TELEVISION, INC.

By: /s/ J. Mack Robinson

Name: J. Mack Robinson
Title: Chairman of the Board and President

EXHIBIT 5.3

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

BANK OF AMERICA PLAZA
600 PEACHTREE STREET, N.E. - SUITE 5200
ATLANTA, GEORGIA 30308-2216
TELEPHONE: 404-885-3000
FACSIMILE: 404-885-3900

July 12, 2002

Gray Communications Systems, Inc.
4370 Peachtree Road
Atlanta, Georgia 30319

Ladies and Gentlemen:

We have acted as counsel to Gray Communications Systems, Inc., a Georgia corporation (the "Company"), in connection with certain aspects of the filing with the Securities and Exchange Commission of a Registration Statement (the "Registration Statement") on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), relating to the registration for resale of up to 3,000,000 shares of Class B Common Stock, no par value per share, of the Company (the "Shares"), to be issued to the holders of the 4,000 outstanding shares of Series C Convertible Preferred Stock, no par value per share, of the Company (the "Series C Preferred Stock"), upon the conversion of the outstanding shares of the Series C Preferred Stock into such Shares. This opinion is being provided at the request of the Company for inclusion in the Registration Statement.

In connection with this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such instruments, certificates, records and documents, and have reviewed such questions of law, as we have deemed necessary or appropriate for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted as copies and the authenticity of the originals of such latter documents. As to any facts material to our opinion, we have relied upon the aforesaid instruments, certificates, records and documents and inquiries of representatives of the Company.

Based upon the foregoing examination, we are of the opinion that the Shares, when issued upon conversion of and in accordance with the terms of the Series C Preferred Stock, subject to compliance with the pertinent provisions of the Securities Act and to compliance with such securities or "Blue Sky" laws of any jurisdiction as may be applicable, will be validly issued, fully paid and non-assessable.

We are members of the Bar of the State of Georgia. In expressing the opinions set forth above, no such opinion is expressed with respect to the laws of any jurisdiction other than the laws of the State of Georgia.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ Troutman Sanders LLP

EXHIBIT 10.1

LOCK UP, VOTING AND CONSENT AGREEMENT

This Lock Up, Voting and Consent Agreement (the "Agreement"), dated as of June 4, 2002, is entered into and made by and among Stations Holding Company, Inc., a Delaware corporation ("Debtor" or the "Company"), Gray Communications Systems, Inc., a Georgia corporation ("Gray") and each of the undersigned holders (each, a "Consenting Holder" and, together, the "Consenting Holders") of the Common Stock (as defined below). All capitalized terms not otherwise defined herein have the meanings given to said terms in the Plan (as hereinafter defined).

WHEREAS, Debtor has issued 7,400,000 shares of Class B Common Stock (the "Common Stock");

WHEREAS, Debtor and the Consenting Holders have engaged in good faith negotiations with the objective of reaching an agreement with regard to satisfying the Debtor's obligations under the Common Stock;

WHEREAS, Debtor and Gray are, concurrently with the execution of this Agreement, entering into a Merger Agreement of even date herewith (the "Merger Agreement") pursuant to which, subject to the terms and conditions set forth in the Merger Agreement, a wholly-owned subsidiary of Gray will be merged into and with Debtor;

WHEREAS, Debtor and each of the Consenting Holders now desire to implement a financial restructuring that gives effect to the Merger Agreement (the "Financial Restructuring"), and in order to implement the Financial Restructuring, the Debtor intends to prepare and file a disclosure statement (the "Disclosure Statement") and plan of reorganization (the "Plan") consistent in all material respects with the terms set forth in this Agreement and the summary of the Plan attached hereto as Exhibit A (the "Plan Summary") which, if confirmed, will implement the terms of the Financial Restructuring in the Debtor's bankruptcy case number 02-10882 (MFW) (the "Chapter 11 Case") filed under the United States Bankruptcy Code, 11 U.S.C. ss. 101 et seq. (the "Bankruptcy Code"), and the Debtor intends to use its best efforts to have the Disclosure Statement approved and such Plan confirmed by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") in the Chapter 11 Case as expeditiously as possible under the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules");

WHEREAS, each Consenting Holder is the legal owner, beneficial owner and/or the investment advisor or manager for the beneficial owner (with the power to vote and dispose of such claims on behalf of such beneficial owner) of the number of shares of Common Stock (for each such party, the "Relevant Claim"), in each case as set forth below each such Consenting Holder's signature attached hereto;

WHEREAS, each Consenting Holder has reviewed, or has had the opportunity to review, with the assistance of professional financial and legal advisors of its choosing, the Plan Summary and the Merger Agreement; and

WHEREAS, each Consenting Holder desires to support and vote for confirmation of the Plan, and the Debtor desires to obtain the commitment of the Consenting Holders to support and vote for the Plan, in each case subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor, Gray and the Consenting Holders, intending to be legally bound, agree as follows:

Section 1. Voting. Each Consenting Holder represents and warrants, severally and not jointly, that, as of the date hereof, it is the legal owner, beneficial owner and/or the investment adviser or manager for the beneficial owner (with the power to vote and dispose of such claims on behalf of such beneficial owner) of such legal or beneficial owner's Relevant Claim and that there is no Common Stock of which it is the legal owner, beneficial owner and/or investment advisor or manager for such legal or beneficial owner which are not part of its Relevant Claim. Each Consenting Holder agrees for itself that (i) it shall timely vote (or cause to be voted) its Relevant Claim and any other claims or interests that it holds (and not revoke or withdraw such vote) to accept the Plan; provided that the terms of the Plan and Disclosure Statement are consistent in all material respects with the Plan attached hereto and (ii) to the extent such election is available, it shall not elect on its ballot to preserve any claims, if any, such Consenting Holder may have that may be affected by the releases provided for under the Plan.

Section 2. Support of the Plan.

(1) Each Consenting Holder agrees that it will (i) from and after the date hereof not agree to, consent to, provide any support to, participate in the formulation of, or vote for any plan of reorganization or liquidation, other than the Plan; (ii) execute and deliver a customary letter, in form and substance reasonably satisfactory to the Company and such Consenting Holder, from the Consenting Holder for distribution to the holders of any impaired claims against or interests in the Company, stating that such Consenting Holder supports and has committed to vote to approve the Plan; and (iii) agree to permit disclosure in the Disclosure Statement and any filings by the Company with the Securities and Exchange Commission of the contents of this Agreement, including, but not limited to, the commitments given in clause (i) of this Section 2(a) and the aggregate Relevant Claims held by all Consenting Holders; provided that the Company shall not disclose the number of shares of Common Stock comprising the Relevant Claim of any individual Consenting Holder, except as otherwise required by applicable law.

(2) Each Consenting Holder further agrees that it shall not object to or otherwise commence any proceeding, or take any other action, to oppose or alter any of the terms of the Plan or any other document filed in connection with the confirmation of the Plan

(hereinafter a "Reorganization Document") and shall not take any action which is inconsistent with, or that would delay approval or confirmation of any of the Disclosure Statement, the Plan or any of the Reorganization Documents; provided that the terms of all such Reorganization Documents are customary and otherwise consistent with the material terms of the Plan. Without limiting the generality of the foregoing, no Consenting Holder may directly or indirectly seek, solicit, support or encourage any other plan, sale, proposal or offer of dissolution, winding up, liquidation, reorganization, merger or restructuring of the Company or any of its subsidiaries that could reasonably be expected to prevent, delay or impede the restructuring of the Company as contemplated by the Plan or any Reorganization Document.

Section 3. Forbearance. So long as this Agreement shall remain in effect, each Consenting Holder hereby agrees to forbear from exercising any rights or remedies it may have under the Common Stock and all related documents, applicable law, or otherwise, with respect to any existing default under the Common Stock and all related documents.

Section 4. Restrictions on Transfer. Each of the Consenting Holders hereby agrees that, for so long as this Agreement shall remain in effect, it shall not sell, transfer or assign all or any of its Relevant Claims or any option thereon or any right, interest (voting or otherwise) therein, unless the transferee agrees in writing to be bound by the terms of this Agreement by executing a counterpart signature page to this Agreement and the transferor promptly provides the Company with a copy thereof, in which event the Company shall be deemed to have acknowledged that its obligations to the Consenting Holders hereunder shall be deemed to constitute obligations in favor of such transferee, and the Company shall confirm such acknowledgment in writing.

Section 5. Further Acquisition of Common Stock. This Agreement shall in no way be construed to preclude the Consenting Holders or any of their respective subsidiaries or affiliates from acquiring additional shares of Common Stock. However, any such additional Common Stock acquired by a Consenting Holder shall automatically be deemed to be Relevant Claims and to be subject to the terms of this Agreement. The Consenting Holder agrees that it shall not create any subsidiary or affiliate for the sole purpose of acquiring any Common Stock. Upon the request of the Company, each Consenting Holder shall provide an accurate and current list of the Relevant Claims held by such Consenting Holder.

Section 6. Company Agreement. The Company hereby agrees to use its commercially reasonable efforts to have the Disclosure Statement approved by the Bankruptcy Court, and thereafter or in conjunction therewith to use its commercially reasonable efforts to obtain an order of the Bankruptcy Court confirming the Plan, in each case as expeditiously as commercially reasonable under the Bankruptcy Code and Bankruptcy Rules, and consistent in all material respects (including with respect to the treatment of claims and interests) with the terms and conditions of the Plan.

Section 7. Acknowledgment. This Agreement is not and shall not be deemed to be a solicitation for consents to the Plan. The acceptance of the Consenting Holders will not be solicited until the Consenting Holders have received the Disclosure Statement and related ballot, as approved by the Bankruptcy Court.

Section 8. Termination. The obligations of the Consenting Holders hereunder shall remain effective and binding and shall terminate only upon the earlier to occur of the time at which (i) the Plan provides or is modified to provide for treatment of such Holder which is materially adverse to the treatment described in the Plan Summary; and (ii) the Plan provides or is modified without the consent of the Consenting Holders in a manner which substantially decreases the likelihood that the Plan will be confirmed.

Section 9. Good Faith Negotiation of Documents. Each party hereby further covenants and agrees to negotiate the Reorganization Documents and any definitive documents relating thereto, in good faith and, in any event, in all material respects consistent with the Plan Summary.

Section 10. Representations and Warranties. Each of the Consenting Holders, severally and not jointly, represents and warrants to Debtor and Gray, and Gray and the Debtor each represents and warrants, only as to itself and not as to the other, to each Consenting Holder that the following statements, as applicable, are true, correct and complete as of the date hereof:

(1) Power and Authority. It has all requisite corporate, partnership, or limited liability company power and authority to enter into this Agreement and to carry out the transactions contemplated hereby, and to perform its obligations hereunder.

(2) Due Organization. It is duly organized, validly existing and in good standing under the laws of its state of organization and it has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(3) Authorization. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership or limited liability company action on its part (other than the approval of the Bankruptcy Court in the case of the Debtor).

(4) No Conflicts. The execution, delivery and performance of this Agreement does not and shall not: (i) violate any provision of law, rule or regulation applicable to it or any of its subsidiaries, (ii) violate its certificate of incorporation, bylaws or other organizational documents or those of any of its subsidiaries; or (iii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

(5) Governmental Consents. The execution, delivery and performance by it of this Agreement do not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body (other than the approval of the Bankruptcy Court in the case of the Debtor).

(6) Binding Obligation. Subject to the provision of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is a legally valid and binding obligation, enforceable in accordance with its terms.

Section 11. Complete Agreement, Modification of Agreement. This Agreement and the other agreements referenced herein constitute the complete agreement between the parties with respect to the subject matter hereof. This Agreement may not be modified, altered, amended or supplemented except by an agreement in writing signed by the Company, Gray and the Consenting Holders that hold not less than two-thirds of the outstanding shares of Common Stock.

Section 12. Specific Performance. It is understood and agreed by the parties that money damages would not be a sufficient remedy for any breach of this Agreement by any party and each non-breaching party shall be entitled to the sole and exclusive remedy of specific performance and injunctive or other equitable relief, including attorneys' fees and costs, as a remedy of any such breach, and each party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy.

Section 13. Assignment. Except as set forth in Section 4, no rights or obligations of any party under this Agreement may be assigned or transferred to any other person or entity.

Section 14. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE. By its execution and delivery of this Agreement, each of the parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in the Bankruptcy Court. By execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably accepts and submits itself to the exclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding.

Section 15. Modification of Plan. No modification or change to the Plan shall release the Consenting Holder from obligations under this Agreement if the Plan remains substantially similar in all economic and other respects to the Plan Summary, and if such modification or change does not negatively impact or lessen the economic recovery or other rights that such Consenting Holder will receive under the Plan.

Section 16. Independent Due Diligence and Decision-Making. Each of the Consenting Holders hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of Debtor. To the extent any materials or information have been furnished to it by Debtor, the undersigned hereby acknowledges that they have been provided for informational purposes only, without any representation or warranty.

Section 17. Headings. The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.

Section 18. Prior Negotiations. This Agreement, the Plan Summary and the Reorganization Documents supersede all prior negotiations with respect to the subject matter hereof.

Section 19. Consideration. It is hereby acknowledged by the Company, Gray and each of the Consenting Holders that no consideration shall be due or paid to the Consenting Holders for their agreement to vote to accept the Plan in accordance with the terms and conditions of this Agreement, other than the Company's agreement to use its reasonable best efforts to obtain approval of the Disclosure Statement and to confirm the Plan in accordance with the terms and conditions of this Agreement.

Section 20. No Third Party Beneficiaries. This Agreement shall be solely for the benefit of the parties hereto, including their permitted assigns, and no other person or entity shall be a third party beneficiary hereof. Nothing in this Agreement, express or implied, shall give to any party or entity other than the parties any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 21. Several Obligations. The obligations of the Consenting Holders hereunder are several and not joint.

Section 22. Notices. All notices hereunder to be served to the Company or Gray, as applicable, shall be deemed given if in writing and delivered or sent by telecopy, courier or by registered or certified mail (return receipt requested) to the following addresses or telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

Stations Holding Company, Inc.
c/o Paul S. Goodman
Shack Siegel Katz Flaherty & Goodman P.C.
530 Fifth Avenue
New York, New York 10036
Fax: 212.730.1964

with copies to:

Kirkland & Ellis
200 E. Randolph Drive
Chicago, Illinois 60601
Attn: Geoffrey A. Richards
Fax: 312.861.2200

To Gray:

Gray Communications Systems, Inc.
4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attn: Robert S. Prather, Jr.
Fax: 404.261.9607

with copies to:

Alston & Bird LLP
1201 West Peachtree Street
Atlanta, Georgia 30309
Attn: Stephen A. Opler
Fax: 404.881.4777

Section 23. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall, collectively and separately, constitute one and the same agreement.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

STATIONS HOLDING COMPANY, INC.

By: /s/ K. James Yager

Its: President and Chief Operating Officer

GRAY COMMUNICATIONS
SYSTEMS, INC.

By: /s/ James C. Ryan

Its: Vice President and Chief Financial Officer

HOLDER OF RELEVANT CLAIM:

Name of Holder: ____________________________

Number of Shares
of Common Stock: ____________________________

HOLDER OF RELEVANT CLAIM:

Name of Holder:

Number of Shares
of Common Stock:

HOLDER OF RELEVANT CLAIM:

Name of Holder:

Number of Shares
of Common Stock:

EXHIBIT 10.2

LOCK UP, VOTING AND CONSENT AGREEMENT

This Lock Up, Voting and Consent Agreement (the "Agreement"), dated as of June 4, 2002, is entered into and made by and among Stations Holding Company, Inc., a Delaware corporation ("Debtor" or the "Company"), Gray Communications Systems, Inc., a Georgia corporation ("Gray") and each of the undersigned holders (each, a "Consenting Holder" and, together, the "Consenting Holders") of the Senior Preferred Stock (as defined below). All capitalized terms not otherwise defined herein have the meanings given to said terms in the Plan (as hereinafter defined).

WHEREAS, Debtor has issued 100,000 shares of 11.5% Senior Exchangeable Preferred Stock due May 15, 2008 (the "Senior Preferred Stock");

WHEREAS, Debtor and the Consenting Holders have engaged in good faith negotiations with the objective of reaching an agreement with regard to satisfying the Debtor's obligations under the Senior Preferred Stock;

WHEREAS, Debtor and Gray are, concurrently with the execution of this Agreement, entering into a Merger Agreement of even date herewith (the "Merger Agreement") pursuant to which, subject to the terms and conditions set forth in the Merger Agreement, a wholly-owned subsidiary of Gray will be merged into and with Debtor;

WHEREAS, Debtor and each of the Consenting Holders now desire to implement a financial restructuring that gives effect to the Merger Agreement (the "Financial Restructuring"), and in order to implement the Financial Restructuring, the Debtor intends to prepare and file a disclosure statement (the "Disclosure Statement") and plan of reorganization (the "Plan") consistent in all material respects with the terms set forth in this Agreement and the summary of the Plan attached hereto as Exhibit A (the "Plan Summary") which, if confirmed, will implement the terms of the Financial Restructuring in the Debtor's bankruptcy case number 02-10882 (MFW) (the "Chapter 11 Case") filed under the United States Bankruptcy Code, 11 U.S.C. ss. 101 et seq. (the "Bankruptcy Code"), and the Debtor intends to use its best efforts to have the Disclosure Statement approved and such Plan confirmed by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") in the Chapter 11 Case as expeditiously as possible under the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules");

WHEREAS, each Consenting Holder is the legal owner, beneficial owner and/or the investment advisor or manager for the beneficial owner (with the power to vote and dispose of such claims on behalf of such beneficial owner) of the number of shares of Senior Preferred Stock (for each such party, the "Relevant Claim"), in each case as set forth below each such Consenting Holder's signature attached hereto;

WHEREAS, each Consenting Holder has reviewed, or has had the opportunity to review, with the assistance of professional financial and legal advisors of its choosing, the Plan Summary and the Merger Agreement; and

WHEREAS, each Consenting Holder desires to support and vote for confirmation of the Plan, and the Debtor desires to obtain the commitment of the Consenting Holders to support and vote for the Plan, in each case subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor, Gray and the Consenting Holders, intending to be legally bound, agree as follows:

Section 1. Voting. Each Consenting Holder represents and warrants, severally and not jointly, that, as of the date hereof, it is the legal owner, beneficial owner and/or the investment adviser or manager for the beneficial owner (with the power to vote and dispose of such claims on behalf of such beneficial owner) of such legal or beneficial owner's Relevant Claim and that there is no Senior Preferred Stock of which it is the legal owner, beneficial owner and/or investment advisor or manager for such legal or beneficial owner which are not part of its Relevant Claim. Each Consenting Holder agrees for itself that (i) it shall timely vote (or cause to be voted) its Relevant Claim and any other claims or interests that it holds (and not revoke or withdraw such vote) to accept the Plan; provided that the terms of the Plan and Disclosure Statement are consistent in all material respects with the Plan attached hereto and (ii) to the extent such election is available, it shall not elect on its ballot to preserve any claims, if any, such Consenting Holder may have that may be affected by the releases provided for under the Plan.

Section 2. Support of the Plan.

(1) Each Consenting Holder agrees that it will (i) from and after the date hereof not agree to, consent to, provide any support to, participate in the formulation of, or vote for any plan of reorganization or liquidation, other than the Plan; (ii) execute and deliver a customary letter, in form and substance reasonably satisfactory to the Company and such Consenting Holder, from the Consenting Holder for distribution to the holders of any impaired claims against or interests in the Company, stating that such Consenting Holder supports and has committed to vote to approve the Plan; and (iii) agree to permit disclosure in the Disclosure Statement and any filings by the Company with the Securities and Exchange Commission of the contents of this Agreement, including, but not limited to, the commitments given in clause (i) of this Section 2(a) and the aggregate Relevant Claims held by all Consenting Holders; provided that the Company shall not disclose the number of shares of Senior Preferred Stock comprising the Relevant Claim of any individual Consenting Holder, except as otherwise required by applicable law.

(2) Each Consenting Holder further agrees that it shall not object to or otherwise commence any proceeding, or take any other action, to oppose or alter any of the terms of the Plan or any other document filed in connection with the confirmation of the Plan (hereinafter a "Reorganization Document") and shall not take any action which is inconsistent with, or that would delay approval or confirmation of any of the Disclosure Statement, the Plan or any of the Reorganization Documents; provided that the terms of all such Reorganization Documents are customary and otherwise consistent with the material terms of the Plan. Without limiting the generality of the foregoing, no Consenting Holder may directly or indirectly seek,

solicit, support or encourage any other plan, sale, proposal or offer of dissolution, winding up, liquidation, reorganization, merger or restructuring of the Company or any of its subsidiaries that could reasonably be expected to prevent, delay or impede the restructuring of the Company as contemplated by the Plan or any Reorganization Document.

(3) If notwithstanding the foregoing terms of this Section 2, the Company receives a Superior Proposal and such Superior Proposal is approved by the Bankruptcy Court, then the Consenting Holders shall pay to Gray, contemporaneous with the transaction contemplated by such Superior Proposal, a termination fee in the amount of $15,000,000 (the "Termination Fee"). The liability of each Consenting Holder (which shall be several and not joint) shall be determined by multiplying the Termination Fee by a fraction the numerator of which is the number of shares of Senior Preferred Stock owned by such Consenting Holder and the denominator of which is the number of shares of Senior Preferred Stock owned by all Consenting Holders. For purposes hereof, "Superior Proposal" shall mean an unsolicited, bona fide written offer made by a third party to purchase (by means of a merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, tender offer, exchange offer or other similar transaction) more than 50% of the outstanding Senior Preferred Stock, which the board of directors of the Company determines, in good faith, based on the written advice of its financial advisors, has terms more favorable to the Consenting Holders than the terms of the Merger Agreement; provided, however, that any such offer shall not be deemed to be a "Superior Offer" unless any financing required to consummate the transaction contemplated by such offer is either (i) in the possession of such third party at the time such offer is made, or (ii) is committed and, as determined by the board of directors of the Company, in good faith based on the written advice of its financial advisors, likely to be obtained by such third party such that the closing of the Superior Proposal is reasonably expected to occur no later than the closing of the Financial Restructuring pursuant to the Merger Agreement.

Section 3. Forbearance. So long as this Agreement shall remain in effect, each Consenting Holder hereby agrees to forbear from exercising any rights or remedies it may have under the Senior Preferred Stock and all related documents, applicable law, or otherwise, with respect to any existing default under the Senior Preferred Stock and all related documents.

Section 4. Restrictions on Transfer. Each of the Consenting Holders hereby agrees that, for so long as this Agreement shall remain in effect, it shall not sell, transfer or assign all or any of its Relevant Claims or any option thereon or any right, interest (voting or otherwise) therein, unless the transferee agrees in writing to be bound by the terms of this Agreement by executing a counterpart signature page to this Agreement and the transferor promptly provides the Company with a copy thereof, in which event the Company shall be deemed to have acknowledged that its obligations to the Consenting Holders hereunder shall be deemed to constitute obligations in favor of such transferee, and the Company shall confirm such acknowledgment in writing.

Section 5. Further Acquisition of Senior Preferred Stock. This Agreement shall in no way be construed to preclude the Consenting Holders or any of their respective subsidiaries or affiliates from acquiring additional shares of Senior Preferred Stock. However, any such additional Senior Preferred Stock acquired by a Consenting Holder shall automatically be deemed to be Relevant Claims and to be subject to the terms of this Agreement. The Consenting Holder agrees that it shall not create any subsidiary or affiliate for the sole purpose of acquiring any Senior Preferred Stock. Upon the request of the Company, each Consenting Holder shall provide an accurate and current list of the Relevant Claims held by such Consenting Holder.

Section 6. Company Agreement. The Company hereby agrees to use its commercially reasonable efforts to have the Disclosure Statement approved by the Bankruptcy Court, and thereafter or in conjunction therewith to use its commercially reasonable efforts to obtain an order of the Bankruptcy Court confirming the Plan, in each case as expeditiously as commercially reasonable under the Bankruptcy Code and Bankruptcy Rules, and consistent in all material respects (including with respect to the treatment of claims and interests) with the terms and conditions of the Plan.

Section 7. Acknowledgment. This Agreement is not and shall not be deemed to be a solicitation for consents to the Plan. The acceptance of the Consenting Holders will not be solicited until the Consenting Holders have received the Disclosure Statement and related ballot, as approved by the Bankruptcy Court.

Section 8. Termination. The obligations of the Consenting Holders hereunder shall remain effective and binding and shall terminate only upon the earlier to occur of the time at which (i) the Plan provides or is modified to provide for treatment of such Holder which is materially adverse to the treatment described in the Plan Summary; and (ii) the Plan provides or is modified without the consent of the Consenting Holders to provide for treatment of the holders of the Debtor's outstanding Junior Preferred Stock or Common Stock that increases the aggregate recoveries for such Junior Preferred Stock or Common Stock as a whole versus that contemplated by the Plan Summary, or the Plan is modified in a manner which substantially decreases the likelihood that the Plan will be confirmed.

Section 9. Good Faith Negotiation of Documents. Each party hereby further covenants and agrees to negotiate the Reorganization Documents and any definitive documents relating thereto, in good faith and, in any event, in all material respects consistent with the Plan Summary.

Section 10. Representations and Warranties. Each of the Consenting Holders, severally and not jointly, represents and warrants to Debtor and Gray, and Gray and the Debtor each represents and warrants, only as to itself and not as to the other, to each Consenting Holder that the following statements, as applicable, are true, correct and complete as of the date hereof:

(1) Power and Authority. It has all requisite corporate, partnership, or limited liability company power and authority to enter into this Agreement and to carry out the transactions contemplated hereby, and to perform its obligations hereunder.

(2) Due Organization. It is duly organized, validly existing and in good standing under the laws of its state of organization and it has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(3) Authorization. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership or limited liability company action on its part (other than the approval of the Bankruptcy Court in the case of the Debtor).

(4) No Conflicts. The execution, delivery and performance of this Agreement does not and shall not: (i) violate any provision of law, rule or regulation applicable to it or any of its subsidiaries, (ii) violate its certificate of incorporation, bylaws or other organizational documents or those of any of its subsidiaries; or (iii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

(5) Governmental Consents. The execution, delivery and performance by it of this Agreement do not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body (other than the approval of the Bankruptcy Court in the case of the Debtor).

(6) Binding Obligation. Subject to the provision of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is a legally valid and binding obligation, enforceable in accordance with its terms.

Section 11. Complete Agreement, Modification of Agreement. This Agreement and the other agreements referenced herein constitute the complete agreement between the parties with respect to the subject matter hereof. This Agreement may not be modified, altered, amended or supplemented except by an agreement in writing signed by the Company, Gray and the Consenting Holders that hold not less than two-thirds of the outstanding shares of Senior Preferred Stock.

Section 12. Specific Performance. It is understood and agreed by the parties that money damages would not be a sufficient remedy for any breach of this Agreement by any party and each non-breaching party shall be entitled to the sole and exclusive remedy of specific performance and injunctive or other equitable relief, including attorneys' fees and costs, as a remedy of any such breach, and each party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy.

Section 13. Assignment. Except as set forth in Section 4, no rights or obligations of any party under this Agreement may be assigned or transferred to any other person or entity.

Section 14. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE. By its execution and delivery of this Agreement, each of the parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in the Bankruptcy Court. By execution and delivery of this Agreement, each of the

Parties hereto hereby irrevocably accepts and submits itself to the exclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding.

Section 15. Modification of Plan. No modification or change to the Plan shall release the Consenting Holder from obligations under this Agreement if the Plan remains substantially similar in all economic and other respects to the Plan Summary, and if such modification or change does not negatively impact or lessen the economic recovery or other rights that such Consenting Holder will receive under the Plan.

Section 16. Independent Due Diligence and Decision-Making. Each of the Consenting Holders hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of Debtor. To the extent any materials or information have been furnished to it by Debtor, the undersigned hereby acknowledges that they have been provided for informational purposes only, without any representation or warranty.

Section 17. Headings. The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.

Section 18. Prior Negotiations. This Agreement, the Plan Summary and the Reorganization Documents supersede all prior negotiations with respect to the subject matter hereof.

Section 19. Consideration. It is hereby acknowledged by the Company, Gray and each of the Consenting Holders that no consideration shall be due or paid to the Consenting Holders for their agreement to vote to accept the Plan in accordance with the terms and conditions of this Agreement, other than the Company's agreement to use its reasonable best efforts to obtain approval of the Disclosure Statement and to confirm the Plan in accordance with the terms and conditions of this Agreement.

Section 20. No Third Party Beneficiaries. This Agreement shall be solely for the benefit of the parties hereto, including their permitted assigns, and no other person or entity shall be a third party beneficiary hereof. Nothing in this Agreement, express or implied, shall give to any party or entity other than the parties any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 21. Several Obligations. The obligations of the Consenting Holders hereunder are several and not joint.

Section 22. Notices. All notices hereunder to be served to the Company or Gray, as applicable, shall be deemed given if in writing and delivered or sent by telecopy, courier or by registered or certified mail (return receipt requested) to the following addresses or telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

To the Company: Stations Holding Company, Inc.
c/o Paul S. Goodman
Shack Siegel Katz Flaherty & Goodman P.C.
530 Fifth Avenue
New York, New York 10036
Fax: 212.730.1964

with copies to:

Kirkland & Ellis
200 E. Randolph Drive
Chicago, Illinois 60601
Attn: Geoffrey A. Richards
Fax: 312.861.2200

To Gray: Gray Communications Systems, Inc.
4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attn: Robert S. Prather, Jr.
Fax: 404.261.9607

with copies to:

Alston & Bird LLP
1201 West Peachtree Street
Atlanta, Georgia 30309
Attn: Stephen A. Opler
Fax: 404.881.4777

Section 23. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall, collectively and separately, constitute one and the same agreement.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

STATIONS HOLDING COMPANY, INC.

By: /s/ James Yager

Its: President and Chief Operating Officer

GRAY COMMUNICATIONS
SYSTEMS, INC.

By: /s/ James C. Ryan

Its: Vice President and Chief Financial
Officer

HOLDER OF RELEVANT CLAIM:

Name of Holder:

Number of Shares
of Senior Preferred
Stock:

HOLDER OF RELEVANT CLAIM:

Name of Holder:

Number of Shares
of Senior Preferred
Stock:

HOLDER OF RELEVANT CLAIM:

Name of Holder:

By:

Name:
Title:

Number of Shares
of Senior Preferred
Stock:

HOLDER OF RELEVANT CLAIM:

Name of Holder:

By: ------------------------

Name:

Title:

Number of Shares of Senior Preferred Stock: ------------------------------------

EXHIBIT 10.3

LOCK UP, VOTING AND CONSENT AGREEMENT

This Lock Up, Voting and Consent Agreement (the "Agreement"), dated as of June 13, 2002, is entered into and made by and among Stations Holding Company, Inc., a Delaware corporation ("Debtor" or the "Company"), Gray Communications Systems, Inc., a Georgia corporation ("Gray") and each of the undersigned holders (each, a "Consenting Holder" and, together, the "Consenting Holders") of the Junior Preferred Stock (as defined below). All capitalized terms not otherwise defined herein have the meanings given to said terms in the Plan (as hereinafter defined).

WHEREAS, Debtor has issued 450,000 shares of Junior Discount Preferred Stock due July 1, 2008 (the "Junior Preferred Stock");

WHEREAS, Debtor and the Consenting Holders have engaged in good faith negotiations with the objective of reaching an agreement with regard to satisfying the Debtor's obligations under the Junior Preferred Stock;

WHEREAS, Debtor and Gray are, concurrently with the execution of this Agreement, entering into a Merger Agreement of even date herewith (the "Merger Agreement") pursuant to which, subject to the terms and conditions set forth in the Merger Agreement, a wholly-owned subsidiary of Gray will be merged into and with Debtor;

WHEREAS, Debtor and each of the Consenting Holders now desire to implement a financial restructuring that gives effect to the Merger Agreement (the "Financial Restructuring"), and in order to implement the Financial Restructuring, the Debtor intends to prepare and file a disclosure statement (the "Disclosure Statement") and plan of reorganization (the "Plan") consistent in all material respects with the terms set forth in this Agreement and the summary of the Plan attached hereto as Exhibit A (the "Plan Summary") which, if confirmed, will implement the terms of the Financial Restructuring in the Debtor's bankruptcy case number 02-10882 (MFW) (the "Chapter 11 Case") filed under the United States Bankruptcy Code, 11 U.S.C. ss. 101 et seq. (the "Bankruptcy Code"), and the Debtor intends to use its best efforts to have the Disclosure Statement approved and such Plan confirmed by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") in the Chapter 11 Case as expeditiously as possible under the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules");

WHEREAS, each Consenting Holder is the legal owner, beneficial owner and/or the investment advisor or manager for the beneficial owner (with the power to vote and dispose of such claims on behalf of such beneficial owner) of the number of shares of Junior Preferred Stock (for each such party, the "Relevant Claim"), in each case as set forth below each such Consenting Holder's signature attached hereto;

WHEREAS, each Consenting Holder has reviewed, or has had the opportunity to review, with the assistance of professional financial and legal advisors of its choosing, the Plan Summary and the Merger Agreement; and

WHEREAS, each Consenting Holder desires to support and vote for confirmation of the Plan, and the Debtor desires to obtain the commitment of the Consenting Holders to support and vote for the Plan, in each case subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor, Gray and the Consenting Holders, intending to be legally bound, agree as follows:

Section 1. Voting. Each Consenting Holder represents and warrants, severally and not jointly, that, as of the date hereof, it is the legal owner, beneficial owner and/or the investment adviser or manager for the beneficial owner (with the power to vote and dispose of such claims on behalf of such beneficial owner) of such legal or beneficial owner's Relevant Claim and that there is no Junior Preferred Stock of which it is the legal owner, beneficial owner and/or investment advisor or manager for such legal or beneficial owner which are not part of its Relevant Claim. Each Consenting Holder agrees for itself that (i) it shall timely vote (or cause to be voted) its Relevant Claim and any other claims or interests that it holds (and not revoke or withdraw such vote) to accept the Plan; provided that the terms of the Plan and Disclosure Statement are consistent in all material respects with the Plan attached hereto and (ii) to the extent such election is available, it shall not elect on its ballot to preserve any claims, if any, such Consenting Holder may have that may be affected by the releases provided for under the Plan.

Section 2. Support of the Plan.

(1) Each Consenting Holder agrees that it will (i) from and after the date hereof not agree to, consent to, provide any support to, participate in the formulation of, or vote for any plan of reorganization or liquidation, other than the Plan; (ii) execute and deliver a customary letter, in form and substance reasonably satisfactory to the Company and such Consenting Holder, from the Consenting Holder for distribution to the holders of any impaired claims against or interests in the Company, stating that such Consenting Holder supports and has committed to vote to approve the Plan; and (iii) agree to permit disclosure in the Disclosure Statement and any filings by the Company with the Securities and Exchange Commission of the contents of this Agreement, including, but not limited to, the commitments given in clause (i) of this Section 2(a) and the aggregate Relevant Claims held by all Consenting Holders; provided that the Company shall not disclose the number of shares of Junior Preferred Stock comprising the Relevant Claim of any individual Consenting Holder, except as otherwise required by applicable law.

(2) Each Consenting Holder further agrees that it shall not object to or otherwise commence any proceeding, or take any other action, to oppose or alter any of the terms

of the Plan or any other document filed in connection with the confirmation of the Plan (hereinafter a "Reorganization Document") and shall not take any action which is inconsistent with, or that would delay approval or confirmation of any of the Disclosure Statement, the Plan or any of the Reorganization Documents; provided that the terms of all such Reorganization Documents are customary and otherwise consistent with the material terms of the Plan. Without limiting the generality of the foregoing, no Consenting Holder may directly or indirectly seek, solicit, support or encourage any other plan, sale, proposal or offer of dissolution, winding up, liquidation, reorganization, merger or restructuring of the Company or any of its subsidiaries that could reasonably be expected to prevent, delay or impede the restructuring of the Company as contemplated by the Plan or any Reorganization Document.

Section 3. Forbearance. So long as this Agreement shall remain in effect, each Consenting Holder hereby agrees to forbear from exercising any rights or remedies it may have under the Junior Preferred Stock and all related documents, applicable law, or otherwise, with respect to any existing default under the Junior Preferred Stock and all related documents.

Section 4. Restrictions on Transfer. Each of the Consenting Holders hereby agrees that, for so long as this Agreement shall remain in effect, it shall not sell, transfer or assign all or any of its Relevant Claims or any option thereon or any right, interest (voting or otherwise) therein, unless the transferee agrees in writing to be bound by the terms of this Agreement by executing a counterpart signature page to this Agreement and the transferor promptly provides the Company with a copy thereof, in which event the Company shall be deemed to have acknowledged that its obligations to the Consenting Holders hereunder shall be deemed to constitute obligations in favor of such transferee, and the Company shall confirm such acknowledgment in writing.

Section 5. Further Acquisition of Junior Preferred Stock. This Agreement shall in no way be construed to preclude the Consenting Holders or any of their respective subsidiaries or affiliates from acquiring additional shares of Junior Preferred Stock. However, any such additional Junior Preferred Stock acquired by a Consenting Holder shall automatically be deemed to be Relevant Claims and to be subject to the terms of this Agreement. The Consenting Holder agrees that it shall not create any subsidiary or affiliate for the sole purpose of acquiring any Junior Preferred Stock. Upon the request of the Company, each Consenting Holder shall provide an accurate and current list of the Relevant Claims held by such Consenting Holder.

Section 6. Company Agreement. The Company hereby agrees to use its commercially reasonable efforts to have the Disclosure Statement approved by the Bankruptcy Court, and thereafter or in conjunction therewith to use its commercially reasonable efforts to obtain an order of the Bankruptcy Court confirming the Plan, in each case as expeditiously as commercially reasonable under the Bankruptcy Code and Bankruptcy Rules, and consistent in all material respects (including with respect to the treatment of claims and interests) with the terms and conditions of the Plan.

Section 7. Acknowledgment. This Agreement is not and shall not be deemed to be a solicitation for consents to the Plan. The acceptance of the Consenting Holders will not be solicited until the Consenting Holders have received the Disclosure Statement and related ballot, as approved by the Bankruptcy Court.

Section 8. Termination. The obligations of the Consenting Holders hereunder shall remain effective and binding and shall terminate only upon the earlier to occur of the time at which (i) the Plan provides or is modified to provide for treatment of such Holder which is materially adverse to the treatment described in the Plan Summary; and (ii) the Plan provides or is modified without the consent of the Consenting Holders to provide for treatment of the holders of the Debtor's outstanding Common Stock that increases the aggregate recoveries for such Common Stock as a whole versus that contemplated by the Plan Summary, or the Plan is modified in a manner which substantially decreases the likelihood that the Plan will be confirmed.

Section 9. Good Faith Negotiation of Documents. Each party hereby further covenants and agrees to negotiate the Reorganization Documents and any definitive documents relating thereto, in good faith and, in any event, in all material respects consistent with the Plan Summary.

Section 10. Representations and Warranties. Each of the Consenting Holders, severally and not jointly, represents and warrants to Debtor and Gray, and Gray and the Debtor each represents and warrants, only as to itself and not as to the other, to each Consenting Holder that the following statements, as applicable, are true, correct and complete as of the date hereof:

(1) Power and Authority. It has all requisite corporate, partnership, or limited liability company power and authority to enter into this Agreement and to carry out the transactions contemplated hereby, and to perform its obligations hereunder.

(2) Due Organization. It is duly organized, validly existing and in good standing under the laws of its state of organization and it has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(3) Authorization. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership or limited liability company action on its part (other than the approval of the Bankruptcy Court in the case of the Debtor).

(4) No Conflicts. The execution, delivery and performance of this Agreement does not and shall not: (i) violate any provision of law, rule or regulation applicable to it or any of its subsidiaries, (ii) violate its certificate of incorporation, bylaws or other organizational documents or those of any of its subsidiaries; or (iii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

(5) Governmental Consents. The execution, delivery and performance by it of this Agreement do not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body (other than the approval of the Bankruptcy Court in the case of the Debtor).

(6) Binding Obligation. Subject to the provision of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is a legally valid and binding obligation, enforceable in accordance with its terms.

Section 11. Complete Agreement, Modification of Agreement. This Agreement and the other agreements referenced herein constitute the complete agreement between the parties with respect to the subject matter hereof. This Agreement may not be modified, altered, amended or supplemented except by an agreement in writing signed by the Company, Gray and the Consenting Holders that hold not less than two-thirds of the outstanding shares of Junior Preferred Stock.

Section 12. Specific Performance. It is understood and agreed by the parties that money damages would not be a sufficient remedy for any breach of this Agreement by any party and each non-breaching party shall be entitled to the sole and exclusive remedy of specific performance and injunctive or other equitable relief, including attorneys' fees and costs, as a remedy of any such breach, and each party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy.

Section 13. Assignment. Except as set forth in Section 4, no rights or obligations of any party under this Agreement may be assigned or transferred to any other person or entity.

Section 14. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE. By its execution and delivery of this Agreement, each of the parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in the Bankruptcy Court. By execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably accepts and submits itself to the exclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding.

Section 15. Modification of Plan. No modification or change to the Plan shall release the Consenting Holder from obligations under this Agreement if the Plan remains substantially similar in all economic and other respects to the Plan Summary, and if such modification or change does not negatively impact or lessen the economic recovery or other rights that such Consenting Holder will receive under the Plan.

Section 16. Independent Due Diligence and Decision-Making. Each of the Consenting Holders hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of Debtor. To the extent any materials or information have been furnished to it by Debtor, the undersigned hereby acknowledges that they have been provided for informational purposes only, without any representation or warranty.

Section 17. Headings. The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.

Section 18. Prior Negotiations. This Agreement, the Plan Summary and the Reorganization Documents supersede all prior negotiations with respect to the subject matter hereof.

Section 19. Consideration. It is hereby acknowledged by the Company, Gray and each of the Consenting Holders that no consideration shall be due or paid to the Consenting Holders for their agreement to vote to accept the Plan in accordance with the terms and conditions of this Agreement, other than the Company's agreement to use its reasonable best efforts to obtain approval of the Disclosure Statement and to confirm the Plan in accordance with the terms and conditions of this Agreement.

Section 20. No Third Party Beneficiaries. This Agreement shall be solely for the benefit of the parties hereto, including their permitted assigns, and no other person or entity shall be a third party beneficiary hereof. Nothing in this Agreement, express or implied, shall give to any party or entity other than the parties any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 21. Several Obligations. The obligations of the Consenting Holders hereunder are several and not joint.

Section 22. Notices. All notices hereunder to be served to the Company or Gray, as applicable, shall be deemed given if in writing and delivered or sent by telecopy, courier or by registered or certified mail (return receipt requested) to the following addresses or telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

Stations Holding Company, Inc.
c/o Paul S. Goodman
Shack Siegel Katz Flaherty & Goodman P.C.
530 Fifth Avenue
New York, New York 10036
Fax: 212.730.1964

with copies to:

Kirkland & Ellis
200 E. Randolph Drive
Chicago, Illinois 60601
Attn: Geoffrey A. Richards
Fax: 312.861.2200

To Gray: Gray Communications Systems, Inc.
4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attn: Robert S. Prather, Jr.
Fax: 404.261.9607

with copies to:

Alston & Bird LLP
1201 West Peachtree Street
Atlanta, Georgia 30309
Attn: Stephen A. Opler
Fax: 404.881.4777

Section 23. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall, collectively and separately, constitute one and the same agreement.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

STATIONS HOLDING COMPANY, INC.

By: /s/ K. James Yager

Its: President and Chief Operating Officer

GRAY COMMUNICATIONS
SYSTEMS, INC.

By: /s/ James C. Ryan

Its: Vice President and Chief Financial
Officer

HOLDER OF RELEVANT CLAIM:

Name of Holder:

By: ________________________________

Name:

Title:

Number of Shares of Junior Preferred Stock: ________________________________

EXHIBIT 10.4

EXECUTION COPY

LOCK UP, VOTING AND CONSENT AGREEMENT

This Lock Up, Voting and Consent Agreement (the "Agreement"), dated as of June 4, 2002, is entered into and made by and among Stations Holding Company, Inc., a Delaware corporation ("Debtor" or the "Company"), Gray Communications Systems, Inc., a Georgia corporation ("Gray") and each of the undersigned holders (each, a "Consenting Holder" and, together, the "Consenting Holders") of the Senior Discount Notes (as defined below). All capitalized terms not otherwise defined herein have the meanings given to said terms in the Plan Summary (as hereinafter defined).

WHEREAS, Debtor has issued 13.25% Senior Subordinated Discount Notes due May 15, 2006 (the "Senior Discount Notes");

WHEREAS, Debtor and the Consenting Holders have engaged in good faith negotiations with the objective of reaching an agreement with regard to satisfying the Debtor's obligations under the Senior Discount Notes;

WHEREAS, Debtor and Gray are, concurrently with the execution of this Agreement, entering into a Merger Agreement of even date herewith (the "Merger Agreement"), a copy of which is annexed hereto, pursuant to which, subject to the terms and conditions set forth in the Merger Agreement, a wholly-owned subsidiary of Gray will be merged into and with the Debtor;

WHEREAS, Debtor and each of the Consenting Holders now desire to implement a financial restructuring that gives effect to the Merger Agreement (the "Financial Restructuring"), and in order to implement the Financial Restructuring, the Debtor intends to prepare and file its disclosure statement (the "Disclosure Statement") and its plan of reorganization (the "Plan" and, together with all related agreements including the Merger Agreement, the "Related Agreements") consistent in all material respects with the terms set forth in this Agreement and the summary of the Plan attached hereto as Exhibit A (the "Plan Summary") which, if confirmed, will implement the terms of the Financial Restructuring in the Debtor's bankruptcy case number 02-10882 (MFW) (the "Chapter 11 Case") filed under the United States Bankruptcy Code, 11 U.S.C. ss. 101 et seq. (the "Bankruptcy Code"), and the Debtor intends to use its best efforts to have the Disclosure Statement approved and such Plan confirmed by the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") in the Chapter 11 Case as expeditiously as possible under the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules");

WHEREAS, each Consenting Holder is the legal owner, beneficial owner and/or the investment adviser or manager for the beneficial owner (with the power to vote and dispose of such claims on behalf of such beneficial owner) of the aggregate principal amount of Senior Discount Notes (for each such party, the "Relevant Claim"), in each case as set forth below each such Consenting Holder's signature attached hereto;

WHEREAS, each Consenting Holder has reviewed, or has had the opportunity to review, with the assistance of professional financial and legal advisors of its choosing, the Plan Summary and the Merger Agreement; and

WHEREAS, each Consenting Holder desires to support and vote for confirmation of the Plan, and the Debtor and Gray desire to obtain the commitment of the Consenting Holders to support and vote for the Plan, in each case subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor, Gray and the Consenting Holders, intending to be legally bound, agree as follows:

Section 1. Voting. Each Consenting Holder represents and warrants, severally and not jointly, that, as of the date hereof, it is the legal owner, beneficial owner and/or the investment adviser or manager for the beneficial owner (with the power to vote and dispose of such claims on behalf of such beneficial owner) of such legal or beneficial owner's Relevant Claim and that there is no Senior Discount Notes of which it is the legal owner, beneficial owner and/or investment advisor or manager for such legal or beneficial owner which are not part of its Relevant Claim. Each Consenting Holder agrees for itself that (i) it shall timely vote (or cause to be voted) its Relevant Claim and any other claims or interests that it holds (and not revoke or withdraw such vote) to accept the Plan; provided that the terms of the Plan and Disclosure Statement are consistent in all material respects with the Plan Summary, the treatment of the Senior Discount Notes is exactly as set forth in the Plan Summary, and the Bankruptcy Court has approved the Disclosure Statement; and (ii) to the extent such election is available, it shall not elect on its ballot to preserve any claims, if any, such Consenting Holder may have that may be affected by the releases provided for under the Plan.

Section 2. Support of the Plan. Each Consenting Holder agrees that subject to (w) Section 7 hereof, (x) the Company and Gray (as applicable) being in compliance in all material respects with its obligations hereunder and under the Related Agreements, (y) the Company's and Gray's representations and warranties set forth herein being true and correct, and (z) receipt by such Consenting Holder of, and subsequent Bankruptcy Court approval of a disclosure statement and other solicitation materials in respect of the Plan required by the Bankruptcy Code that are consistent with the material terms of this Agreement, the Plan Summary and with any applicable law:

(1) it will (i) from and after the date hereof not agree to, consent to, provide any support to, participate in the formulation of, or vote for any plan of reorganization or liquidation, other than the Plan; (ii) execute and deliver a customary letter(s), in form and substance reasonably satisfactory to the Company from the Consenting Holders for distribution to the holders of any impaired claims against or interests in the Company, stating that the Consenting Holders support and have committed to vote to approve the Plan; and (iii) agree to permit disclosure in the Disclosure Statement and any filings by the Company with the Securities and Exchange Commission of the contents of this Agreement, including, but not limited to, the commitments given in clause (i) of this Section 2(1) and the aggregate Relevant Claims held by all Consenting Holders; provided that the Company shall not disclose the aggregate principal

amount of Senior Discount Notes comprising the Relevant Claim of any individual Consenting Holder, except as otherwise required by applicable law; and

(2) it shall not object to, or otherwise commence any proceeding, or take any other action, to oppose or alter, any of the terms of the Plan or any other document filed in connection with the confirmation of the Plan (hereinafter a "Reorganization Document") and shall not take any action which is inconsistent with, or that would delay approval or confirmation of any of the Disclosure Statement, the Plan or any of the Reorganization Documents; provided that the terms of all such Reorganization Documents are customary and otherwise consistent with the material terms of the Plan. Without limiting the generality of the foregoing, no Consenting Holder may directly or indirectly seek, solicit, support or encourage any other plan, sale, proposal or offer of dissolution, winding up, liquidation, reorganization, merger or restructuring of the Company or any of its subsidiaries that could reasonably be expected to prevent, delay or impede the restructuring of the Company as contemplated by the Plan or any Reorganization Document.

Section 3. Restrictions on Transfer. Each of the Consenting Holders hereby agrees that, for so long as this Agreement shall remain in effect, it shall not sell, transfer or assign all or any of its Relevant Claims or any option thereon or any right, interest (voting or otherwise) therein, unless the transferee agrees in writing to be bound by the terms of this Agreement with respect to the Relevant Claims being transferred to such purchaser, which agreement shall be confirmed in writing (which writing shall include a trade confirmation issued by a broker or dealer, acting as principal or agent for the purchaser, stating that such agreement is a term of such transfer) and the transferor promptly provides the Company with a copy thereof, in which event the Company shall be deemed without any further action to have acknowledged that its obligations to the Consenting Holders hereunder shall be deemed to constitute obligations in favor of such transferee. Upon request of such transferee, the Company shall promptly confirm such acknowledgment in writing.

Section 4. Further Acquisition of Senior Discount Notes. This Agreement shall in no way be construed to preclude the Consenting Holders or any of their respective subsidiaries or affiliates from selling Senior Discount Notes subject to the terms of this Agreement or from acquiring additional amounts of Senior Discount Notes. However, any such additional Senior Discount Notes acquired by a Consenting Holder shall automatically be deemed to be Relevant Claims and to be subject to the terms of this Agreement. The Consenting Holder agrees that it shall not create any subsidiary or affiliate for the sole purpose of acquiring any Senior Discount Notes unless such subsidiary or affiliate signs this Agreement. Upon the request of the Company, each Consenting Holder shall provide an accurate and current list of the Relevant Claims held by such Consenting Holder, which the Company agrees to keep confidential unless otherwise ordered by a court of competent jurisdiction. This Agreement shall in no way be construed to preclude the Consenting Holders from acquiring any other claims against or securities of the Company or any of its subsidiaries, provided, however, that such securities may not be utilized by the Consenting Holders in contravention of this Agreement. The Consenting Holders further agree that, subject to their receipt of solicitation materials in respect of the Plan that are consistent in all material respects with the Plan Summary and with the terms of this Agreement and are not inconsistent with any applicable law, they shall vote (or cause to be voted) any such additional Senior Discount Notes in favor of the Plan, and shall not change or withdraw (or cause to be changed or withdrawn) such vote(s), for so long as this Agreement remains in effect by its terms.

Section 5. Agreement.

(1) The Company hereby covenants and agrees (i) to propose promptly the Plan such that the Plan is consistent in all material respects with the terms described in the Plan Summary, to use its commercially reasonable efforts to have the Disclosure Statement approved by the Bankruptcy Court, and thereafter or in conjunction therewith to use its commercially reasonable efforts to obtain an order of the Bankruptcy Court confirming the Plan, and to close the transaction set forth in the Merger Agreement in each case as expeditiously as commercially reasonable under the Bankruptcy Code and Bankruptcy Rules, and consistent in all material respects (including with respect to the treatment of claims and interests) with the terms and conditions of the Plan Summary and this Agreement, (ii) not to modify the Plan in a manner that is inconsistent with the Plan Summary terms as to the treatment to be afforded each of the Consenting Noteholders in any respect without the consent of each of the Consenting Noteholders, (iii) not to propose, file, support, encourage, vote for, or engage in discussions with any person or entity concerning any restructuring, workout or plan of reorganization other than the Plan unless otherwise required by the Bankruptcy Code or the Bankruptcy Court, (iv) if necessary, to disclose in the Disclosure Statement the existence and substance of this Agreement, (v) subject to its fiduciary duties, not to take any action to encourage or support any Consenting Noteholder to break its Agreement, and (vi) subject to its fiduciary duties, not to take any action to encourage or support any creditor, equity interest holders, or Gray to vote against the Plan or, in any regard, to oppose approval of the Disclosure Statement or confirmation of the Plan or to take any actions inconsistent with the Merger Agreement.

(2) Gray hereby covenants and agrees to close the transaction set forth in the Merger Agreement as expeditiously as commercially reasonable under the Bankruptcy Code and Bankruptcy Rules, and consistent in all material respects (including with respect to the treatment of claims and interests) with the terms and conditions of the Plan Summary and this Agreement and subject to the terms and conditions of the Merger Agreement.

Section 6. Acknowledgment. This Agreement is not and shall not be deemed to be a solicitation for consents to the Plan. The acceptance of the Consenting Holders will not be solicited until the Consenting Holders have received the Disclosure Statement and related ballot, as approved by the Bankruptcy Court.

Section 7. Termination. (1) This Agreement shall terminate upon the occurrence of any Agreement Termination Event (as defined below), unless the occurrence of such Agreement Termination Event is waived in writing by a Consenting Holder, such waiver to be applicable only to such Consenting Holder. If any Agreement Termination Event occurs (and has not been waived) at a time when Bankruptcy Court permission shall be required for a Consenting Holder to change or to withdraw (or cause to be changed or withdrawn) its vote(s) in favor of the Plan, the Company and the other Parties to this Agreement shall not oppose any attempts by such Consenting Holder to change or to withdraw (or cause to be changed or withdrawn) its vote(s) in favor of the Plan. (2) For the purposes hereof an "Agreement Termination Event" shall mean any of the following: (i) the Company takes any action materially inconsistent with any of the Related Agreements; (ii) the filing of the Plan and the Disclosure Statement shall not have occurred by June 30, 2002; (iii) the solicitation of acceptances with respect to the Plan shall not have occurred by August 30, 2002; (iv) the effective date of the Plan shall not have occurred by November 15, 2002; (v) there occurs any change in the terms of the Plan materially affecting the treatment of the Senior Discount Notes, as a class, not previously consented to by the Consenting Holder whose obligations hereunder are to be terminated; (vi) the Company files a plan, or solicits votes on a Chapter 11 plan of reorganization, which contains terms as to the treatment of the Senior Discount Notes that are inconsistent in any respect with the Plan Summary and materially inconsistent with any of its other material terms; (vii) the Merger Agreement is terminated for any reason; (viii) the Company's Chapter 11 case is dismissed or is converted to a case under Chapter 7 of the Bankruptcy Code; and (ix) section 20.13 of the Asset Purchase Agreement of even date herewith between Benedek Broadcasting Corporation ("BBC") and Chelsey Broadcasting Company, LLC is amended or modified or for any reason is no longer in effect. The Consenting Holders shall have no liability to the Company or each other in respect of any termination of this Agreement in accordance with the terms hereof.

Section 8. Good Faith Negotiation of Documents. Each party hereby further covenants and agrees to negotiate the Reorganization Documents and any definitive documents relating thereto, in good faith and, in any event, in all material respects consistent with the Plan Summary.

Section 9. Representations and Warranties. Each of the Consenting Holders, severally and not jointly, represents and warrants to Debtor and Gray, and the Debtor and Gray each represents and warrants, only as to itself and not as to the other, to each Consenting Holder that the following statements, as applicable, are true, correct and complete as of the date hereof:

(1) Power and Authority. It has all requisite corporate, partnership, or limited liability company power and authority to enter into this Agreement and to carry out the transactions contemplated hereby, and to perform its obligations hereunder.

(2) Due Organization. It is duly organized, validly existing and in good standing under the laws of its state of organization and it has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(3) Authorization. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership or limited liability company action on its part (other than the approval of the Bankruptcy Court in the case of the Debtor which the Debtor will promptly seek).

(4) No Conflicts. The execution, delivery and performance of this Agreement does not and shall not: (i) violate any provision of law, rule or regulation applicable to it or any of its subsidiaries, (ii) violate its certificate of incorporation, bylaws or other organizational documents or those of any of its subsidiaries; or (iii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

(5) Governmental Consents. The execution, delivery and performance by it of this Agreement do not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority

or regulatory body (other than the approval of the Bankruptcy Court in the case of the Debtor which the Debtor will promptly seek).

(6) Binding Obligation. Subject to the provision of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is a legally valid and binding obligation, enforceable in accordance with its terms.

Section 10. Complete Agreement, Modification of Agreement. This Agreement and the other agreements referenced herein constitute the complete agreement between the parties with respect to the subject matter hereof. This Agreement may not be modified, altered, amended or supplemented except by an agreement in writing signed by the Company, Gray and each of the Consenting Holders.

Section 11. Specific Performance. It is understood and agreed by the parties that money damages would not be a sufficient remedy for any breach of this Agreement by any party and each non-breaching party shall be entitled to the sole and exclusive remedy of specific performance and injunctive or other equitable relief, including attorneys' fees and costs, as a remedy of any such breach, and each party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy.

Section 12. Impact of Appointment to Creditors' Committee. Notwithstanding anything contained herein to the contrary, if any Consenting Holder is (or has been) appointed to and serves on a committee of creditors in the Company's Chapter 11 case, the terms of this Agreement shall not limit such Consenting Holder's exercise, in its sole discretion, of its fiduciary duties to any person arising from its serving on such committee of creditors, and any such exercise in the sole discretion of such Consenting Holder of its fiduciary duties arising from it serving on such committee of creditors shall not be deemed to constitute a breach of the terms of this Agreement (but the fact of such service on such committee shall not otherwise affect the continuing validity or enforceability of this Agreement). The foregoing shall not modify or limit the obligations of Consenting Holders to vote their individual holdings of Relevant Claims and to take the other actions required under this Agreement in their non-committee capacity.

Section 13. Assignment. Except as set forth in Section 4, no rights or obligations of any party under this Agreement may be assigned or transferred to any other person or entity.

Section 14. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE WITHOUT REGARD TO ANY CONFLICTS OF LAW PROVISION WHICH WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION. By its execution and delivery of this Agreement, each of the parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in the Bankruptcy Court. By execution and delivery of this Agreement, each of the parties hereto hereby irrevocably accepts and submits itself to the exclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding. In the event any such action, suit or proceeding is commenced, the Parties hereby agree and consent that service of process may be made, and personal jurisdiction over any party hereto in (but only with respect to) any such action, suit or proceeding may be obtained by service of a copy of the summons, complaint and other pleadings required to commence such action, suit or proceeding upon the party at the address of such party set forth in Section 15 hereof unless another address has been designated by such party in a notice given to the other parties in accordance with Section 15 hereof.

Section 15. Modification of Plan. No modification or change to the Plan shall release the Consenting Holder from obligations under this Agreement if the Plan remains substantially similar in all economic and other respects to the Plan Summary, and if such modification or change does not negatively impact or lessen the economic recovery or other rights in any respect that such Consenting Holder will receive under the Plan.

Section 16. Independent Due Diligence and Decision-Making. Each party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of Debtor. To the extent any materials or information have been furnished to it by Debtor, the undersigned hereby acknowledges that they have been provided for informational purposes only, without any representation or warranty.

Section 17. Headings. The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.

Section 18. Prior Negotiations. This Agreement, the Plan Summary and the Reorganization Documents supersede all prior negotiations with respect to the subject matter hereof.

Section 19. Consideration. It is hereby acknowledged by the Company, Gray and each of the Consenting Holders that no consideration shall be due or paid to the Consenting Holders for their agreement to vote to accept the Plan in accordance with the terms and conditions of this Agreement, other than the Company's agreement to use its reasonable best efforts to obtain approval of the Disclosure Statement and to confirm the Plan in accordance with the terms and conditions of this Agreement and other obligations set forth herein.

Section 20. No Third Party Beneficiaries. This Agreement shall be solely for the benefit of the parties hereto, including their permitted assigns, and no other person or entity shall be a third party beneficiary hereof. Nothing in this Agreement, express or implied, shall give to any party or entity other than the parties any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 21. Several Obligations. The obligations of the Consenting Holders hereunder are several and not joint. Each of the Consenting Noteholders is agreeing only with the Company and not with any other holders of Senior Discount Notes.

Section 22. Notices. All notices hereunder shall be deemed given if in writing and delivered or sent by telecopy, courier or by registered or certified mail (return receipt requested) to the following addresses or telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

(a) If to the Company, to:

Stations Holding Company, Inc.
c/o Paul S. Goodman
Shack Siegel Katz Flaherty & Goodman P.C.
530 Fifth Avenue
New York, New York 10036
Fax: 212-730-1964

with copies to:

Kirkland & Ellis
200 E. Randolph Drive
Chicago, Illinois 60601
Attn: Geoffrey A. Richards
Fax: 312-861-2200

(b) If to any Consenting Holder, to:

Such Consenting Holder at the address or telecopy number shown for such holder on the applicable signature page hereto, to the attention of the person who has signed this Agreement o behalf of such holder

with a copy to:

Adam L. Shiff, Esq.
Kasowitz, Benson, Torres & Friedman LLP
1633 Broadway
New York, NY 10019
Telecopy: 212-506-1800

(c) If to Gray, to:

Gray Communications Systems, Inc.
4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attn: Robert S. Prather, Jr.
Telecopy: 404-261-9607

with copies to:

Alston & Bird LLP
1201 West Peachtree Street
Atlanta, Georgia 30309
Attn: Stephen A. Opler
Telecopy: 404-881-4777

Section 23. Counterparts. This Agreement may be executed in any number of counterparts (including by telecopier), each of which shall, collectively and separately, constitute one and the same agreement.

Section 24. Approval of the Term Sheet. Each of the Parties hereto agree to the Plan Summary, the terms of which are incorporated herein by reference as if fully set forth herein.

Section 25. Effectiveness of the Agreement. Unless waived in the sole discretion of the Company, this Agreement and the obligations described herein shall become effective only upon the Company and Consenting Holders holding at least 80% of the Senior Discount Notes in principal amount executing this Agreement no later than June 14, 2002 unless extended by the Company at its sole discretion.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

STATIONS HOLDING COMPANY, INC.

By: /s/ K. James Yager

Its: President and Chief Operating Officer

HOLDER OF RELEVANT CLAIM:

Name of Holder: ------------------------

Aggregate Principal Amount
of Senior Discount Notes: $ -----------------------

GRAY COMMUNICATIONS SYSTEMS, INC.

By: /s/ James C. Ryan

Its: Vice President and Chief Financial Officer

EXHIBIT 10.5

ASSET PURCHASE AGREEMENT

BY AND AMONG

CHELSEY BROADCASTING COMPANY, LLC

AND

BENEDEK BROADCASTING CORPORATION

AND

BENEDEK LICENSE CORPORATION

ASSET PURCHASE AGREEMENT

AGREEMENT dated this 4th day of June, 2002, by and among Chelsey Broadcasting Company, LLC, a Delaware limited liability company having its principal place of business at 712 Fifth Avenue, 45th Floor, New York, New York 10019 ("Purchaser"), and BENEDEK BROADCASTING CORPORATION, a Delaware corporation ("Benedek"), and BENEDEK LICENSE CORPORATION, a Delaware corporation ("BLC"), each having its principal place of business at 2895 Greenspoint Parkway, Suite 250, Hoffman Estates, Illinois 60195.

W I T N E S S E T H :

WHEREAS, Benedek and its wholly-owned subsidiary, BLC, own and operate the television stations described on the signature page hereto (each a "Station" and, collectively, the "Stations") pursuant to licenses issued by the Federal Communications Commission (the "FCC"); and

WHEREAS, Benedek and BLC desire to sell, transfer, convey and assign, and Purchaser desires to purchase and acquire substantially all of the assets, properties and rights of Benedek and BLC in the Stations on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. DEFINITIONS. Unless otherwise stated in this Agreement, the following terms shall have the following meanings:

1.1 The term "Affiliate" means, with respect to a Person, any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such Person. For purposes of the foregoing definition, "control" of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

1.2 The term "Agreement" means this agreement, including the schedules and all exhibits hereto, as the same may be amended or otherwise modified from time to time, and the terms "herein", "hereof", "hereunder" and like terms shall be taken as referring to this Agreement in its entirety and shall not be limited to any particular section or provision hereof.

1.3 The term "Code" means the Internal Revenue Code of 1986, as amended.

1.4 The term "Communications Act" means the Communications Act of 1934, as amended.

1.5 The term "DMA" means the designated market area of each Station as designated by the A.C. Nielsen Company and as listed on the signature page hereto.

1.6 The term "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.7 The term "ERISA Affiliate" shall mean with respect to Benedek, all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with Benedek, are treated as a single employer under any or all of Sections 414(b), (c), (m) or (o) of the Code.

1.8 The term "FCC Consent" means action by the FCC granting its consent to the assignment of the FCC Licenses to Purchaser as contemplated by this Agreement.

1.9 The term "FCC Licenses" means the licenses, permits and other authorizations issued by the FCC to BLC in connection with the conduct of the business and operation of the Stations, including the licenses, permits and other authorizations listed on Schedule 8.4 of the Disclosure Schedule.

1.10 The term "GAAP" means generally accepted accounting principles set forth in opinions and pronouncements of the Accounting Principals Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, in each case as the same are applicable to the circumstances as of the date of determination.

1.11 The term "Intellectual Property" means any (i) registered United States and foreign patents, patent applications, patent disclosures and improvements thereto, (ii) registered United States and foreign trademarks, service marks, trade dress, logos, trade names and corporate names, the goodwill associated therewith, and the registrations and applications for registration thereof and (iii) registered United States and foreign copyrights, and the registrations and applications for registration thereof.

1.12 The term "knowledge" or similar words shall be deemed to mean the actual personal knowledge as of the date specified or if no such date is specified, as of the Closing Date, provided, however, that in the case of Benedek or BLC, knowledge shall be limited to knowledge of those employees of Benedek identified on Schedule 1.12 of the Disclosure Schedule.

1.13 The term "Lien" means any charge, lien, mortgage, pledge, security interest or other encumbrance of any nature whatsoever upon, of or in property or other assets of a Person, whether absolute or conditional, voluntary or involuntary, whether created pursuant to agreement, arising by force of statute, by judicial proceedings or otherwise.

1.14 The term "Local Time" means the local time in the applicable DMA.

1.15 The term "Material Adverse Effect" means any change or effect that is materially adverse to the properties, operations, business, financial condition or results of operations of a Station or to the Assets of such Station.

1.16 The term "Merger Agreement" means that certain Agreement and Plan of Merger dated as of the date hereof between Gray Communications Systems, Inc. and Stations Holding Company, Inc., as the same may be amended from time to time.

1.17 The term "Permitted Liens" means any and all (i) Liens for inchoate mechanics' and materialmen's Liens for construction in progress and workmen's, repairmen's, warehousemen's and carriers' Liens arising in the ordinary course of business, (ii) Liens for taxes and other liabilities not yet due and payable, and for taxes and other liabilities being contested in good faith, (iii) Liens and imperfections of title the existence of which does not materially detract from the value, of or materially interfere with the use and enjoyment, of the property subject thereto or affected thereby, for the same use and operations as currently conducted, and (iv) with respect to Real Property, provided that the following are not violated by existing improvements in any material respect and do not prohibit or materially restrict the continued use and operation of such Real Property for the same uses and operations as currently conducted, or grant any third party any option or right to acquire or lease a material portion thereof,

(A) covenants, restrictions, agreements, reservations, easements, and rights of way which would be shown by a current title report, (B) conditions that may be shown by a current survey, title report or physical inspection or (C) zoning, building or other similar restrictions imposed by applicable law.

1.18 The term "Person" shall include an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an estate, an unincorporated organization or association or a governmental agency.

1.19 The term "Proprietary Rights" means any (i) Intellectual Property, (ii) trade secrets and confidential business information (including, without limitation, ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, research and development information, software, drawings, specifications, designs, plans, proposals, technical data, copyrightable works, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information), (iii) other proprietary rights, (iv) copies and tangible embodiments thereof (in whatever form or medium) and (v) licenses granting any rights with respect to any of the foregoing.

1.20 The term "Tradeout Agreement" means barter agreements for the sale of advertising time in exchange for goods or services, but does not include barter agreements for the acquisition of film or programming rights.

1.21 Unless the context otherwise requires:

1.21.1 a term has the meaning assigned to it;

1.21.2 an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP and all accounting calculations will be determined in accordance with such principles;

1.21.3 "or" is not exclusive;

1.21.4 "including" means including without limitation; and

1.21.5 words in the singular include the plural and words in the plural include the singular.

2. PURCHASE AND SALE OF ASSETS.

2.1 ASSETS. On the terms and subject to the conditions of this Agreement, Benedek and BLC shall sell, transfer, convey, assign and deliver to Purchaser, and Purchaser shall acquire and accept from Benedek and BLC, on the Closing Date, all of the right, title and interest of Benedek and BLC in and to all assets, properties and rights of Benedek and BLC used or held for use in connection with the operation of the Stations or located on or at the Real Property, of every nature, kind and description, wherever located, tangible and intangible, real, personal and mixed (excluding only the Excluded Assets as specified in Section 2.2 below) as the same shall exist at and as of the Closing Date (the "Assets"), including, without limitation, the following:

2.1.1 all rights in and to the licenses, permits and other authorizations issued to Benedek or BLC by any governmental authority and held by Benedek or BLC and used or intended for use exclusively in the conduct of the business and operation of the Stations, including the FCC Licenses listed on Schedule 8.4 of the Disclosure Schedule, together with any renewals, extensions or modifications thereof and additions thereto between the date hereof and the Closing Date, the goodwill and other intangible personal property associated with or related to each Station or the operation thereof, the business of each Station as a going concern, and all of Benedek's and BLC's rights in and to the call letters of each Station;

2.1.2 all land, leaseholds and other interests of every kind and description in real property, buildings, towers and antennae, and fixtures and improvements thereon owned by Benedek as of the date hereof and used or held for use in connection with the operation of the Stations, including, without limitation, those shown on Schedule 7.9 of the Disclosure Schedule, and any additions, improvements, replacements and alterations thereto made between the date hereof and the Closing Date;

2.1.3 all equipment, cameras, transmitters, antennae, office furniture and fixtures, office materials and supplies, tools, inventory, spare parts, and other tangible personal property of every kind and description, owned by Benedek and used or held for use in connection with the operation of the Stations or located on or at the Real Property, including the property listed on Schedule 7.10 of the Disclosure Schedule, together with, to the extent permitted by this Agreement, any replacements thereof and additions thereto made between the date hereof and the Closing Date, and less any retirements or dispositions thereof made between the date hereof and the Closing Date which are permitted by this Agreement;

2.1.4 all leases, contracts, licenses, purchase orders, sales orders, commitments and other agreements exclusively relating to the business and operation of each Station to which Benedek or BLC is a party or in which Benedek or BLC has rights, listed on Schedule 7.8 of the Disclosure Schedule, or not required by Section 7.8 hereof to be set forth on Schedule 7.8 of the Disclosure Schedule, and those leases, contracts, licenses, purchase orders, sales orders, commitments and other agreements relating to the business and operation of each Station entered into by Benedek or BLC between the date hereof and the Closing Date in accordance with Section 10.2 hereof, except for those that expire by their terms or are cancelled between the date hereof and the Closing Date;

2.1.5 all orders and agreements now existing, or entered into in the ordinary course of business between the date hereof and the Closing Date, for the sale of advertising time on each Station except those which on the Closing Date have already been filled or cancelled in accordance with Section 10.2 hereof or have expired;

2.1.6 all programs and programming materials and elements of whatever form or nature as of the date hereof and used or held for use in connection with the operation of the Stations, whether recorded on tape or any other substance or intended for live performance, and whether completed or in production, and all related common-law and statutory copyrights owned by or licensed to Benedek or BLC and used or held for use in connection with the operation of the Stations, together with all such programs, materials, elements and copyrights acquired by Benedek or BLC in connection with the business and operations of the Stations between the date hereof and the Closing Date, except those that expire or are cancelled in accordance with Section 10.2 hereof between the date hereof and the Closing Date;

2.1.7 all rights of Benedek or BLC in and to Proprietary Rights and all licenses and other agreements relating thereto and used exclusively in connection with the business and operation of the Stations, including those listed on Schedule 7.11 of the Disclosure Schedule;

2.1.8 all causes of action, judgments, claims, demands and other rights of Benedek or BLC of every kind or nature to the extent the same relate to the business and operation of the

Stations except to the extent that such causes of action, judgments, claims, demands or other rights relate to the Excluded Assets, the Excluded Liabilities or the Excluded Contracts;

2.1.9 all rights of Benedek relating to or arising out of or under express or implied warranties from suppliers with respect to the tangible property included in the Assets;

2.1.10 all prepaid film and programming expenses and all barter receivables arising in connection with Tradeout Agreements now existing or hereafter entered into in the ordinary course of business (it being understood that the consideration being paid by Purchaser includes consideration for the contracts and commitments of Benedek relating to motion pictures and other programming and for barter receivables arising in connection with Tradeout Agreements of the Stations and that no further consideration shall be due to Benedek and no proration shall be due in respect thereof);

2.1.11 all books and records, including, but not limited to, correspondence, employment records, production records, accounting records, property records, filings with the FCC, mailing lists, customer and vendor lists and other records and files of or relating to the Assets, other than the Excluded Records; provided, however, that such books and records shall be maintained in existence for a period of six years following the Closing Date and shall be made available for inspection and duplication by Benedek or BLC, at its expense, upon reasonable notice during normal business hours;

2.1.12 all outstanding accounts receivable of Benedek as of the Closing Date attributable to any of the Stations, including without limitation amounts due from advertisers, amounts due as network compensation, and amounts due in respect of copyright royalties;

2.1.13 cash on hand at each Station as of the Closing Date, which amount will not be less than $100,000 for each Station;

2.1.14 any and all prepaid expenses, advances or deposits made by Benedek on behalf of the Stations;

2.1.15 any refunds of local or other taxes, including, without limitation, property or sales taxes, or other taxes of any kind or description with respect to each Station which relate to periods prior to and including the Closing Date (excluding local or other taxes based on income);

2.1.16 refunds paid or payable in connection with the cancellation or discontinuance of any insurance policies applicable to each Station following the Closing and all rights for reimbursement under any such insurance policies of costs incurred by Benedek prior to the Closing; and

2.1.17 those other assets, properties and rights described on Schedule 2.1 of the Disclosure Schedule.

2.2 EXCLUDED ASSETS. Anything contained in Section 2.1 above to the contrary notwithstanding, Benedek and BLC shall not transfer, convey or assign to Purchaser, and the Assets shall not include the following (the "Excluded Assets"):

2.2.1 the consideration delivered by Purchaser to Benedek pursuant to this Agreement and all other rights of Benedek or BLC under this Agreement, any agreement, certificate, instrument or other document executed and delivered by Benedek, BLC or Purchaser in connection with the transactions contemplated hereby, or any side agreement between Benedek or BLC and Purchaser entered into on or after the date of this Agreement;

2.2.2 all real and personal property (including, without limitation, all equipment, furniture, fixtures, files, computers, computer software and computer software licenses, supplies and other personal property) used by the corporate and accounting departments of Benedek or its Affiliates in Hoffman Estates, Illinois;

2.2.3 all assets, whether real or personal, tangible or intangible, which are owned, used or held for use by Benedek or BLC to conduct any business operation or activity other than the operation of the Stations;

2.2.4 Benedek's and BLC's minute books and such other books and records (other than books and records specifically described in Section 2.1.11 hereof) as pertain to the organization, existence or ownership of Benedek or BLC (the "Excluded Records");

2.2.5 Excluded Contracts and contracts, commitments and agreements of Benedek or BLC to the extent the same relate to Excluded Assets and not to the operation of any of the Stations and actions, claims, suits, proceedings, arbitral actions, deposits, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set off, and rights of recoupment of any kind or nature (including any such item relating to income taxes) relating to the Excluded Assets or the Excluded Liabilities;

2.2.6 assets sold by Benedek or BLC after the date hereof and prior to the Closing Date in accordance with Section 10.2 hereof; and

2.2.7 those other assets, properties and rights listed on Schedule 2.2 of the Disclosure Schedule.

2.3 TRANSFER OF ASSETS. The transfer of the Assets as herein contemplated shall be made by Benedek and BLC, as applicable, free and clear of all Liens other than: (i) Liens set forth on Schedules 7.9 and 7.10 of the Disclosure Schedule and not required to be discharged on or prior to the Closing Date pursuant to the terms of this Agreement; (ii) Liens assumed by Purchaser pursuant to Section 3 hereof; and (iii) Permitted Liens. The transfer of the Assets shall be effected by delivery by Benedek and BLC, as applicable, of a bill of sale and assignment in the form of Exhibit A annexed hereto, an assignment of FCC Licenses in the form of Exhibit B annexed hereto and such other endorsements, assignments, drafts, checks, deeds, affidavits of title and other instruments of transfer, conveyance and assignment, including customary deeds with respect to real property to be conveyed hereunder, as shall be necessary or appropriate to transfer, convey and assign the Assets to Purchaser on the Closing Date as contemplated by this Agreement and as shall be reasonably requested by Purchaser. The conveyancing documents with respect to Owned Real Property shall be limited warranty deeds or their equivalent and such deeds shall be subject to any Permitted Liens although such Permitted Liens shall not be set forth in the deeds themselves. Benedek and BLC, as applicable, shall, at any time and from time to time after the Closing Date, but at no cost to Benedek or BLC, execute and deliver such other instruments of transfer and conveyance and do all such further acts and things as may be reasonably requested by Purchaser to transfer, convey, assign and deliver to Purchaser or to aid and assist Purchaser in collecting and reducing to possession, any and all of the Assets, or to vest in Purchaser good, valid and marketable title to the Assets.

2.4 NON-ASSIGNABLE ASSETS. Notwithstanding anything contained in this Agreement to the contrary, this Agreement shall not constitute an agreement or an attempted agreement to transfer or assign any contract, license, lease, commitment, sales order, purchase order or other agreement, or any claim or right of any benefit arising thereunder or resulting therefrom if any such attempted transfer or assignment thereof, without the consent of any other party thereto, would constitute a breach thereof or in any way affect the rights of Purchaser thereunder. Benedek and BLC, as applicable, shall, between the date hereof and the Closing Date, take commercially reasonable efforts to obtain the consent of any party or parties to any such material contracts, licenses, leases, commitments, sales orders, purchase orders or other agreements to the transfer or assignment thereof by Benedek or BLC, as applicable, to Purchaser hereunder in all cases in which such consent is required for transfer or assignment; provided, that such efforts shall not require the payment of any consideration by Benedek or BLC, as applicable. If after Benedek or BLC, as applicable, has used commercially reasonable efforts to obtain the consent of any such other party to such material contract, license, lease, commitment, sales order, purchase order or other agreement, such consent shall not be obtained at or prior to the Closing, or an attempted assignment thereof at the Closing would be ineffective and would affect the rights of Benedek or BLC, as applicable, thereunder, Benedek or BLC, as applicable, will cooperate with Purchaser in any reasonable arrangement designed to provide for Purchaser the benefits under any such material contract, license, lease, commitment, sales order, purchase order or other agreement, including the enforcement, at the cost and for the benefit of Purchaser, of any and all rights of Benedek or BLC, as applicable, against such other party thereto arising out of the breach or cancellation thereof by such other party or otherwise.

2.5 TREATMENT OF CERTAIN CONTRACTS. Benedek and BLC, as applicable, on the one hand, and Purchaser, on the other hand, shall, between the date hereof and the Closing Date, take commercially reasonable efforts to bifurcate any agreements that relate to both the Assets and other assets of Benedek or BLC not being sold to Purchaser under this Agreement, such that as of the Closing Date (i) Purchaser will be a party to agreements relating only to the Assets and (ii) Benedek or BLC will be a party to agreements relating only to assets of Benedek or BLC, respectively, not being sold to Purchaser under this Agreement.

3. ASSUMPTION OF LIABILITIES.

3.1 ASSUMED LIABILITIES. Subject to the terms and conditions of this Agreement and the performance by the parties hereto of their respective obligations hereunder, on the Closing Date, simultaneously with the transfer, conveyance and assignment by Benedek and BLC, as applicable, to Purchaser of the Assets, Purchaser shall assume or otherwise be liable for, subject to the limitations contained herein, the liabilities and obligations of Benedek and BLC, as applicable, (the "Assumed Liabilities") under:

3.1.1 the contracts, agreements and commitments pertaining to each Station set forth on Schedule 7.8 of the Disclosure Schedule, other than Excluded Contracts, to the extent the liabilities and obligations thereunder arise after the Closing Date;

3.1.2 contracts, agreements and commitments pertaining to each Station in existence on the date hereof and not required by Section 7.8 hereof to be set forth on Schedule 7.8 of the Disclosure Schedule, other than Excluded Contracts, to the extent the liabilities and obligations thereunder arise after the Closing Date;

3.1.3 contracts, agreements and commitments pertaining to each Station with customers and advertising agencies accepted in the ordinary course of business for the sale of advertising time to the extent the liabilities and obligations thereunder arise after the Closing Date;

3.1.4 contracts, agreements and commitments pertaining to each Station of the type set forth in Sections 3.1.1, 3.1.2 or 3.1.3, to the extent the liabilities and obligations thereunder arise after the Closing Date, to which Benedek becomes a party in the ordinary course of business subsequent to the date hereof and on or prior to the Closing Date, which (i) are not fully performed or discharged on or prior to the Closing Date, (ii) are permitted to be entered into by Benedek under the terms and conditions of this Agreement and (iii) are assigned and transferred to Purchaser as contemplated herein;

3.1.5 liabilities for accruals for commissions (which have been earned and not paid as of the Closing Date), employee vacation and sick time for Transferred Employees; and

3.1.6 the capital lease, note and mortgage liabilities set forth on Schedule 3.1.6 of the Disclosure Schedule as of the Closing Date (the "Assumed Indebtedness") to the extent outstanding on the Closing Date;

3.1.7 any litigation, proceeding, or claim by any Person relating exclusively to the business or operation of the Stations prior to the Closing Date other than the litigations, proceedings or claims listed on Schedule 3.3.5 of the Disclosure Schedule; and

3.1.8 without duplication, accounts payable and accrued expenses (excluding accrued Federal, state, local and other taxes based on income and any other Excluded Liabilities) directly attributable to the Stations as of the Closing Date.

3.2 INSTRUMENTS OF ASSUMPTION FOR THE ASSUMED LIABILITIES. The assumption by Purchaser of the Assumed Liabilities shall be effected by an instrument of assumption in the form of Exhibit C annexed hereto and such other instruments of assumption delivered to Benedek and BLC, as applicable, on the Closing Date as shall be reasonably satisfactory to Purchaser and Benedek and BLC, as applicable. Purchaser shall, at any time and from time to time after the Closing Date, execute and deliver such other instruments of assumption and do all such further acts and things as may be reasonably requested by Benedek or BLC, as applicable, to implement the assumption of each such liability and obligation. Assumption by Purchaser of the Assumed Liabilities shall in no way expand the rights or remedies of third parties against Purchaser as compared to the rights and remedies which such parties would have had against Benedek or BLC, as applicable, had this Agreement not been consummated.

3.3 EXCLUDED LIABILITIES. Purchaser does not and shall not assume, pay, perform or discharge any liabilities or obligations of Benedek or BLC other than the Assumed Liabilities, and, without limiting the foregoing, it is expressly agreed by the parties hereto that Purchaser shall not assume or be liable for any of the following liabilities or obligations of Benedek or BLC (the "Excluded Liabilities"):

3.3.1 liabilities or obligations of Benedek or BLC for borrowed money (other than the Assumed Indebtedness) or to any of their stockholders or to any Person affiliated therewith;

3.3.2 liabilities or obligations of Benedek or BLC incurred with respect to its entry into this Agreement or its consummation of any of the transactions contemplated hereunder (including, without limitation, Benedek's or BLC's legal and accounting fees;

3.3.3 liabilities or obligations for Federal, state, local or other taxes based on income;

3.3.4 any pension, retirement, profit-sharing plan or trust or other employee benefit plan of Benedek;

3.3.5 any litigation, proceeding, or claim by any Person relating exclusively to the business or operation of the Stations prior to the Closing Date in respect of which a loss would be covered by any of Benedek's insurance policies, including the litigations, proceedings or claims listed on Schedule 3.3.5 of the Disclosure Schedule; and

3.3.6 liabilities or obligations arising under or with respect to the contracts, agreements and commitments listed on Schedule 3.3.6 of the Disclosure Schedule (the "Excluded Contracts").

4. CLOSING PAYMENT; ADJUSTMENTS; ALLOCATION.

4.1 PURCHASE PRICE. The purchase price (the "Purchase Price") for the Assets shall be equal to the amount set forth on Schedule 4.1 of the Disclosure Schedule less the amount of any Assumed Indebtedness. The Purchase Price, less any amount transferred by the Escrow Agent to Benedek pursuant to Section 4.4 hereof, shall be payable at the Closing by wire transfer of immediately available funds to an account designated by Benedek.

4.2 DEPOSIT. On the date hereof, Purchaser has deposited with Shack Siegel Katz Flaherty & Goodman P.C. (the "Escrow Agent") the sum of Five Million Dollars ($5,000,000) (the "Deposit"), which amount shall be held and disbursed by the Escrow Agent pursuant to the terms of the Escrow Agreement (the "Escrow Agreement") in the form of Exhibit D annexed hereto and pursuant to Section 14 hereof.

4.3 ALLOCATION. As promptly as practicable, but in any event, within 30 calendar days of the date hereof, Purchaser shall cause to be prepared and deliver to Benedek and BLC a schedule of its proposed allocation (the "Allocation Schedule") for tax purposes of the Purchase Price among the Assets acquired by Purchaser. The Allocation Schedule shall be conclusive and binding for purposes of this Section 4.3 on Purchaser, Benedek and BLC, unless Benedek provides Purchaser with a notice of objection (the "Objection Notice") within 30 calendar days after Benedek and BLC's receipt of the Allocation Schedule, which notice shall state the allocation proposed by Benedek and BLC (the "Benedek Allocation Schedule"). Purchaser shall have 15 calendar days from receipt of the Objection Notice to accept or reject the Benedek Allocation Schedule. The Benedek Allocation Schedule shall be conclusive and binding for purposes of this Section 4.3 on Purchaser, Benedek and BLC, unless Purchaser provides Benedek with notice of objection within 15 calendar days after receipt of the Benedek Allocation Schedule. In the event that the parties are unable to agree on an allocation after good faith negotiations, then the parties agree to be bound by an appraisal of such assets by an independent nationally recognized firm of valuation experts mutually acceptable to Benedek and Purchaser. The cost of such appraisal shall shared equally between Benedek and Purchaser. Such appraisal shall be conclusive and binding for the purposes of this Section 4.3 on Purchaser, Benedek and BLC. Purchaser, Benedek and BLC (i) shall execute and file all tax returns and prepare all financial statements, returns and other instruments in a manner consistent with the allocation as determined in accordance with this Section 4.3, (ii) shall not take any position before any governmental authority or in any judicial proceeding that is inconsistent with such allocation and (iii) shall cooperate with each other in a timely filing, consistent with such allocation, of Form 8594 with the Internal Revenue Service (the "IRS").

4.4 DISPOSITION OF DEPOSIT. Purchaser shall be entitled to receive all interest earned with respect to the Deposit prior to the date of payment of the Deposit (except as otherwise provided in Section 14 hereof) and if Purchaser so instructs, Purchaser and Benedek shall instruct the Escrow Agent to pay any such interest accumulated on the Closing Date to Benedek in payment to be credited toward the Purchase Price. At the Closing, contemporaneously with the performance by Benedek and Purchaser of their respective obligations to be performed at the Closing, Purchaser and Benedek shall instruct the Escrow Agent to pay the Deposit to Benedek in immediately available funds. In the event the transactions contemplated by this Agreement are not consummated in accordance with the terms hereof, Purchaser and Benedek shall instruct the Escrow Agent to disburse the Deposit and all interest earned thereon in accordance with Section 14 hereof.

5. CLOSING. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at 10:00 a.m., eastern time, on a date within five days following the date when all conditions to the obligations of Purchaser and Benedek and BLC hereunder shall have been satisfied or waived in writing. The Closing shall take place at the offices of Shack Siegel Katz Flaherty & Goodman P.C., 530 Fifth Avenue, New York, New York 10036, or at such other place as may be agreed to by Purchaser and Benedek. The date of the Closing is hereinafter referred to as the "Closing Date." For accounting and tax purposes, the transactions contemplated by this Agreement shall be effective as of 11:59 p.m. Local Time, on the day immediately prior to the Closing Date.

6. GOVERNMENTAL CONSENTS.

6.1 FCC CONSENT. The assignment of the FCC Licenses to Purchaser as contemplated by this Agreement is subject to prior FCC Consent.

6.1.1 Promptly after the execution of this Agreement, Purchaser and Benedek and BLC shall proceed to prepare for filing with the FCC appropriate applications for consent to the assignment of the FCC Licenses to Purchaser (the "FCC Application"), which shall be filed with the FCC as soon as practicable but in no event later than 10 business days after the date hereof. The FCC Application shall include such information relating to each Station in order to effect the timely closing of the transactions contemplated by this Agreement. The parties shall thereafter prosecute the FCC Application with all reasonable diligence and otherwise use their reasonable best efforts to obtain the grant of such application as expeditiously as practicable (but no party shall have any obligation to take any unreasonable steps to satisfy complainants, if any). If the FCC Consent imposes any condition on any party hereto, such party shall use its reasonable best efforts to comply with such condition unless compliance would have a material adverse effect upon it, its parent entity, or any of its or its parent entity's subsidiaries or Affiliates, as appropriate. Purchaser and Benedek shall each pay 50% of all filing fees payable with respect to all filings required by the FCC in connection with the transactions contemplated by this Agreement and made pursuant to this Section 6.1.1.

6.1.2 The transfer of the Assets hereunder is expressly conditioned upon the grant of the FCC Consent and compliance by the parties hereto with the conditions (if any) imposed in such consent.

6.2 OTHER GOVERNMENTAL CONSENTS. Promptly following the execution of this Agreement, the parties will proceed to prepare and file with the appropriate governmental authorities any other requests for approval or waiver that are required from governmental authorities in connection with the transactions contemplated hereby, and shall diligently and expeditiously prosecute, and shall cooperate fully with each other in the prosecution of, such requests for approval or waiver and all proceedings necessary to secure such approvals and waivers.

7. REPRESENTATIONS AND WARRANTIES OF BENEDEK. Prior to the execution hereof, Benedek has delivered to Purchaser a schedule (the "Disclosure Schedule") setting forth for each Station, among other things, items the disclosure of which is necessary or appropriate either (i) in response to an express informational requirement contained in or requested by a provision hereof or (ii) as an exception to one or more representations or warranties contained in Sections 7 or 8; provided, that the listing of an item in one section of the Disclosure Schedule shall be deemed to be a listing in the other sections of the Disclosure Schedule to the extent that such information is reasonably determinable to be so applicable to

such other section or sections of the Disclosure Schedule. Except as provided in the Disclosure Schedule, Benedek hereby makes the following representations and warranties to Purchaser:

7.1 ORGANIZATION AND STANDING. Benedek is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and Benedek has all requisite power and authority to own, lease, use and operate its properties and assets at and carry on its business in the places where such properties and assets are now owned, leased or operated or where such business is now conducted. Benedek is duly qualified to do business and is in good standing in the jurisdictions which constitute the DMA for each Station.

7.2 POWER AND AUTHORITY. Benedek has all requisite power and authority to enter into this Agreement and the documents and instruments contemplated hereby and to assume and perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the documents and instruments contemplated hereby and the performance by Benedek of its obligations hereunder and thereunder have been duly and validly authorized by all necessary action and no further action or approval is required in order to constitute this Agreement and the documents and instruments contemplated hereby as valid and binding obligations of Benedek, enforceable in accordance with their terms, except as the enforceability of such agreements, documents and instruments, may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and that the remedies of specific performance, injunction, and other forms of equitable relief are subject to certain principles of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

7.3 NO CONFLICTS. Except as set forth on Schedule 7.3 of the Disclosure Schedule and except for any consent required for the assignment to Purchaser of any contract, lease, agreement or commitment included within the Assets, the execution and delivery by Benedek of this Agreement and the documents and instruments contemplated hereby, the consummation by Benedek of the transactions contemplated hereby and the performance by Benedek of its obligations hereunder and thereunder:

7.3.1 do not and will not conflict with or violate any provision of the Certificate of Incorporation or Bylaws of Benedek;

7.3.2 do not and will not conflict with or result in any breach of any condition or provision of, or constitute a default under or give rise to any right of termination, cancellation or acceleration or (whether after the giving of notice or lapse of time or both) result in the creation or imposition of any Lien (other than Permitted Liens) upon any of the Assets owned by Benedek by reason of the terms of any contract, mortgage, Lien, lease, agreement, indenture, instrument, judgment or decree to which Benedek is a party or which is or purports to be binding upon Benedek or which affects or purports to affect any of the Assets owned by Benedek except as would not, individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect; and

7.3.3 subject to the receipt of any governmental approvals required in connection with the transfer of the Assets owned by Benedek to Purchaser, do not and will not conflict with or result in a violation of or default under (with or without notice of the lapse of time or both) any statute, regulation, rule, judgment, order, decree, stipulation, injunction, charge or other restriction of any court, administrative agency or commission or other governmental authority or instrumentality except as would not, individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect.

7.4 GOVERNMENT APPROVAL. Other than FCC rulemaking procedures of general applicability or as set forth in Schedule 8.4 of the Disclosure Schedule, there are no fines, forfeitures, notices of apparent liability, orders to show cause or any other administrative or judicial orders outstanding nor any proceedings pending or, to Benedek's knowledge, threatened, the effect of which would be the revocation, cancellation, non-renewal, suspension or material adverse modification of the FCC Licenses or otherwise have any Material Adverse Effect. Except as contemplated in Section 6 hereof, no action, approval, consent, authorization or other action by or filing with any governmental or quasi-governmental agency, commission, board, bureau or instrumentality, is necessary or required as to Benedek for the due execution, delivery or performance by Benedek of this Agreement or any document or instrument contemplated hereby except where the failure to obtain such approval, consent, authorization or filing, would not, individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect.

7.5 VALIDITY. This Agreement constitutes and the other documents and instruments contemplated hereby will, on the due execution and delivery thereof, constitute the legal, valid and binding obligations of Benedek, enforceable in accordance with their respective terms, except as the enforceability of such agreements, documents and instruments, may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and that the remedies of specific performance, injunction, and other forms of equitable relief are subject to certain principles of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

7.6 FINANCIAL STATEMENTS. Schedule 7.6 of the Disclosure Schedule sets forth the following financial statements of Benedek (collectively the "Financial Statements"): internal unaudited statements of operations of each Station for the years ended December 31, 2000 and 2001 and the three months ended March 31, 2002. Except as set forth on Schedule 7.6 of the Disclosure Schedule, the Financial Statements are true, correct and complete in all material respects, are in accordance with GAAP and the books and records of Benedek and fairly, completely and accurately present the results of operations for the periods covered.

7.7 TAXES. Except as set forth on Schedule 7.7 of the Disclosure Schedules, Benedek has duly filed, and has caused BLC to file, all material foreign, Federal, state, county and local income, excise, sales, property, withholding, social security, franchise, license, information returns and other tax returns and reports required to have been filed by Benedek or BLC, as applicable, to the date hereof pertaining to the operation of each Station and Benedek or BLC, as applicable, has paid all amounts shown to be due thereon.

7.8 CONTRACTS.

7.8.1 Except only those contracts, agreements or commitments listed and described on Schedule 7.8 of the Disclosure Schedule (copies of which have been heretofore delivered or made available to Purchaser or, with respect to oral agreements, written summaries of the terms of which have been heretofore delivered or made available to Purchaser), the Excluded Contracts and contracts, agreements or commitments entered into in the ordinary course of business of each Station and (i) involving less than $25,000 over their term or (ii) involving more than $25,000 over their term but not more than $100,000 in the aggregate for all such contracts, agreements or commitments of such Station or (iii) involving sales of advertising time in accordance with each Station's customary rate practices, Benedek is not a party to nor does Benedek have any contract, agreement or commitment of any kind or nature whatsoever, written or oral, formal or informal, with respect to the business and operation of each Station. Except as set forth on Schedule 7.8 of the Disclosure Schedule, each of the written contracts and commitments referred to therein is valid and existing, in full force and effect, and enforceable in accordance with its terms, except as the enforceability of such agreements, documents and instruments, may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, and no party thereto is in default and no claim of default by any party has been made or is now pending, except for such defaults as would not, in any individual case, reasonably be expected, as of the date hereof, to have a Material Adverse Effect.

7.8.2 Each Station is currently affiliated with the television network listed on Schedule 13.1.3 of the Disclosure Schedule pursuant to the network affiliation contract listed on such Schedule 13.1.3 for such Station. Said network affiliation contracts are in full force and effect and Benedek is not aware of any state of facts which would permit the termination for cause of any such network affiliation contract prior to the expiration of the term thereof.

7.9 REAL PROPERTY.

7.9.1 Schedule 7.9 of the Disclosure Schedule is a complete and correct list of all real property or premises owned in whole or in part by Benedek and used exclusively in the business and operation of each Station (other than Excluded Assets) (the "Owned Real Property") and all real property or premises leased in whole or in part by Benedek and used exclusively in the business and operation of each Station (other than Excluded Assets) (the "Leased Real Property", and together with the Owned Real Property, the "Real Property"). Copies of the leases with respect to the Leased Real Property or, with respect to oral leases, written summaries of the terms (the "Leases") and the other documents referred to on Schedule 7.9 of the Disclosure Schedule (other than those that will not survive the Closing) have been heretofore delivered or made available to Purchaser.

7.9.2 Benedek has all required legal and valid occupancy permits and other licenses or government approvals for each of the Real Properties used or held for use exclusively in connection with the operation of each Station, except where the failure to obtain such permit or license would not, in any individual case, reasonably be expected, as of the date hereof, to have a Material Adverse Effect.

7.9.3 Benedek has the legal right (without the consent or other approval of any other party) to possess and quietly enjoy the premises and properties under each of the Leases. Each Lease is in full force and effect and constitutes a legal, valid and binding obligation of Benedek and there is not under any Lease any claim of default or event which, with or without notice or the lapse of time or both, could reasonably be expected, in any individual case, as of the date hereof, to have a Material Adverse Effect.

7.9.4 Except for Permitted Liens and as set forth on Schedule 7.9 of the Disclosure Schedule, Benedek has good, marketable and insurable title to the Owned Real Property, free and clear of all Liens and except as set forth on Schedule 7.9 of the Disclosure Schedule, no party has the right to acquire or use such Owned Real Property or any improvements, fixtures or equipment located thereon. Except as set forth on Schedule 7.9 or Schedule 7.10 of the Disclosure Schedule, Benedek has good and marketable title and owns outright, free and clear of all Liens (other than Permitted Liens), each improvement, fixture and item of equipment located in or on each Real Property.

7.9.5 None of the Real Properties has been condemned or otherwise taken by any public authority, and no condemnation or taking is, to Benedek's knowledge, threatened or contemplated.

7.10 PERSONAL PROPERTY. Schedule 7.10 of the Disclosure Schedule is a true and complete list of (i) all tangible personal property owned by Benedek and used exclusively in connection with the business and operation of each Station or located on or at the Real Property (other than Excluded Assets) having a book value at the date hereof in excess of $25,000 per item (other than items of personal property having a book value in excess of $25,000 but not in excess of $100,000 in the aggregate per Station) and (ii) all personal property owned by a third party which is leased or otherwise used exclusively by Benedek in connection with the business and operation of each Station or located on or at the Real Property (other than Excluded Assets), including, without limitation, leases or other agreements relating to the use or operation of any machinery, equipment, motor vehicles, office furniture or fixtures owned by any third party (copies of which leases or other agreements have been heretofore delivered or made available to Purchaser) but excluding leases not required to be set forth on Schedule 7.8 of the Disclosure Schedule. Each such personal property lease is in full force and effect and constitutes a legal, valid and binding obligation of Benedek and there is not under any such lease any default or any claim of default or of an event which, with or without notice or the lapse of time or both, could reasonably be expected, in any individual case, as of the date hereof, to have a Material Adverse Effect. Except for Permitted Liens and as set forth on Schedule 7.10 of the Disclosure Schedule, all personal property purported to be owned by Benedek is owned by it, free and clear of all Liens.

7.11 INTELLECTUAL PROPERTY. Schedule 7.11 of the Disclosure Schedule is a complete and correct list of all material Intellectual Property owned by Benedek as of the date hereof, to the extent such Intellectual Property is exclusively used or held for use in connection with the operation of any of the Stations. Benedek owns or has a valid right to use all Proprietary Rights used or held for use by Benedek exclusively in connection with the operation of any of the Stations as currently conducted by Benedek, without infringing upon the rights of any other Person, except as would not, in any individual case, reasonably be expected, as of the date hereof, to have a Material Adverse Effect.

7.12 INSURANCE. Schedule 7.12 of the Disclosure Schedule is a complete and correct list, and brief description (including name of insurer, agent, type of coverage, policy number, amount of coverage, expiration date and any pending claims thereunder) of all insurance policies, including, without limitation, liability, burglary, theft, fidelity, errors and omissions, life, fire, product liability, workers' compensation, health and other forms of insurance of any kind held by Benedek in connection with the business and operation of each Station; each such policy is in full force and effect; except as set forth on Schedule 7.12 of the Disclosure Schedule, Benedek and its Affiliates are the sole beneficiaries of each such policy; no such policy has been, and none of the future proceeds thereof have been, assigned to any other Person; to Benedek's knowledge, there is no act or fact or failure to act which has or might cause any such policy to be cancelled or terminated; and each such policy is adequate for the business and operation of each Station. No notice of cancellation or non-renewal with respect to, or disallowance of any material claim under, any insurance policies or binders of insurance which relate to the Assets or any of the Stations has been received by Benedek.

7.13 LITIGATION. Except as set forth on Schedule 7.13 of the Disclosure Schedule, no action, suit, claim, investigation, proceeding or controversy, whether legal or administrative or in mediation or arbitration, is pending or, to Benedek's knowledge, threatened, at law or in equity or admiralty, before or by any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, which could reasonably be expected, in any individual case, as of the date hereof, to have a Material Adverse Effect against Benedek with respect to any of the Stations or seeking to restrain, prohibit, invalidate, set aside, rescind, prevent or make unlawful this Agreement or the carrying out of this Agreement or the transactions contemplated hereby. Benedek is not operating under or subject to, or in default in respect of, any judgment, order, writ, injunction or decree of any court or any Federal, state, municipal or other governmental department commission, board, bureau, agency or instrumentality.

7.14 COMPLIANCE WITH LAW. Except as set forth on Schedule 7.14 of the Disclosure Schedule, to Benedek's knowledge, (i) Benedek has all material permits, licenses, orders and approvals of all Federal, state or local governmental regulatory bodies required for it to conduct the business and operation of each Station as conducted on the date hereof, (ii) all such permits, licenses, orders and approvals are in full force and effect in all material respects and no suspension or cancellation of any of them is pending or to Benedek's knowledge threatened and (iii) Benedek is in compliance in all material respects with each law, rule, ordinance, regulation, order and decree applicable to the business and operation of the Station, including, without limitation, laws, rules and regulations respecting occupational safety, environmental protection and employment practices except where the failure to so comply could not reasonably be expected, in any individual case, as of the date hereof, to have a Material Adverse Effect.

7.15 LABOR. Except as set forth on Schedule 7.15 of the Disclosure Schedule, Benedek is not a party to any representation or labor contract with respect to any employees at any of the Stations. Except as set forth on Schedule 7.15 of the Disclosure Schedule, Benedek has not received any written notice from any labor union or group of employees that such union or group represents or believes or claims it represents or intends to represent any of the employees of Benedek; to Benedek's knowledge, no strike or work interruption by the employees of any of the Stations is planned, under consideration, threatened or imminent; and Benedek has not made any loan or given anything of value, directly or indirectly, to any officer, official, agent or representative of any labor union or group of employees other than salaries and ordinary course compensation.

7.16 EMPLOYEES. Schedule 7.16 of the Disclosure Schedule is a complete and correct list of the names and current annual salary, bonus, commission and perquisite arrangements, written or unwritten, for each employee of each Station (including any employee who is an inactive employee on paid or unpaid leave of absence). Benedek does not have any written contract for the future employment of any employee except as may be listed on Schedule 7.16 of the Disclosure Schedule.

7.17 EMPLOYEE BENEFIT PLANS. Schedule 7.17 of the Disclosure Schedule is a complete and correct list of all employment, bonus, incentive compensation, deferred compensation, pension, profit sharing, retirement, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, equity (or equity-based), leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, medical, accident, disability, workers' compensation or other insurance, severance, separation, termination, change of control or other benefit plan, agreement (including any collective bargaining agreement), practice, policy or arrangement, whether written or oral, and whether or not subject to ERISA (including, without limitation, any "employee benefit plan" within the meaning of Section 3(3) of ERISA) sponsored, maintained or contributed to by Benedek or any ERISA Affiliate of Benedek in connection with the business and operation of each Station (the "Employee Plans"). True and complete copies of each Employee Plan have been heretofore delivered or made available to Purchaser. All Employee Plans, related trust instruments or annuity contracts (or any other funding instruments) are legal, valid and binding and are in full force and effect, and each Employee Plan intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified at all times since its inception. All Employee Plans have been maintained, in all material respects, in accordance with the requirements of the Code and ERISA, or any other applicable statute, regulation or rule. There are no pending claims against any Employee Plan (other than routine claims for benefits in accordance with its terms) nor, to the knowledge of Benedek, has any claim been threatened in writing by any participant thereof or beneficiary thereunder.

7.17.1 No Employee Plan is covered by Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code.

7.17.2 With respect to all Employee Plans that are defined contribution plans, Benedek and any ERISA Affiliate have made all contributions due thereunder for plan years prior to the date hereof.

7.17.3 Neither Benedek nor any ERISA Affiliate or any plan fiduciary of any Employee Plan is or has engaged in any transaction with respect to an Employee Plan in violation of Section 406(a) or 406(b) of ERISA for which no exemption exists under ERISA or under applicable sections of the Code. Neither Benedek nor any ERISA Affiliate, or the administering committee or trustees of any Employee Plan has received (i) notice from the IRS or the Department of Labor of the occurrence of a prohibited transaction within the meaning of Section 406 of ERISA with respect to an Employee Plan or (ii) notice of any breach of loyalty, prudence or diversification within the meaning of Section 404 of ERISA with respect to an Employee Plan.

7.17.4 No Employee Plan is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA.

7.17.5 Except as set forth on Schedule 7.17 of the Disclosure Schedule, all Employee Plans are in material compliance with all applicable reporting, disclosure, filing and other administrative requirements pertaining to employee benefit plans set forth in the Code and ERISA and rules and regulations promulgated under either, including but not limited to those set forth in Sections 6057, 6058 and 6059 of the Code and applicable rules and regulations thereunder, and in Sections 101, 102, 103, 104, 105, and 107 of ERISA.

7.17.6 Benedek and any ERISA Affiliate at all times have been in material compliance with respect to each Employee Plan with all provisions of the Title X of the Consolidation Omnibus Budget Reconciliation Act of 1985, as amended, and with the provisions of Part 6 of Title I of ERISA.

7.17.7 Except as set forth on Schedule 7.17 of the Disclosure Schedule, during the twelve-consecutive month period prior to the date of this Agreement, no steps have been taken to terminate any Employee Plan, and no contribution failure has occurred with respect to any Employee Plan sufficient to give rise to a lien under Section 302(f) of ERISA. To Benedek's knowledge, no condition exists or event or transaction has occurred with respect to an Employee Plan which might result in the incurrence of any material liability, fine or penalty by Benedek or any ERISA Affiliate of Benedek. Neither Benedek nor any ERISA Affiliate of Benedek has any contingent liability with respect to any post-retirement benefit under any welfare plan, as such term is defined in Section 3(1) of ERISA which is an Employee Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

7.17.8 The transactions contemplated by this Agreement will not result in any payment or series of payments by Benedek to any Person of a parachute payment within the meaning of Section 280G of the Code.

7.18 ENVIRONMENTAL MATTERS.

7.18.1 Except as provided below in this Section 7.18.1, Benedek makes no representation or warranty, express or implied, with respect to: (i) the existence or presence on, at, under or about the Real Property of any environmental hazards, conditions, defects or hazardous materials, including but not limited to any flammables, explosives, radioactive materials, asbestos, asbestos containing material, PCBs, hazardous waste, any petroleum, petroleum product derivative, compound or mixture, and without limitation, those substances defined as "hazardous substances" or "hazardous wastes" (collectively referred to as "Hazardous Substances") under any Environmental Laws or (ii) the Real Property's compliance with the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and Superfund Amendments and Preauthorization Act of 1986, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act of 1976, the Water Pollution Control Act, the Clean Air Act, all regulations promulgated under all such Acts, as well as any other

Federal, state or local law, ordinance or regulation pertaining to health, industrial hygiene or the environment and/or applicable to the existence, removal, generation, transportation, discharge, process, storage or treatment of Hazardous Substances (collectively referred to as "Environmental Laws"). Benedek represents that: (i) during the period that Benedek has owned or leased the Real Property, Benedek has not caused or knowingly permitted (nor, at any time prior to the Closing, will Benedek cause or consent to) any Hazardous Substances to be deposited in or on the Real Property in violation of any Environmental Laws and (ii) as of the date of this Agreement, Benedek is not aware of any environmental contamination at the Real Property except as may be reflected in the environmental assessment reports listed on Schedule 7.18 of the Disclosure Schedule, a complete copy of which has been delivered or made available to Purchaser.

7.18.2 By negotiation and execution of this Agreement, the parties have expressly allocated certain environmental risks, liabilities and expenses whether historical, current or prospective from Benedek to Purchaser. In this regard, upon Closing, Benedek shall have no liability in the future to Purchaser or to any Person claiming by, through or under Purchaser with respect to: (i) any past, present or future claim, cause of action, proceeding or otherwise, whether known or unknown, relating to or arising out of any past, present or future environmental condition at, under or about the Real Property; (ii) the presence of Hazardous Substances at, under or about the Real Property; (iii) a violation of any Environmental Law relating to the Real Property and (iv) any losses, damages, penalties, costs (foreseen or unforeseen, known or unknown), counsel, engineering and other professional or expert fees with respect to the foregoing (the foregoing clauses (i), (ii), (iii) and (iv) are collectively referred to as "Environmental Claims"). Upon Closing: (i) Purchaser hereby unconditionally releases and discharges Benedek from any and all Environmental Claims, whether sustained by Purchaser directly or relating to any claims by Purchaser for indemnification, contribution or otherwise with respect to Environmental Claims against Purchaser by third parties and (ii) Purchaser hereby agrees to indemnify, defend and hold Benedek harmless from and against all such Environmental Claims, including any and all Environmental Claims made hereafter directly against Benedek by third parties claiming by, through or under Purchaser.

8. REPRESENTATIONS AND WARRANTIES OF BENEDEK AND BLC. Except as provided in the Disclosure Schedule, Benedek and BLC hereby jointly and severally make the following representations and warranties to Purchaser:

8.1 ORGANIZATION AND STANDING. BLC is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to own, lease, use and operate its properties and assets at and carry on its business in the places where such properties and assets are now owned, leased or operated or where such business is now conducted. BLC is duly qualified to do business and is in good standing in the jurisdictions which constitute the DMA for each Station. BLC does not own any assets, properties or rights used or held for use in connection with the operation of each Station other than the FCC Licenses listed on Schedule 8.4 of the Disclosure Schedule.

8.2 POWER AND AUTHORITY. BLC has all requisite power and authority to enter into this Agreement and the documents and instruments contemplated hereby and to assume and perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the documents and instruments contemplated hereby and the performance by BLC of its obligations hereunder and thereunder have been duly and validly authorized by all necessary action and no further action or approval is required in order to constitute this Agreement and the documents and instruments contemplated hereby as valid and binding obligations of BLC, enforceable in accordance with their terms, except as the enforceability of such agreements, documents and instruments, may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and that the remedies of specific performance, injunction, and other forms of equitable relief are subject to certain principles of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

8.3 NO CONFLICTS. Except as set forth on Schedule 8.3 of the Disclosure Schedule, the execution and delivery by BLC of this Agreement and the documents and instruments contemplated hereby, the consummation by BLC of the transactions contemplated hereby and the performance by BLC of its obligations hereunder and thereunder:

8.3.1 do not and will not conflict with or violate any provision of the Certificate of Incorporation or Bylaws of BLC;

8.3.2 do not and will not conflict with or result in any breach of any condition or provision of, or constitute a default under or give rise to any right of termination, cancellation or acceleration or (whether after the giving of notice or lapse of time or both) result in the creation or imposition of any Lien (other than Permitted Liens) upon any of the Assets owned by BLC by reason of the terms of any contract, mortgage, Lien, lease, agreement, indenture, instrument, judgment or decree to which BLC is a party or which is or purports to be binding upon BLC or which affects or purports to affect any of the Assets owned by BLC except as would not, individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect; and

8.3.3 subject to the receipt of any governmental approvals required in connection with the transfer of the Assets owned by BLC to Purchaser, do not and will not conflict with or result in a violation of or default under (with or without notice of the lapse of time or both) any statute, regulation, rule, judgment, order, decree, stipulation, injunction, charge or other restriction of any court, administrative agency or commission or other governmental authority or instrumentality except as would not, individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect.

8.4 GOVERNMENT APPROVAL. BLC is the holder of the FCC Licenses, all of which are set forth on Schedule 8.4 of the Disclosure Schedule, which constitute all necessary authorizations from the FCC to enable each Station to broadcast and transmit the present television programming of each Station. Other than FCC rulemaking procedures of general applicability or as set forth on Schedule 8.4 of the Disclosure Schedule, there are no fines, forfeitures, notices of apparent liability, orders to show cause or any other administrative or judicial orders outstanding nor any proceedings pending or, to BLC's knowledge, threatened, the effect of which would be the revocation, cancellation, non-renewal, suspension or material adverse modification of the FCC Licenses or otherwise have any Material Adverse Effect. Except as contemplated in Section 6 hereof, no action, approval, consent, authorization or other action by or filing with any governmental or quasi-governmental agency, commission, board, bureau or instrumentality, is necessary or required as to BLC for the due execution, delivery or performance by BLC of this Agreement or any document or instrument contemplated hereby except where the failure to obtain such approval, consent, authorization or filing, would not, individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect.

8.5 VALIDITY. This Agreement constitutes and the other documents and instruments contemplated hereby will, on the due execution and delivery thereof, constitute the legal, valid and binding obligations of BLC, enforceable in accordance with their respective terms, except as the enforceability of such agreements, documents and instruments, may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and that the remedies of specific performance, injunction, and other forms of equitable relief are subject to certain principles of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

9. REPRESENTATIONS AND WARRANTIES OF PURCHASER. In order to induce Benedek and BLC to enter into this Agreement and to perform their obligations hereunder, Purchaser hereby makes the following representations and warranties to Benedek and BLC:

9.1 ORGANIZATION AND STANDING. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority, to own, lease, use and operate its properties and assets at and carry on its business in the places where such properties and assets are now owned, leased or operated or where such business is now being conducted.

9.2 POWER AND AUTHORITY. Purchaser has all requisite power and authority to enter into this Agreement and the documents and instruments contemplated hereby and to assume and perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the documents and instruments contemplated hereby and the performance by Purchaser of its obligations hereunder and thereunder have been duly and validly authorized by all necessary action and no further action or approval, is required in order to constitute this Agreement and the documents and instruments contemplated hereby as valid and binding obligations of Purchaser, enforceable in accordance with their terms, except as the enforceability of such agreements, documents and instruments, may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and that the remedies of specific performance, injunction, and other forms of equitable relief are subject to certain principles of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

9.3 NO CONFLICTS. The execution and delivery by Purchaser of this Agreement and the documents and instruments contemplated hereby, the consummation by Purchaser of the transactions contemplated hereby and the performance by Purchaser of its obligations hereunder and thereunder:

9.3.1 do not and will not conflict with or violate any provision of the Certificate of Formation or the Operating Agreement of Purchaser;

9.3.2 do not and will not conflict with or violate any agreements, contracts or instruments to which Purchaser is a party except as would not, individually or in the aggregate, have, or could reasonably be expected to have, a material adverse effect upon the properties, operations, business, financial condition or results of operations of Purchaser; and

9.3.3 subject to the receipt of any governmental approvals required in connection with the transfer of the Assets to Purchaser, do not and will not conflict with or result in a violation of or default under (with or without notice of the lapse of time or both) any statute, regulation, rule, judgment, order, decree, stipulation, injunction, charge or other restriction of any court, administrative agency or commission or other governmental authority or instrumentality except as would not, individually or in the aggregate, have, or could reasonably be expected to have, a material adverse effect upon the properties, operations, business, financial condition or results of operations of Purchaser.

9.4 GOVERNMENT APPROVAL. Purchaser is legally and financially qualified under the Communications Act to enter into this Agreement, and to consummate the transactions contemplated hereby. In connection with the transactions contemplated by this Agreement, it is not necessary for Purchaser or any Affiliate of Purchaser (or any Person in which Purchaser or any Affiliate of Purchaser has an attributable interest under the Communications Act) to seek or obtain any waiver from the FCC, dispose of any interest in any media or communications property or interest (including, without limitation, any of the Stations or any part thereof), terminate any venture or arrangement, or effectuate any changes or restructuring of its ownership, including, without limitation, the withdrawal or removal of officers or directors or the conversion or repurchase of equity securities of Purchaser or any Affiliate of Purchaser or owned by Purchaser or any Affiliate of Purchaser (or any Person in which Purchaser or any Affiliate of Purchaser has any attributable interest under the Communications Act). Purchaser is able to certify on an FCC Form 314 that it is financially qualified. Additionally, except as contemplated in Section 6 hereof, no action, approval, consent or authorization or other action, including, without limitation, any action, approval, consent or authorization or other action by or filing with any governmental or quasi-governmental agency, commission, board, bureau or instrumentality, is necessary or required as to Purchaser for the due execution, delivery or performance by Purchaser of this Agreement or any document or instrument contemplated hereby except where the failure to obtain such approval, consent, authorization or filing, would not, individually or in the aggregate, have, or could reasonably be expected to have, a material adverse effect upon the properties, operations, business, financial condition or results of operations of Purchaser.

9.5 VALIDITY. This Agreement constitutes and the other documents and instruments contemplated hereby will, on the due execution and delivery thereof, constitute the legal, valid and binding obligations of Purchaser, enforceable in accordance with their respective terms, except as the enforceability of such agreements, documents and instruments, may be limited by or subject to, any bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and that the remedies of specific performance, injunction, and other forms of equitable relief are subject to certain principles of equity jurisdiction, equitable defenses and the discretion of the court before which any proceeding therefor may be brought.

9.6 ADEQUACY OF FINANCING. Purchaser has adequate funds on hand or available to pay the Purchase Price.

9.7 LITIGATION. No action, suit, claim, investigation, proceeding or controversy, whether legal or administrative or in mediation or arbitration, is pending or, to Purchaser's knowledge, threatened, at law or in equity or admiralty, before or by any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality which, if adversely determined, would affect Purchaser's ability to carry out this Agreement or the transactions contemplated hereby.

9.8 INDEPENDENT INVESTIGATION. Purchaser has conducted an independent investigation of the Stations and their business operations, assets, liabilities, results of operations, financial condition and prospects in making its determination as to the propriety of the transactions contemplated by this Agreement and in entering into this Agreement and the documents and instruments required hereby, has relied solely on the results of said investigation and on the representations and warranties of Benedek or BLC expressly contained in this Agreement and the instruments, certificates or schedules furnished pursuant hereto.

10. COVENANTS OF BENEDEK.

Benedek covenants as follows:

10.1 BOOKS AND RECORDS. Between the date hereof and the Closing Date, Benedek shall give, and shall cause BLC to give, Purchaser and its authorized representatives reasonable access, during regular business hours and upon advance written notice, to any and all of its premises, properties, contracts, books and records relating to the business and operation of each Station and will cause its employees to furnish to Purchaser and its authorized representatives any and all data and information pertaining to the business and operation of brought upon the properties, operations, business, financial condition or results of operations of each Station as Purchaser or its authorized representatives shall from time to time reasonably request.

10.2 INTERIM OPERATIONS. From the date hereof until the earlier of the Closing Date or the termination of this Agreement pursuant to Section 15, except as otherwise consented to or approved in writing by Purchaser (which consent shall not be unreasonably conditioned, withheld or delayed) or as required by this Agreement, Benedek shall not:

10.2.1 sell, assign, lease, transfer or otherwise dispose of any of the Assets except in the ordinary course of business;

10.2.2 mortgage, pledge or grant any Lien (other than Permitted Liens) on any of the Assets;

10.2.3 effect any change in the accounting practices, procedures or methods of any of the Stations, unless such change is required by GAAP; or

10.2.4 except as set forth in Schedule 10.2 of the Disclosure Schedules, enter into any transaction other than in the ordinary course of business and consistent with past practices of each Station. Without limiting the foregoing, at the Closing, Benedek shall cause each Station to be current in its payment obligations with respect to film and programming agreements.

10.3 DISCHARGE OF LIENS. On or prior to the Closing Date, Benedek and BLC will cause all Liens with respect to the Assets (other than Permitted Liens and the Liens set forth on Schedule 7.9 and 7.10 of the Disclosure Schedule which are not required to be discharged on or prior to the Closing Date pursuant to the terms of this Agreement and except only those assumed by Purchaser pursuant to Section 3 hereof, including Liens relating to the Assumed Indebtedness) to be discharged. Until the Closing Date, Benedek shall periodically pay the amounts in respect of the Assumed Indebtedness in accordance with the terms thereof.

10.4 MAINTENANCE OF INSURANCE. From the date hereof through and including the Closing Date, Benedek will maintain in full force and effect all insurance policies listed on Schedule 7.12 of the Disclosure Schedule or renewals or replacements thereof.

10.5 COMPLIANCE. Benedek shall use, and shall cause BLC to use, its reasonable best efforts to take or cause to be taken all action and shall use its reasonable best efforts to do, and shall cause BLC to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including, without limitation, to obtain all consents, approvals and authorizations of third parties and to make all filings with and give all notices to third parties which may be necessary or required in order to effectuate the transactions contemplated hereby.

10.6 PAYMENT OF TAXES. Benedek shall be responsible for all Federal, state, county, local, income, property, sales, use, intangibles and other taxes attributable to the operation or ownership of each Station or the Assets for all periods prior to the Closing Date. Thereafter, Purchaser shall be responsible for all such taxes. Benedek shall file, and shall cause BLC to file, all Federal, state, county and local income and other tax returns and reports required to be filed by it pertaining to the operation of any of the Stations through the Closing Date and shall pay all taxes, interest and penalties shown on such returns or reports.

10.7 FINANCIAL STATEMENTS. Benedek shall provide Purchaser with the following financial information with respect to each Station:

10.7.1 as soon as practicable (but in no event later than 30 calendar days after the end of each month), an unaudited statement of income and expense for each month after the date hereof and before the Closing Date; and

10.7.2 such other financial information with respect to each Station as Purchaser may from time to time reasonably request.

10.8 FCC COMPLIANCE. Benedek will comply in all material respects with all rules and regulations of the FCC pertaining to the operation of each Station, and with all other applicable laws, rules, ordinances and regulations pertaining to the operation of each Station. Upon receipt of notice of violation of any of such laws, rules, ordinances and regulations, Benedek shall use its reasonable best efforts to contest in good faith or to cure such violation prior to the Closing Date. Benedek will file with the FCC, when due, all ownership reports, renewal applications, financial reports and other documents required to be filed between the date hereof and the Closing Date, and all such reports, applications and documents will be true and correct to Benedek's knowledge and will comply in all material respects with the Communications Act and the rules and regulations of the FCC. From the date hereof through and including the Closing Date, Benedek will take all reasonable actions to preclude the suspension, revocation or adverse modification of the FCC Licenses and any other material governmental licenses, permits and other authorizations listed on Schedule 8.4 of the Disclosure Schedule. Benedek will not take any action, by commission or omission, which would cause the FCC or any other governmental authority to institute proceedings for the suspension, revocation or adverse modification of any of said licenses, permits and authorizations, or fail to prosecute with due diligence any pending application to any governmental authority, or take any action within its control which would result in any of the Stations being in non-compliance with the requirements of the Communications Act or the rules and regulations of the FCC material to the transactions contemplated by this Agreement.

10.9 FCC CONSENT. Benedek shall, and shall cause BLC to, diligently prosecute the FCC Application and use all reasonable efforts to obtain the FCC Consent as promptly and expeditiously as possible. Benedek shall not, and shall not permit BLC to, intentionally take or omit to take any action that will cause the FCC to deny, delay or fail to approve the FCC Application or cause the FCC Consent not to be granted.

10.10 FURTHER ASSURANCES. Benedek shall, and shall cause BLC to, at any time, and from time to time, after the Closing Date, but at no cost to Benedek or BLC (other than the salaries or wages of any Benedek employees), use its reasonable best efforts to: (i) take, or cause to be taken, all appropriate action, and to do, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including, without limitation, executing and delivering any additional instruments, certificates or other documents; and (ii) have the present and future officers, directors and employees of Benedek and BLC cooperate with Purchaser in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters relating to any of the Stations for all periods prior to the Closing Date.

10.11 WEBSITE AGREEMENT. At the Closing, Benedek shall, and shall cause Benedek Interactive Media, LLC, a wholly-owned subsidiary of Benedek ("BIM"), to enter into a website services agreement with Purchaser in the form annexed hereto as Exhibit E pursuant to which Benedek and BIM will provide the website services specified therein to each Station.

10.12 MANAGEMENT SERVICES AGREEMENT. After the Closing, Benedek shall provide certain management consulting services to each Station upon the terms and conditions set forth on Exhibit

F annexed hereto. At the Closing, Benedek and Purchaser shall enter into an agreement with respect to the provision of such services in form reasonable satisfactory to Benedek and Purchaser.

10.13 CAPITAL EXPENDITURES. Benedek will continue to make capital expenditures in the ordinary course of business of each Station and pursuant to such Station's 2002 capital expenditure plan. Without limiting the foregoing, prior to the Closing, Benedek shall complete the digital conversion for each of Stations WYTV, KAUZ, KHQA and KGWN (other than its satellite station KSTF) in accordance with such Station's plan and budget therefor as set forth in Exhibit H annexed hereto, provided that if such digital conversion is not completed by the Closing, Purchaser shall nonetheless be obligated to complete the transactions contemplated by this Agreement in a timely manner and shall be entitled to a credit against the Purchase Price for the portion of the budget that remains to be incurred after the Closing.

10.14 NON-SOLICITATION BY BENEDEK. Benedek will not, and will not permit any to its Affiliates to, without the prior written consent of Purchaser, directly or indirectly employ or seek to employ any general manager, sales manager, business manager or senior engineer of any of the Stations until the earlier of (i) one (1) year after the Closing Date or (ii) the date on which Purchaser sells the Station by which such person is employed to an unaffiliated third-party.

11. COVENANTS OF BENEDEK AND BLC.

Benedek and BLC covenant as follows:

11.1 FCC COMPLIANCE. BLC will comply in all material respects with all rules and regulations of the FCC pertaining to the operation of each Station, and with all other applicable laws, rules, ordinances and regulations pertaining to the operation of each Station. Upon receipt of notice of violation of any of such laws, rules, ordinances and regulations, BLC shall use its reasonable best efforts to contest in good faith or to cure such violation prior to the Closing Date. BLC will file with the FCC, when due, all ownership reports, renewal applications, financial reports and other documents required to be filed between the date hereof and the Closing Date, and all such reports, applications and documents will be true and correct to Benedek's and BLC's knowledge and will comply in all material respects with the Communications Act and the rules and regulations of the FCC. From the date hereof through and including the Closing Date, BLC will take all reasonable actions to preclude the suspension, revocation or adverse modification of the FCC Licenses and any other material governmental licenses, permits and other authorizations listed on Schedule 8.4 of the Disclosure Schedule. BLC will not take any action, by commission or omission, which would cause the FCC or any other governmental authority to institute proceedings for the suspension, revocation or adverse modification of any of said licenses, permits and authorizations, or fail to prosecute with due diligence any pending application to any governmental authority, or take any action within its control which would result in any of the Stations being in non-compliance with the requirements of the Communications Act or the rules and regulations of the FCC material to the transactions contemplated by this Agreement.

12. COVENANTS OF PURCHASER.

Purchaser covenants as follows:

12.1 COMPLIANCE. Purchaser shall use its reasonable best efforts to take or cause to be taken all action and do or cause to be done all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including, without limitation, to obtain all consents, approvals and authorizations of third parties and to make all filings with and give all notices to third parties which may be necessary or required in order to effectuate the transactions contemplated hereby.

12.2 CONTROL OF THE STATIONS. Prior to the Closing, Purchaser shall not, directly or indirectly, control, supervise, direct, or attempt to control, supervise or direct, the operations of any of the Stations, such operations, including complete control and supervision of all the Stations' programs, employees and policies, shall be the sole responsibility of Benedek until the consummation of the Closing hereunder.

12.3 FCC CONSENT. Purchaser shall diligently prosecute the FCC Application and use all reasonable efforts to obtain the FCC Consent as promptly and expeditiously as possible. Purchaser shall not intentionally take or omit to take any action that will cause the FCC to deny, delay or fail to approve the FCC Application or cause the FCC Consent not to be granted.

12.4 FCC COMPLIANCE. Between the date hereof and the Closing Date, Purchaser agrees that it will not take or fail to take any action within its control which would result in material noncompliance by Purchaser with the requirements of the Communications Act and the rules and regulations of the FCC material to the transactions contemplated by this Agreement. Purchaser will take no action that Purchaser knows, or has reason to know, would disqualify Purchaser from being the assignee of the FCC Licenses or the owner or operator of any of the Stations.

12.5 BOOKS AND RECORDS. If the acquisition contemplated herein is consummated, Purchaser covenants and agrees that it shall preserve and keep the records of Benedek and BLC delivered to it hereunder for a period of six years after the Closing Date and shall make such records available to Benedek and BLC and their authorized representatives as reasonably required by Benedek or BLC in connection with any legal proceedings brought by or against Benedek or BLC or in connection with any tax examination or governmental investigation of Benedek or BLC. No such records shall be destroyed or discarded without first advising Benedek in writing and giving Benedek a reasonable opportunity to obtain possession thereof.

12.6 EMPLOYEES AND EMPLOYEE BENEFIT MATTERS. Purchaser shall offer employment as of the Closing Date to each employee set forth in Schedule 7.16 of the Disclosure Schedule who remains employed by Benedek immediately prior to the Closing, and each additional employee who is hired to work at any of the Stations following the date hereof and prior to the Closing who remains employed by Benedek immediately prior to the Closing. As of the Closing Date, Purchaser shall employ each employee whose employment is not covered by a collective bargaining agreement and who accepts Purchaser's offer of employment ("Transferred Non-Union Employees") at a salary and on other terms and conditions that are substantially equivalent as those provided by Benedek immediately before the Closing. As of the Closing Date, Purchaser shall employ each employee whose employment is covered by a collective bargaining agreement and who accepts Purchaser's offer of employment ("Transferred Union Employees" and collectively with the Transferred Non-Union Employees, the "Transferred Employees") at a salary and on terms and conditions that are in accordance with the terms of such collective bargaining agreement and on such other terms and conditions that are substantially equivalent as those provided by Benedek immediately before the Closing. Nothing herein shall confer or be construed to confer on any such employee any right to continue in the employment of Purchaser or interfere in any way with the right of Purchaser to terminate the employment of such Transferred Employee at any time, with or without cause; subject, however to the provisions of any employment agreement or collective bargaining agreement entered into or assumed by Purchaser. Purchaser shall provide each Transferred Employee credit for years of service prior to the Closing with Benedek or any prior owner of the applicable Station for (a) the purpose of eligibility and vesting under Purchaser's health, vacation and other employee benefit plans, and (b) any eligibility waiting periods under group health plans of Purchaser. Purchaser and Benedek covenant and agree that neither severance pay nor severance benefits of any kind shall be payable to any Transferred Employee by Purchaser or Benedek as a result of the transactions contemplated by this Agreement. Purchaser and Benedek further covenant and agree that Purchaser shall be solely responsible for any severance payments or liabilities arising from Purchaser's termination of any of the Transferred Employees after the Closing Date, in accordance with the terms of Purchaser's severance policies, plans, programs, arrangements or practices. Purchaser agrees to indemnify Benedek for all losses incurred by Benedek resulting from any claim for severance pay or severance benefits made by or on behalf of a Transferred Employee. Purchaser and Benedek covenant and agree that any individual who is covered, or who is eligible to elect to continue his or her coverage, as of the Closing Date, under any Employee Plan that constitutes a "group health plan," pursuant to the provisions of Part 6 of Title I, Substitute B of ERISA or Section 4980B of the Code, shall be eligible to continue such coverage under an employee benefit plan of Purchaser that constitutes a "group health plan," within the meaning of Section 5000(b)(1) of the Code, as of the Closing Date, pursuant to the provisions of Part 6 of Title I, Subtitle B of ERISA of Section 4980B of the Code and that meets all of the applicable requirements for provision of COBRA continuation coverage. Purchaser agrees to indemnify Benedek for all losses incurred by Benedek or Benedek's group health plan resulting from any claim for COBRA continuation coverage made by or on behalf of a Transferred Employee or a spouse or other dependent of such an employee. Benedek shall pay to Purchaser any amounts received by Benedek or its Affiliates from any Transferred Employee for COBRA continuation coverage promptly upon receipt thereof.

12.7 NON-SOLICITATION BY PURCHASER. During the period from the Closing Date through the first anniversary thereof, Purchaser will not, and will not permit any to its Affiliates to, without the prior written consent of Benedek, directly or indirectly employ or seek to employ any general manager, sales manager, business manager or senior engineer employed at any of Benedek's television stations (other than the Stations).

12.8 FURTHER ASSURANCES. Purchaser shall, at any time, and from time to time, after the Closing Date, but at no cost to Purchaser (other than the salaries or wages of any of its employees), use its reasonable best efforts to: (i) take, or cause to be taken, all appropriate action, and to do, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including, without limitation, executing and delivering any additional instruments, certificates or other documents; and (ii) have the present and future officers, directors, employees of Purchaser, including the Transferred Employees, cooperate with Benedek and BLC in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters relating to any of the Stations for all periods prior to the Closing Date.

13. CONDITIONS OF CLOSING.

13.1 OBLIGATION OF PURCHASER TO CLOSE. The obligation of Purchaser to close hereunder shall be subject to the fulfillment and satisfaction, prior to or at the Closing, of the following conditions or the written waiver thereof by Purchaser:

13.1.1 REPRESENTATIONS. The representations and warranties of Benedek and BLC in this Agreement shall be true and correct in all material respects when made and shall be true and correct in all material respects on and as of the Closing Date (other than any representation or warranty that is expressly made as of a specified date, which shall be true and correct in all material respects as of such specified date only) except for changes permitted or contemplated by this Agreement.

13.1.2 COVENANTS. Each of the agreements and covenants of Benedek and BLC to be performed under this Agreement at or prior to the Closing Date shall have been duly performed in all material respects.

13.1.3 NETWORK AFFILIATION CONSENT. The television networks listed on Schedule 13.1.3 of the Disclosure Schedule shall have consented to the assignment of the network affiliation agreement with respect to each Station set forth opposite its name on Schedule 13.1.3 without material modification thereof.

13.1.4 NO INJUNCTION. No injunction or restraining order shall be in effect to forbid or enjoin the consummation of the transaction contemplated by this Agreement and no Federal, state or local statute, rule or regulation shall have been enacted which prohibits, restricts or delays the consummation of such transaction.

13.1.5 STATION LICENSES. BLC shall be the holder of the FCC Licenses and all other material governmental licenses, permits and other authorizations listed on Schedule 8.4 of the Disclosure Schedule, and there shall not have been any modification of any of such licenses, permits and other authorizations which could reasonably be expected to have a Material Adverse Effect.

13.1.6 FCC CONSENT. The FCC Consent shall have been granted.

13.1.7 INSTRUMENTS OF TRANSFER. Purchaser shall have received the deeds, endorsements, assignments, drafts, checks and other documents of transfer, conveyance and assignment contemplated by Section 2.3 valid to transfer all of Benedek's and BLC's, as applicable, right, title and interest in and to the Assets to Purchaser and to vest in Purchaser good, marketable and insurable title to the Assets, subject only to Permitted Liens and the Liens set forth on Schedules 7.9 and 7.10 of the Disclosure Schedule and not required to be discharged (in the manner herein provided) on or prior to the Closing Date pursuant to the terms of this Agreement.

13.1.8 BOOKS OF ACCOUNT. Purchaser shall have received Benedek's and BLC's books of account, records, leases, indentures, contracts, agreements, correspondence and other documents pertaining to the Assets and each Station (other than the Excluded Records). Unless otherwise requested by Purchaser, delivery of the foregoing shall not be effected by physical delivery at the Closing but by surrendering access to the premises containing the foregoing to Purchaser.

13.1.9 MERGER AGREEMENT. The Merger Agreement shall remain in full force and effect and shall not have been terminated.

13.1.10 REORGANIZATION PLAN. The reorganization plan with respect to Stations Holding Company, Inc., a summary of which plan is annexed hereto as Exhibit G, shall have been approved by the United States Bankruptcy Court for the District or Delaware.

13.2 OBLIGATION OF BENEDEK TO CLOSE. The obligation of Benedek and BLC to close hereunder shall be subject to the fulfillment and satisfaction, prior to or at the Closing, of the following conditions or the written waiver thereof by Benedek and BLC:

13.2.1 REPRESENTATIONS. The representations and warranties of Purchaser in this Agreement shall be true and correct in all material respects when made and shall be true and correct in all material respects on and as of the Closing Date (other than any representation or warranty that is expressly made as of a specified date, which shall be true and correct in all material respects as of such specified date only) except for changes permitted or contemplated by this Agreement.

13.2.2 COVENANTS. Each of the agreements and covenants of Purchaser to be performed under this Agreement at or prior to the Closing Date shall have been duly performed in all material respects.

13.2.3 NO INJUNCTION. No injunction or restraining order shall be in effect to forbid or enjoin the consummation of the transaction contemplated by this Agreement and no Federal, state, or local statute, rule or regulation shall have been enacted which prohibits, restricts or delays the consummation of such transaction.

13.2.4 FCC CONSENT. The FCC Consent shall have been granted.

13.2.5 RECEIPT OF PURCHASE PRICE PAYABLE AT CLOSING. Benedek shall have received the Purchase Price by wire transfer of immediately available funds.

13.2.6 ASSUMPTION AGREEMENTS. Purchaser shall have executed and delivered the instruments of assumption contemplated by Section 3.2 hereof.

13.2.7 MERGER AGREEMENT. The Merger Agreement shall remain in full force and effect and shall not have been terminated.

13.2.8 REORGANIZATION PLAN. The reorganization plan with respect to Stations Holding Company, Inc., a summary of which plan is annexed hereto as Exhibit G, shall have been approved by the United States Bankruptcy Court for the District or Delaware.

14. REMEDIES FOR BREACH.

14.1 PURCHASER DECLINES TO CLOSE. If Purchaser shall be entitled to decline to close, and shall decline to close the transaction contemplated by this Agreement, Purchaser shall have no liability to Benedek or BLC under or in any way by reason hereof, and Purchaser shall be entitled to have the Deposit, together with interest earned thereon, returned promptly to it upon demand to the Escrow Agent pursuant to the Escrow Agreement, and Purchaser shall, subject to the terms and conditions of this Agreement, have all such rights and remedies against Benedek or BLC, as applicable, as may be available to it in law or equity or otherwise.

14.2 PURCHASER ELECTS TO CLOSE. If Purchaser shall be entitled to decline to close the transaction contemplated by this Agreement but Purchaser shall elect nevertheless to close, Purchaser shall be deemed to have waived any claims of any nature arising from the failure of Benedek or BLC to comply with any of the terms and conditions of this Agreement of which Purchaser had knowledge at the time of the Closing. If Purchaser elects to close the transaction contemplated by this Agreement and Benedek or BLC wrongfully refuses to do so, or if Benedek or BLC fails, or if a failure by Benedek or BLC is threatened, to comply with any of its covenants and agreements contained in this Agreement, then, in addition to all other remedies which may be available to it, Purchaser shall be entitled to injunctive and other equitable relief, including, without limitation, specific performance, and shall be entitled to recover from Benedek its losses, costs and expenses, including reasonable attorneys' fees incurred by Purchaser in securing such injunctive or equitable relief.

14.3 PURCHASER FAILS TO CLOSE. If Benedek and BLC shall be entitled to decline to close, and shall decline to close the transaction contemplated by this Agreement, neither Benedek nor BLC shall have any liability to Purchaser under or in any way by reason hereof. In such event, unless Benedek and BLC shall be entitled to decline to close by reason of a breach by Purchaser, Purchaser shall be entitled to have the Deposit, together with interest earned thereon, returned promptly to it upon demand to the Escrow Agent. If this Agreement fails to close or is terminated by reason of or under circumstances arising from a breach by Purchaser of its representations, warranties, or covenants hereunder in any material respect, or if Purchaser refuses or fails to close after the conditions to its Closing have been satisfied, in either case without Benedek or BLC being in breach of any of its representations, warranties or covenants hereunder in any material respect, then, in that event, Benedek and BLC shall be entitled to the Deposit, together with interest earned thereon, as liquidated damages, it being understood that such sum shall constitute full payment for any and all damages suffered by Benedek and BLC by reason of Purchaser's failure to close this Agreement. The parties acknowledge that the damages actually suffered by Benedek and BLC would be difficult to determine, but that the amount of the Deposit, together with interest earned thereon, is a reasonable estimate of the damages anticipated to be suffered by Benedek and BLC in such event.

14.4 BENEDEK ELECTS TO CLOSE. If Benedek or BLC shall be entitled to decline to close the transaction contemplated by this Agreement but Benedek and BLC shall elect nevertheless to close, Benedek and BLC shall be deemed to have waived any claims of any nature arising from the failure of Purchaser to comply with any of the terms and conditions of this Agreement of which Benedek and BLC had knowledge at the time of the Closing.

14.5 REMEDIES CUMULATIVE. Except as otherwise provided in this Section 14 and/or Section 17, the specific remedies to which any party may resort under the terms of this Agreement are cumulative and are not intended to be exclusive of any other remedies or means of redress to which such party may lawfully be entitled in case of any breach, threatened breach or failure of observance or performance of any representation, warranty, covenant, agreement or commitment made hereunder or relating hereto or by reason of any such representation, warranty, covenant, agreement or commitment being untrue or incorrect.

15. TERMINATION RIGHTS. This Agreement may be terminated upon written notice from one party to the other upon the occurrence of any of the following:

15.1 by either Benedek and BLC or Purchaser (i) at any time prior to the Closing with the mutual written consent of the other parties hereto or (ii) if the Merger Agreement is terminated at any time pursuant to the terms thereof prior to the Closing;

15.2 by Benedek and BLC, if Purchaser has materially breached this Agreement and Benedek and BLC are not in material breach of this Agreement, except that, if such breach is curable by Purchaser through the exercise of its commercially reasonable efforts, then, for a period of up to 30 days, but only as long as Purchaser continues to use its commercially reasonable efforts to cure such breach (the "Purchaser Cure Period"), such termination shall not be effective, and such termination shall become effective only if the breach is not cured within the Purchaser Cure Period; provided, however, Purchaser's failure to pay the Purchase Price in full to Benedek at the Closing shall not be subject to the Purchaser Cure Period and shall be an incurable breach of this Agreement;

15.3 by Purchaser, if Benedek or BLC has materially breached this Agreement and Purchaser is not in material breach of this Agreement, except that, if such breach is curable by Benedek or BLC through the exercise of its commercially reasonable efforts, then, for a period of up to 30 days, but only as long as Benedek and BLC, as applicable, continue to use their commercially reasonable efforts to cure such breach (the "Benedek Cure Period"), such termination shall not be effective, and such termination shall become effective only if the breach is not cured within the Benedek Cure Period; or

15.4 by either Purchaser or Benedek and BLC, if not then in material default, if the purchase of the Assets by Purchaser pursuant to this Agreement shall not have been effected by March 31, 2003.

16. EFFECT OF TERMINATION. If this Agreement is terminated pursuant to Section 15 hereof, this Agreement shall become null and void and neither party hereto shall have any further liability

hereunder except that (i) the provisions of Sections 14, 15, 16, 17, 20.1 and 20.8 hereof shall remain in full force and effect and (ii) each party hereto shall remain liable to the other party hereto for any willful breach of its obligations under this Agreement prior to such termination.

17. SURVIVAL. None of the representations and warranties of Benedek, BLC or Purchaser contained in this Agreement, or in any certificate, instrument or other document delivered by Benedek, BLC or Purchaser pursuant to this Agreement or in connection with the transactions contemplated hereby, shall survive the Closing. No claim shall be made or action brought by any party hereto after the Closing for the breach of, or inaccuracy in, any representation or warranty contained in this Agreement, or in any certificate, instrument or other document delivered pursuant to this Agreement or in connection with the transactions contemplated hereby. None of the covenants of Benedek, BLC or Purchaser contained in this Agreement, or in any certificate, instrument or other document delivered by Benedek, BLC or Purchaser pursuant to this Agreement or in connection with the transactions contemplated hereby, shall survive the Closing, except to the extent such covenants and agreements by their terms contemplate performance after the Closing. No claim shall be made or action brought by any party hereto after the Closing for the breach of any covenant contained in this Agreement, or in any certificate, instrument or other document delivered pursuant to this Agreement or in connection with the transactions contemplated hereby, except with respect to those covenants that by their terms contemplate performance after the Closing.

18. THIRD PARTY BENEFICIARIES. This Agreement is made solely for the benefit of the parties hereto and nothing contained herein, express or implied, is intended to or shall confer upon any other Person any third party beneficiary right or any other legal or equitable rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

19. BROKERS. Benedek and BLC, on the one hand, and Purchaser, on the other, covenant and represent to each other that, they had no dealings with any broker or finder in connection with this Agreement or the transactions contemplated hereby, and no broker, finder or other Person is entitled to receive any broker's commission or finder's fee or similar compensation in connection with any such transaction.

20. MISCELLANEOUS.

20.1 CONFIDENTIALITY.

20.1.1 Purchaser recognizes and acknowledges that it has had in the past, currently has, and in the future may possibly have access to certain confidential information regarding the Stations, including oral or written information which is either non-public, confidential or proprietary in nature, which information together with Purchaser's analyses, compilations, studies or other documents prepared by Purchaser or its representations is hereinafter referred to as the "Information." Purchaser agrees that it will not disclose the Information to any Person for any purpose or reason whatsoever, except to authorized representatives of Purchaser, unless (i) the Information becomes known to the public generally through no fault of Purchaser, or (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), Purchaser shall, if possible, give prior written notice thereof to Benedek and provide Benedek with the opportunity to contest such disclosure. In the event of a breach or threatened breach of the provisions of this Section 20.1, Benedek shall be entitled to injunctive or other equitable relief restraining Purchaser from disclosing, in whole or in part, such Information. Nothing herein shall be construed as prohibiting Benedek from pursuing any other available remedy for such breach or threatened breach, including recovery of damages.

20.1.2 Benedek and BLC agree that after the Closing neither of them will disclose the Information to any Person for any purpose or reason whatsoever, except to authorized representatives of Purchaser, unless (i) the Information becomes known to the public generally through no fault of Benedek or BLC, or (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), Benedek and BLC shall, if possible, give prior written notice thereof to Purchaser and provide Purchaser with the opportunity to contest such disclosure.

20.1.3 Because of the difficulty of measuring economic losses as a result of the foregoing covenants, and because of the immediate and irreparable damage that would be caused for which there would be no other adequate remedy, each party agrees that the foregoing covenants may be enforced against it by injunctions, restraining orders and other appropriate equitable relief.

20.1.4 The obligations under this Section 20.1 shall survive the termination of this Agreement for a period of two years.

20.2 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of the parties (and supersedes any prior understanding of the parties) with respect to the subject matter hereof. The representations, warranties, covenants and agreements set forth in this Agreement, and in any financial statements, schedules or exhibits delivered pursuant hereto constitute all the representations, warranties, covenants and agreements of the parties hereto and upon which the parties have relied and except as may be specifically provided herein, no change, modification, amendment, addition or termination of this Agreement or any part thereof shall be valid unless in writing and signed by or on behalf of the party to be charged therewith. The information disclosed on any schedule to this Agreement shall be deemed to be disclosed on any other applicable schedule.

20.3 NOTICES. Any and all notices or other communications or deliveries required or permitted to be given or made pursuant to any of the provisions of this Agreement shall be deemed to have been duly given or made for all purposes if sent by certified or registered mail, return receipt requested and postage prepaid, hand delivery, overnight delivery service or telephone facsimile:

If to Purchaser, at:

c/o Chelsey Capital
712 Fifth Avenue, 45th Floor
New York, New York 10019
Telephone: (212) 586-3010
Facsimile: (212) 873-0260
Attention: President

If to Benedek or BLC c/o Benedek Broadcasting Corporation, at:

2895 Greenspoint Parkway
Suite 250
Hoffman Estates, Illinois 60195
Telephone: (847) 585-3450
Facsimile: (847) 585-3451
Attention: President

or at such other address as any party may specify by notice given to the other party in accordance with this Section 20.3. The date of the giving of any notice sent by mail shall be three business days following the date of the posting of the mail, if delivered in person, the date delivered in person, the next business day following delivery to an overnight delivery service, or the date sent by telephone facsimile.

20.4 PUBLIC ANNOUNCEMENT. Except for any disclosures or announcements which Benedek, BLC or Purchaser shall be required to make pursuant to the Communications Act or the rules and regulations of the FCC, or disclosures or announcements required to be made pursuant to the rules and regulations of the Securities and Exchange Commission or any other Federal or state governmental agency, Purchaser and Benedek will jointly prepare and determine the timing of any press release or other announcement to the public (including any announcement to the employees of each Station) concerning the execution of this Agreement and the transactions contemplated herein. Except as provided for in the preceding sentence, no party hereto will issue any press release or make any other public announcement relating to the execution of this Agreement or the transactions contemplated herein, except that any party may make any disclosure required to be made by it under applicable law if it determines in good faith that it is appropriate to do so and gives prior notice and a reasonable time to comment to the other party hereto.

20.5 NO WAIVER. No waiver of the provisions hereof shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed a continuing waiver in respect of any subsequent breach or default, either of similar or different nature, unless expressly so stated in writing.

20.6 GOVERNING LAW. This Agreement shall be governed, interpreted and construed in accordance with the laws of the State of New York applicable to contracts to be performed entirely within that State. Should any clause, section or part of this Agreement be held or declared to be void or illegal for any reason, all other clauses, sections or parts of this Agreement which can be effected without such illegal clause, section or part shall nevertheless continue in full force and effect.

20.7 CONSENT TO JURISDICTION. Each of the parties hereto hereby consents to the exclusive jurisdiction and venue of the Courts of the State of New York, located in the County of New York and the United States District Court for the Southern District of New York with respect to any matter relating to this Agreement and performance of the parties' obligations hereunder, the documents and instruments executed and delivered concurrently herewith or pursuant hereto and performance of the parties' obligations thereunder and each of the parties hereto hereby consents to the personal jurisdiction of such courts and shall subject itself to such personal jurisdiction. Any action, suit or proceeding relating to such matters shall be commenced, pursued, defended and resolved only in such courts and any appropriate appellate court having jurisdiction to hear an appeal from any judgment entered in such courts. Service of process in any action, suit or proceeding relating to such matters may be made and served within or outside the State of New York, County of New York or the Southern District of New York by registered or certified mail to the parties and their representatives at their respective addresses specified in Section 20.3 hereof, provided that a reasonable time, not less than 30 days, is allowed for response. Service of process may also be made in such other manner as may be permissible under the applicable court rules.

20.8 EXPENSES. Except as otherwise provided herein, Purchaser, on the one hand, and Benedek and BLC, on the other, shall each bear their own costs and expenses in connection with the transactions contemplated by this Agreement. If attorneys' fees or other costs are incurred to secure performance of any obligations hereunder, or to establish damages for the breach thereof or to obtain any other appropriate relief, whether by way of prosecution or defense, the prevailing party will be entitled to recover reasonable attorneys' fees and costs incurred in connection therewith. Notwithstanding the foregoing, Benedek and BLC, on the one hand, and Purchaser, on the other, shall each pay one-half of all deed transfer taxes and the fees and costs of recording or filing all applicable conveyance instruments associated with respect to the transfer of the Assets from Benedek and BLC to Purchaser pursuant to this Agreement.

20.9 BINDING AGREEMENT. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that no party may assign any of its rights or delegate any of its duties under this Agreement without the prior written consent of the other parties hereto. Notwithstanding the foregoing, Purchaser may, without the prior written consent of Benedek and BLC, assign all its rights and obligations under this Agreement with respect to one or more of the Stations to one or more of Purchaser's Affiliates; provided, that such assignment (i) will not delay the Closing in any way or manner, (ii) is not prohibited by the Communications Act and (iii) will not require any additional governmental or third party consents or approvals. Any such assignee shall become solely liable for Purchaser's obligations under this Agreement as the same relate to the applicable Station and Purchaser shall be relieved of any such liability, provided that the foregoing shall not affect Purchaser's obligation hereunder with respect to the Deposit and Purchaser's obligations under the Escrow Agreement.

20.10 GOOD FAITH. Recognizing the complex nature of the transactions contemplated in this Agreement, the parties hereto agree to cooperate in good faith to effectuate the transactions set forth herein in accordance with the intent of the parties as expressed herein.

20.11 HEADINGS. The headings or captions under sections of this Agreement are for convenience and reference only and do not in any way modify, interpret or construe the intent of the parties or effect any of the provisions of this Agreement.

20.12 COUNTERPARTS. This Agreement may be executed in one or more counterparts each of which when taken together shall constitute one agreement.

20.13 RESCISSION. If, notwithstanding the satisfaction of the conditions set forth in Sections 13.1.9, 13.1.10, 13.2.7 and 13.2.8 hereof, subsequent to the Closing the Merger Agreement is terminated for any reason, the parties shall rescind the transactions contemplated by this Agreement. In such event, Benedek shall pay all costs and expenses incurred in connection with the transfer of the Assets from Purchaser to Benedek and Benedek shall reimburse the Purchaser for all reasonable costs and expenses incurred by it in connection with the transfer of the Assets to Purchaser, including without limitation reasonable attorneys fees and expenses. Prior to the Closing, the parties shall enter into a more formal rescission agreement giving effect to the foregoing, in form and substance satisfactory to both Benedek and Purchaser.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed on the date and year first above written.

CHELSEY BROADCASTING COMPANY, LLC

By: /s/ Stuart Feldman

Name:
Title:

BENEDEK BROADCASTING CORPORATION

By: /s/ K. James Yager

Name: K. James Yager
Title: President and Chief Operating Officer

BENEDEK LICENSE CORPORATION

By: /s/ K. James Yager

Name: K. James Yager
Title: President and Chief Operating Officer

	STATION	DMA
1.	WYTV	Youngstown, OH
2.	WHOI	Peoria-Bloomington, IL
3.	KDLH	Duluth, MN/Superior, WI
4.	KMIZ/K02NQ/K11TB	Columbia/Jefferson City, MO
5.	KAUZ	Wichita Falls, TX/ Lawton, OK
6.	KHQA	Quincy, IL/Hannibal, MO/Keokuk, IA
7.	KGWN/KSTF	Cheyenne, WY/ Scottsbluff, NE/ Sterling, CO
8.	KGWC/KGWL/KGWR	Casper-Riverton/ Lander/Rock Springs, WY

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of Gray Communications Systems, Inc. of our report dated February 4, 2002 relating to the consolidated financial statements and schedule, which appear in the Annual Report on Form 10-K for the year ended December 31, 2001. We also consent to the reference to us under the heading "Independent Accountants" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Atlanta, Georgia
July 12, 2002

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Amendment No. 1 to Form S-3 No. 333-88694) and the related Prospectus of Gray Communications Systems, Inc. for the registration of Common Stock, Preferred Stock, Debt Securities and the related Prospectus of Gray Communications Systems for the registration of 3,000,000 shares of Class B Common Stock and to the incorporation by reference therein of our reports dated January 29, 2001, with respect to the consolidated financial statements and schedule of Gray Communications Systems, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2001, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Atlanta, Georgia
July 12, 2002

EXHIBIT 23.3

[MCGLADREY & PULLEN, LLP LETTERHEAD]

[RSM INTERNATIONAL LOGO]

INDEPENDENT AUDITOR'S CONSENT

We consent to the use in this Registration Statement of Gray Communications Systems, Inc. on Form S-3 of our report on the consolidated financial statements of Stations Holding Company, Inc. and Subsidiaries dated March 15, 2002 except for the subsequent events described in Note Q as to which the date is June 4, 2002, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our Firm under the caption "Experts" in such Prospectus.

/s/ McGladrey & Pullen, LLP

Rockford, Illinois
July 11, 2002

McGladrey & Pullen, LLP is an independent member firm of
RSM International, an affiliation of
independent accounting and consulting firms.