UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 22, 2018 (October 22, 2018)

Gray Television, Inc.
(Exact name of registrant as specified in its charter)

Georgia	**001-13796**	**58-0285030**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

4370 Peachtree Road, Atlanta GA	**30319**
(Address of principal executive offices)	**(Zip Code)**

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

Not Applicable
(Former name or former address, if changed since last report)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On October 22, 2018, Gray Television, Inc. (the "Company") issued a press release (the "Press Release") that disclosed, among other things, updates to certain previously announced guidance for the third quarter of 2018. A copy of the Press Release is attached hereto as Exhibit 99.1 and is incorporated into this Item 2.02 by reference.

The information set forth under this Item 2.02 is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure.

Beginning on October 22, 2018, the Company intends to meet with and make presentations to prospective lenders in connection with a proposed senior credit facility refinancing and incremental term loan, the aggregate proceeds of which the Company intends to use to refinance its outstanding senior credit facility and, along with other funds, to complete the Company's pending merger with Raycom Media, Inc. (including its consolidated entities being acquired, "Raycom"). In these presentations, the Company expects to include certain business and financial information relating to Raycom's historical results of operations and financial condition, and the Company's historical and expected results of operations and financial condition (after giving effect to the pending merger with Raycom and other completed or pending transactions). A copy of the slides that the Company will use in connection with such meetings and presentations is furnished as Exhibit 99.2 hereto and incorporated herein by this reference.

The Company is also furnishing herewith the following historical consolidated financial statements of Raycom (which consolidated financial statements include financial information and results of operations of certain Raycom television stations that Gray has agreed to sell or divest and that will not be retained by Gray):

- Raycom's audited consolidated carve-out financial statements as of and for the years ended December 31, 2017, 2016 and 2015 (with independent auditors' report thereon).
- Raycom's unaudited condensed consolidated carve-out financial statements as of June 30, 2018 and for the six-month periods ended June 30, 2018 and 2017 (with independent auditors' review report thereon).

The foregoing financial statements of Raycom are furnished hereto as Exhibits 99.3 and 99.4, respectively, and are incorporated herein by this reference.

The Company's senior credit facility consists of a revolving credit facility and a term loan. The Company also announced in the Press Release that it is proposing, subject to market and other conditions, to amend and extend the maturity date of its revolving credit facility and amend its current term loan. The Press Release attached hereto as Exhibit 99.1 is incorporated into this Item 7.01 by reference. The information set forth under this Item 7.01 is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as may be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release issued by Gray Television, Inc., on October 22, 2018
99.2	Prospective Lender Meeting Slides
99.3	Raycom audited consolidated carve-out financial statements as of and for the years ended December 31, 2017, 2016 and 2015
99.4	Raycom unaudited condensed consolidated carve-out financial statements as of June 30, 2018 and for the six-month periods ended June 30, 2018 and 2017

SIGNATURE

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

Gray Television, Inc.

Date: October 22, 2018

By: /s/ James C. Ryan
Name: James C. Ryan
Title: Executive Vice President and Chief Financial Officer

NEWS RELEASE

GRAY ANNOUNCES PROPOSED $2.15 BILLION INCREMENTAL TERM LOAN AND AMENDMENT TO ITS CURRENT SENIOR CREDIT FACILITY; UPDATES GUIDANCE FOR THIRD QUARTER 2018

Atlanta, Georgia – October 22, 2018. . . Gray Television, Inc. ("Gray," "we," "us" or "our") (NYSE: GTN and GTN.A) announced today that it is proposing, subject to market and other conditions, to replace its existing priority revolving credit facility with a new pari passu five-year revolving credit facility, amend its current term loan, and incur up to $2.15 billion of additional term loans under its senior credit facility (the "Senior Credit Facility"). Gray also announced updates to certain of its previously announced guidance for the third quarter of 2018, based on preliminary information available to date.

Comments on Proposed Senior Credit Facility Amendment and Incremental Loan:

Gray expects to amend its Senior Credit Facility through some or all of the following, which would:

- Amend certain terms of its revolving credit facility, increase the amount available under the revolver from $100 million to $200 million, and extend the maturity from February 2022 to October 2023;
- Amend certain terms of its existing $595 million term loan that matures in February 2024; and
- Incur up to an additional $2.15 billion seven-year incremental term loan under the Senior Credit Facility to finance, in part, our previously announced acquisition of Raycom Media, Inc.

We cannot provide any assurance about the timing, terms, or interest rate associated with the planned refinancing, or that the refinancing transactions will be completed.

Comments on Updated Third Quarter 2018 Guidance:

Gray initially issued guidance for third quarter 2018 on August 7, 2018. While Gray is continuing the process of finalizing its financial results for the third quarter of 2018, Gray today updates its guidance to its estimated results of operations as follows. This updated guidance represents the most current information and estimates available to Gray as of the date of this release. We have not yet completed our normal financial closing and review process; therefore, these estimates are subject to change upon finalization. As a result, our actual results may be different and such differences could be material. Investors should exercise caution in relying on the information contained herein and should not draw any inferences from this information regarding financial or operating data that is not presented below.

	Updated Guidance				
Selected operating data:	**Low End Guidance for the Third Quarter of 2018**	**% Change From Third Quarter of 2017**	**High End Guidance for the Third Quarter of 2018**	**% Change From Third Quarter of 2017**	**Third Quarter of 2017**
	(dollars in thousands)				
OPERATING REVENUE:					
Revenue (less agency commissions)	$ 278,000	27%	$ 280,000	28%	$218,977
OPERATING EXPENSES (1)					
(before depreciation, amortization and (gain) loss on disposal of assets):					
Broadcast	$ 144,000	3%	$ 146,000	5%	$139,542
Corporate and administrative	$ 10,500	26%	$ 11,500	38%	$ 8,330
OTHER SELECTED DATA:					
Political advertising revenue (less agency commissions)	$ 47,500	1086%	$ 48,500	1111%	$ 4,005

Our previous guidance range for operating revenue was from $270.0 million to $280.0 million; our previous guidance range for political advertising revenue was from $41.0 million to $45.0 million; our previous guidance range for broadcast expenses was from $145.0 million to $148 million and our previous guidance range for corporate and administrative expenses was from $10.0 million to $11.0 million.

As of September 30, 2018, we currently expect to report approximately:

- $550.9 million of cash on hand
- $595.0 million principal amount of secured debt; and
- $1,820.0 million principal amount of total debt (excluding unamortized deferred financing costs and premium).

We currently anticipate that our total leverage ratio, as defined under our Senior Credit Facility, measured on a trailing eight quarter basis, netting all cash on hand, and giving pro forma effect for all acquisitions completed through the date of this release, will be between 3.50 times and 3.55 times as of September 30, 2018.

The Company

Currently, Gray owns and operates television stations in 57 television markets that collectively broadcast nearly 250 program streams including over 100 channels affiliated with the CBS Network, the NBC Network, the ABC Network and the FOX Network. Our portfolio includes the number-one and/or number-two ranked television station operations in all of our markets, which collectively cover approximately 10.4 percent of total United States television households. Gray has entered into an agreement to combine with Raycom Media, Inc. in a transformational transaction. The combined company will own leading television stations and digital platforms serving 92 markets and 24 percent of U.S. television households. It also will include video program production, marketing, and digital businesses including Raycom Sports, Tupelo-Raycom, and RTM Studios, the producer of PowerNation programs and content. For further information, please visit www.gray.tv.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act

This press release contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and the federal securities laws. These "forward-looking statements" are not statements of historical facts, and may include, among other things, statements regarding our current expectations and beliefs of operating results for the third quarter of 2018 or other periods, pending transactions and other future events. Actual results are subject to a number of risks and uncertainties and may differ materially from the current expectations and beliefs discussed in this press release. All information set forth in this release is as of the date hereof. We do not intend, and undertake no duty, to update this information to reflect future events or circumstances. Information about certain potential factors that could affect our business and financial results and cause actual results to differ materially from those expressed or implied in any forward-looking statements are included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended December 31, 2017 and may be contained in reports subsequently filed with the U.S. Securities and Exchange Commission (the "SEC") and available at the SEC's website at www.sec.gov.

Gray Contacts:

www.gray.tv
Jim Ryan, Executive Vice President and Chief Financial Officer, 404-504-9828
Kevin P. Latek, Executive Vice President, Chief Legal and Development Officer, 404-504-9828

# # #

Exhibit 99.2

gray
Television • Digital • Mobile

Gray Television, Inc.
Lender Presentation

October 22nd, 2018

Gray to Combine with Raycom to Become the Third Largest TV Broadcast Group

4370 Peachtree Road, NE, Atlanta, GA 30319 | P 404.504.9828 | F 404.261.9607 | www.gray.tv

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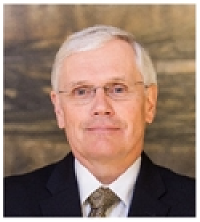
Disclaimer and Non-GAAP Financial Data

This presentation contains certain forward looking statements that are based largely on Gray Television, Inc.'s ("Gray", "Gray Television", "GTN" or the "Company") current expectations and reflect various estimates and assumptions by Gray. These statements may be identified by words such as "estimates", "expect," "anticipate," "will," "implied," "assume" and similar expressions. Forward looking statements are subject to certain risks, trends and uncertainties that could cause actual results and achievements to differ materially from those expressed in such forward looking statements. Such risks, trends and uncertainties, which in some instances are beyond Gray's control, include Gray's inability to complete its pending acquisition of Raycom on the terms and within the timeframe, and on the financing terms, currently contemplated, any material regulatory or other unexpected requirements in connection therewith, or the inability to achieve expected synergies therefrom on a timely basis or at all, the impact of recently completed transactions, estimates of future retransmission revenue, future expenses and other future events. Gray is subject to additional risks and uncertainties described in Gray's quarterly and annual reports filed with the Securities and Exchange Commission from time to time, including in the "Risk Factors," and management's discussion and analysis of financial condition and results of operations sections contained therein. Any forward looking statements in this presentation should be evaluated in light of these important risk factors. This presentation reflects management's views as of the date hereof. Except to the extent required by applicable law, Gray undertakes no obligation to update or revise any information contained in this presentation beyond the published date, whether as a result of new information, future events or otherwise.

Certain definitions, including the presentation of Combined Historical Basis ("CHB") data and Operating Cash Flow ("OCF") as defined in Gray's senior credit facility, are contained in the Glossary and the Appendix.

Management Overview

Hilton Howell, Jr.	***Executive Chairman and Co-CEO, Gray Television, Inc.*** 25 years of broadcasting experience and 25 years with Gray Also currently serves as the following: – Atlantic American Corporation – President & CEO – Delta Life Insurance Company – CEO, EVP & General Counsel	
Pat LaPlatney	***President and Co-CEO, Gray Television, Inc.*** 36 years of broadcasting experience and 11 years with Raycom Experience includes: – Raycom Media – President and CEO (current) – Raycom Sports – EVP	
Kevin Latek	***EVP, Chief Legal and Development Officer, Gray Television, Inc.*** 21 years of broadcasting experience and 6 years with Gray Previous experience includes: – Dow Lohnes, PLLC	
Jim Ryan	***EVP, Chief Financial Officer, Gray Television, Inc.*** 33 years of broadcasting experience and 20 years with Gray Previous experience includes: – Busse Broadcasting Corporation – Chief Financial Officer	

Agenda

Transaction and Syndication Overview

Introduction & Transaction Overview

- On June 25, 2018, Gray Television, Inc. ("Gray" or the "Company") announced that it had reached an agreement to acquire Raycom Media, Inc. ("Raycom") for a ~$3.6 billion enterprise value
  - The purchase price represents a multiple of ~7.8x blended '17 / '18E pro forma OCF, including $80 million of year-1 expected synergies and $150 million estimated NPV of Raycom's NOLs
- Gray plans to finance the transaction with:
  - $430 million cash on balance sheet (as of 6/30/18)
  - $2.15 billion 7-year Incremental Term Loan B[1]
  - $650 million of Preferred Stock to Retirement Systems of Alabama (seller)
  - 11.5 million shares of Gray's Common Stock
- In addition, Gray has secured commitments for a new $200 million 5-year Revolving Credit Facility (the "Revolver") secured on a pari passu basis with Gray's existing and proposed term loans. The new Revolver will replace the Company's existing $100 million priority revolving credit facility
- Pro forma first lien net leverage and total net leverage are estimated to be 3.5x and 5.1x, respectively, based on pro forma L8QA 6/30/18 OCF of $754 million
- Gray expects the transaction to close as early as the first half of December 2018, subject to customary closing conditions, the divestiture of certain stations, and required regulatory approvals

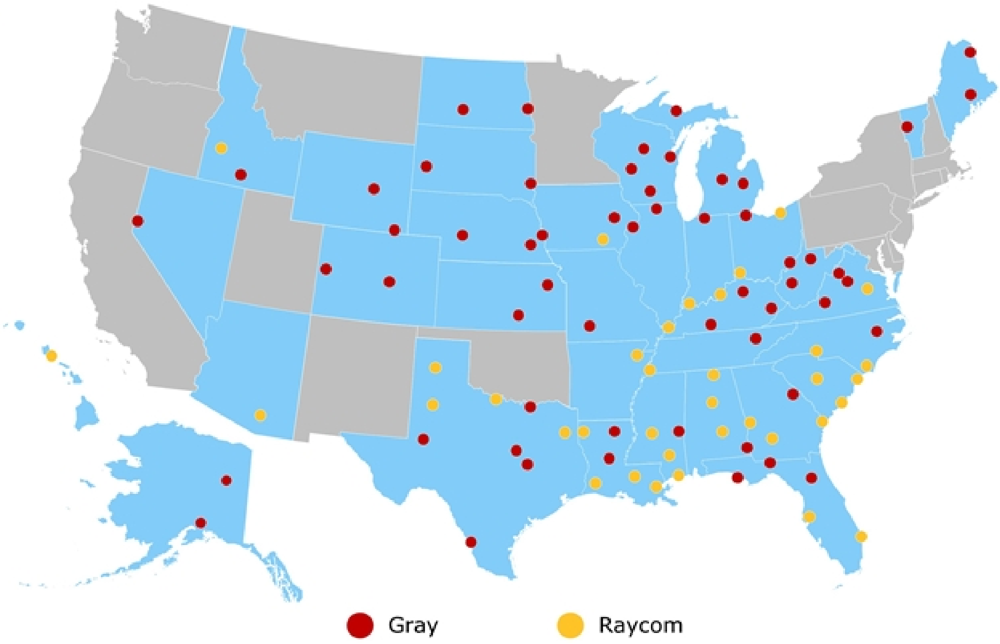
(1) A portion of the financing may include unsecured debt in lieu of secured debt

Acquisition Overview

Highly Complementary Portfolio Will Expand Geographic Footprint

Combined Company Highlights[(1)]

- 92 Markets
- 24% of U.S. TV Households
- 61 #1 Rated TV Stations
- 92% of Markets with #1/#2 Rated TV Stations
- $1.9 Billion in L8QA 6/30/18 CHB Blended Revenue
- Highest CHB OCF[(2)]/ TVHH in the Industry
- $80 million of estimated Year 1 annual synergies
- Expected NPV of Raycom's NOLs is estimated to be approximately $150 million

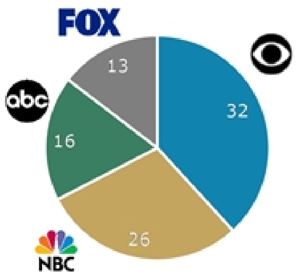
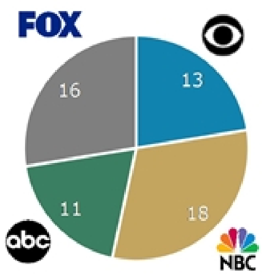
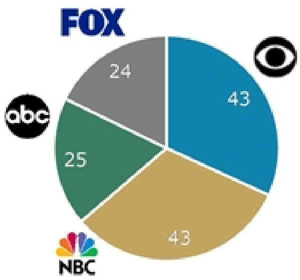


Other Acquired Raycom Assets

- Raycom Sports (marketing, production and events management and distribution company)
- Tupelo Raycom (sports and entertainment production company)
- RTM Productions (automotive programming production and marketing solutions company)

Source: Company filings and projections, BIA Investing in Television Market Report and Nielsen Media Research
(1) Gives effect to all other pending acquisitions; after giving effect to overlap station divestitures
(2) Combined Historical Basis Operating Cash Flow as defined in Gray's Senior Credit Facility is equivalent to the presentation of Adjusted EBITDA

Gray Continues to Prudently Grow its Scale

($ in Millions)	Gray	Raycom	Gray + Raycom (Post-Overlap Station Divestitures)
Financial Profile			
L8QA 6/30/18 CHB Net Revenue	$941	$1,081	$1,939 (1)
L8QA 6/30/18 CHB Blended OCF	$344	$355	$754 (2)
% Margin	*37%*	*33%*	*39%*
Scale			
TV Stations Owned and/or Operated	111	65	165
Markets	57	44	92
Gross TV Household Reach	10%	16%	24%
Asset Quality			
Markets with #1 / #2 Rated Stations	57 (100%)	33 (75%)	85 (92%)
2014 CHB Political Revenue(3)	$143	$80	$220
2016 CHB Political Revenue(3)	$118	$72	$185
2017 CHB Gross Retransmission Revenue	$280	$294	$534 (4)
DMAs Served by Big 4 Affiliates			

Source: Company filings and projections, BIA Investing in Television Market Report and Nielsen Media Research

(1) Includes $13 million estimated revenue from pending acquisition of KDLT (NBC) in Sioux Falls, SD announced on 5/1/18, and excludes $95 million of revenue attributed to pending overlap station divestitures

(2) Includes $7 million estimated OCF from pending acquisition of KDLT, $80 million of estimated Year 1 annual synergies, and excludes $32 million of OCF attributed to pending overlap station divestitures

(3) Represents net revenue for Gray and estimated net revenue for Raycom (gross revenue less 15% estimated agency commissions)

(4) Excludes gross retransmission synergies

Significant Identified and Achievable Synergies

Total Expected Year 1 Annual Synergies of $80 Million

Net Retransmission Revenue	**~$15 million**	▪ Comprised of contracted step-up of Raycom subscribers to Gray's retransmission rates
Station-Level & Corporate Expenses	**~$40 million**	▪ Rationalization of station expenses and creation of efficient operations ▪ Elimination of duplicative shared services and other costs ▪ Creation of more efficient corporate operations including insourcing professional services, consulting, systems and other rationalizations
3rd Party Vendors	**~$15 million**	▪ Elimination of select identified third party contracts
Digital & Other	**~$10 million**	▪ Cost savings on technology and digital operations ▪ Termination of redundant contracts and other ancillary expenses
Total:	**~$80 million**	

Potential for Additional Synergies in the Mid- to Long-Term

Note: Synergy analysis is post-divestitures

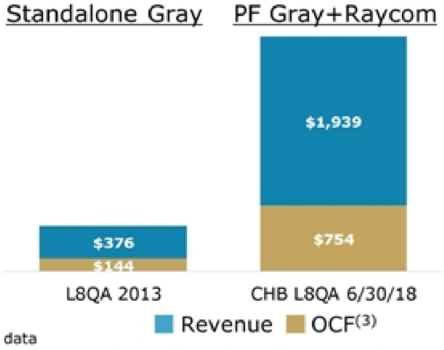
Evolution of Gray

- Proven track record of acquisition integration and prudent balance sheet management, reducing net leverage ~2.0x since 2014
- Raised a total of $406 million of primary equity in 2015 and 2017 to prudently manage capital structure and maintain a balanced growth strategy. In addition, Gray will issue 11.5 million shares of equity to Raycom shareholders as part of this transaction
- Gray has consistently generated Free Cash Flow margins (FCF/OCF) in excess of 50%, and the pending Raycom transaction is highly accretive to Free Cash Flow

Gray TV Snapshot(1)

($ in Millions)	Standalone Gray 2013(1)	PF Gray+Raycom 6/30/18
# of Markets	34	92
US TV HH Reach	7.5 million	27.2 million
Gross TV HH Reach	6%	24%

Over $1.5 Billion in Acquisitions since 2013



Select Recent Acquisitions

($ in Millions)

Close Date	Target	# of Stations(2)	Size
5/2017	diversified COMMUNICATIONS (Broadcast Assets)	2	$85
1/2017	Media General (Select Stations)	2	270
2/2016	SCHURZ COMMUNICATIONS INC. (Broadcast Assets)	10	416
9/2015	The Gazette (Single Station)	1	100
9/2014	LILLY BROADCASTING (Select Stations)	2	132
6/2014	Hoak Media Corporation	12	300
Other Transactions			228
Total			**$1,531**

Source: Company filings, Nielsen data
(1) Financial data presented on an As Reported L8QA basis unless otherwise noted
(2) Station count net of divestitures / swaps
(3) As reported OCF is equal to Broadcast Cash Flow less Cash Corporate Expenses plus Pension Expense less Pension Contributions

Overview of Raycom

($ in Millions)

Division	Description	'16/'17 CHB Cash Flow[(1)]
RAYCOM MEDIA	61 full power television stations in 44 markets reaching 16% of total U.S. households	$380
RAYCOM Sports	Owns, produces and markets sports and entertainment programming	7
TUPELO RAYCOM	Produces live sports and entertainment events and develops digital content for corporations	2
RTM STUDIOS	Produces automotive enthusiast programming	3
Other Divisions	Raycom Digital Ventures, 4119 West Blue Herron; WXIX Broadcast Plaza	0.2
	Total Broadcast Cash Flow	$392
	Less: Corporate Overhead	(37)
	Total Operating Cash Flow	$355

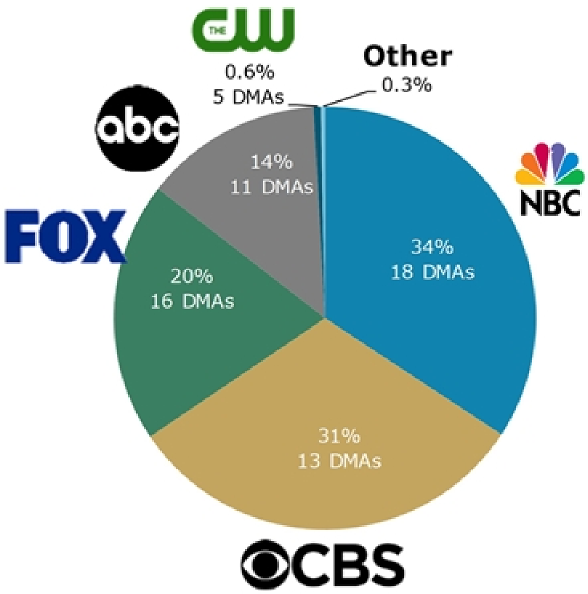
Source: Company website and Raycom management

[1] Prior to divestitures

Raycom Media Snapshot

- L8QA 6/30/18 CHB Revenue of $1,081 million
- Charlotte, NC and Cleveland, OH are the largest revenue markets
- No market represents more than 7% of total revenue

L8QA 6/30/18 CHB Revenue by Affiliate



Note: Amounts are prior to adjusting for divestitures

Key Credit Highlights

Summary of Key Credit Highlights

Third Largest Television Broadcaster with High Quality Assets

Diversified Sources of Revenues Across Networks and Markets

Large Political Upside in Election Years with Key Presence in Swing States

Strong Growth in Net Retrans and Increasing
Leverage With MVPDS and Networks

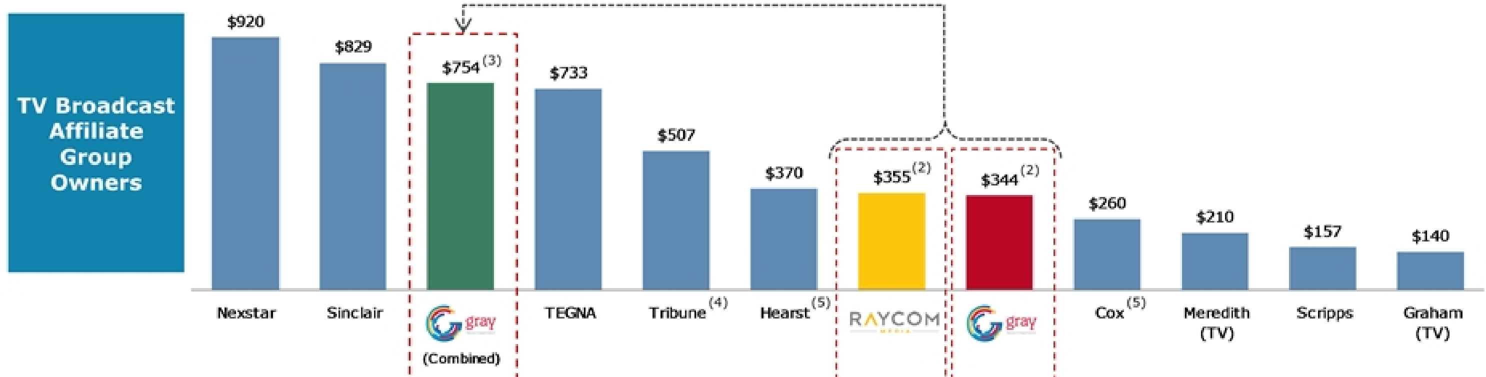
Strong Free Cash Flow Generation with FCF Conversion in Excess of 50%

Track Record of Successfully Integrating Acquisitions and Deleveraging

Experienced Management Team with Decades of Broadcasting Experience

Gray Will be the Third Largest TV Broadcast Group with High Quality Assets

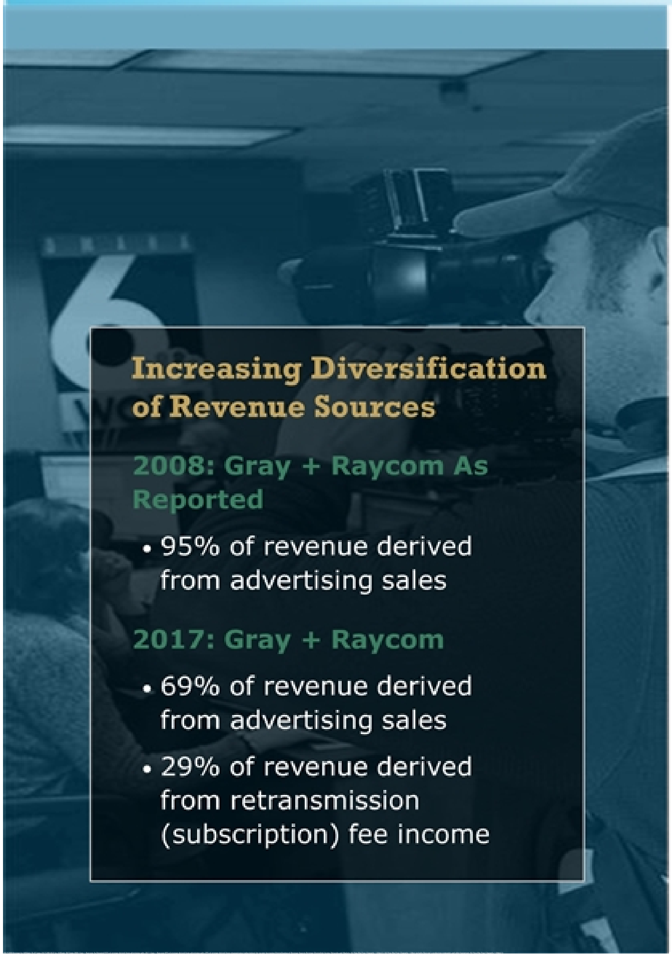
2017 / 2018E CHB Blended Adj. EBITDA[1]



	Nexstar	Sinclair	Gray (Combined)	TEGNA	Tribune	Hearst	Raycom	Gray	Cox	Meredith (TV)	Scripps	Graham (TV)
Financial												
Adj. EBITDA[1] / TVHH	$20.8	$18.3	**$27.7** [3]	$19.4	$10.2	$17.5	**$19.7**	**$28.9**	$20.2	$16.9	$7.2	$17.9
Operational												
Markets	100	89	**92**	41	33	26	**44**	**57**	10	12	26	6
# 1 Rated Stations	29	17	**61**	11	8	7	22	40	4	3	2	1
% Markets with #1 Rated Stations	29%	19%	**66%**	27%	24%	27%	**50%**	**70%**	40%	25%	8%	17%
% Markets with #1/#2 Rated Stations	60%	47%	92%	54%	39%	54%	75%	100%	60%	58%	8%	67%
% TVHH	*39%*	*39%*	***24%***	*33%*	*44%*	*19%*	***16%***	***10%***	*11%*	*11%*	*19%*	*7%*

Source: Company filings, Wall Street research, BIA Investing in Television Market Report and Nielsen Media Research
Note: Dollars in millions, except Adj. EBITDA / TV household; Raycom excludes CNHI (newspaper) and PureCars (software) assets, which will not be acquired by Gray
(1) Adj. EBITDA for Gray is OCF as defined in its senior credit facility
(2) Figures reflect L8QA 6/30/18 Adj. EBITDA, before the impact of pending divestitures
(3) Reflects L8QA 6/30/18 Adj. EBITDA including $80 million of synergies, $7 million of pending acquired OCF related to KDLT (NBC) and excludes $32 million of OCF from pending divestitures
(4) Excludes cash from equity investments of $190 million and $206 million in 2017 and 2018, respectively
(5) Private company metrics based on 2017 BIA revenue (including retransmission estimates) from owned and operated stations and digital subchannels and assumes 10% 2017-2018 revenue growth and a 33% Adj. EBITDA margin based on Gray, Nexstar, Sinclair, TEGNA and Tribune, rounded to the closest $5 million

Revenue Diversified Across Networks and Markets



Increasing Diversification of Revenue Sources

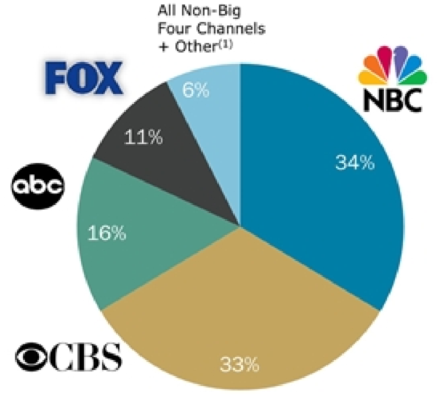
2008: Gray + Raycom As Reported

- 95% of revenue derived from advertising sales

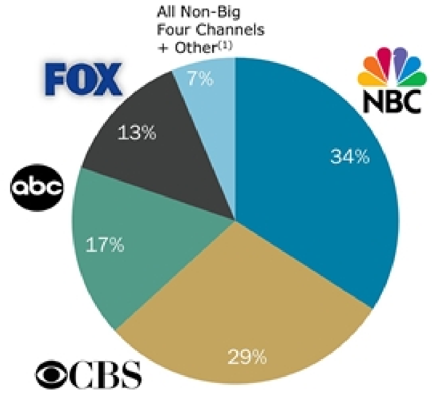
2017: Gray + Raycom

- 69% of revenue derived from advertising sales
- 29% of revenue derived from retransmission (subscription) fee income

2017CHB Revenue by Affiliate: $1,871mm



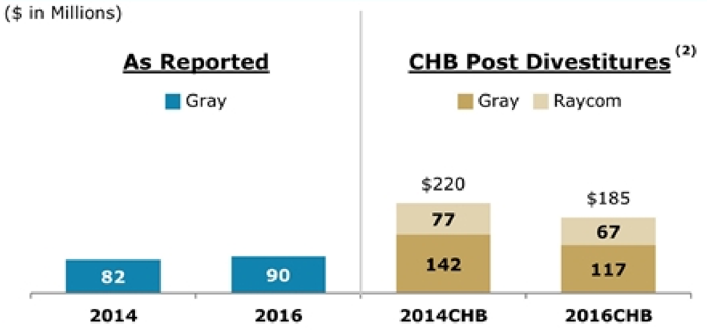
2017CHB BCF by Affiliate: $672mm



(1) All Non-Big Four Channels + Other includes Raycom's production companies and other businesses

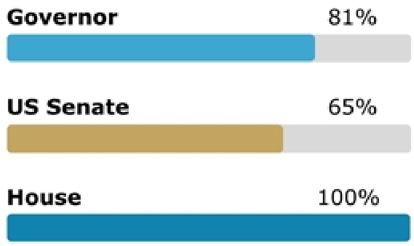
Top Rated Stations Drive Strong Political Revenue

Political Revenue



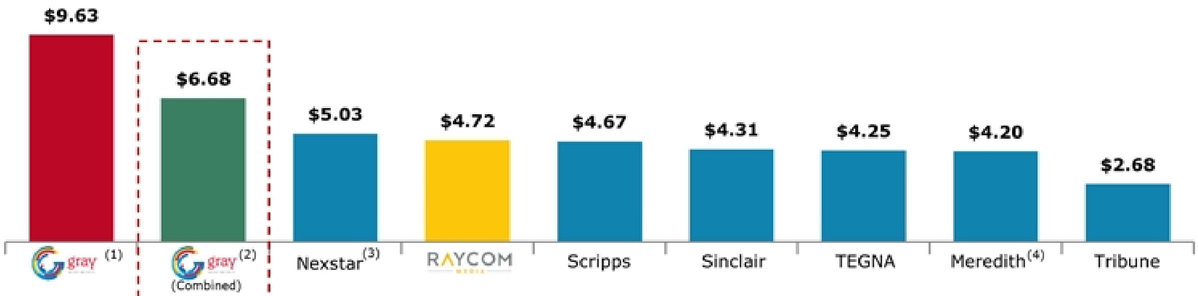
Gray Markets with at Least One 2018 Election

2018 is a Non-Presidential Political Year and Presents an Attractive Upside Opportunity



Source: Company management, Company filings, The Cook Political Report
Note: Percentages calculated based on 45/57 markets with Gubernatorial races, 37/57 markets with Senate races, and 57/57 markets with House races

2016 Political Revenue Per TV Household

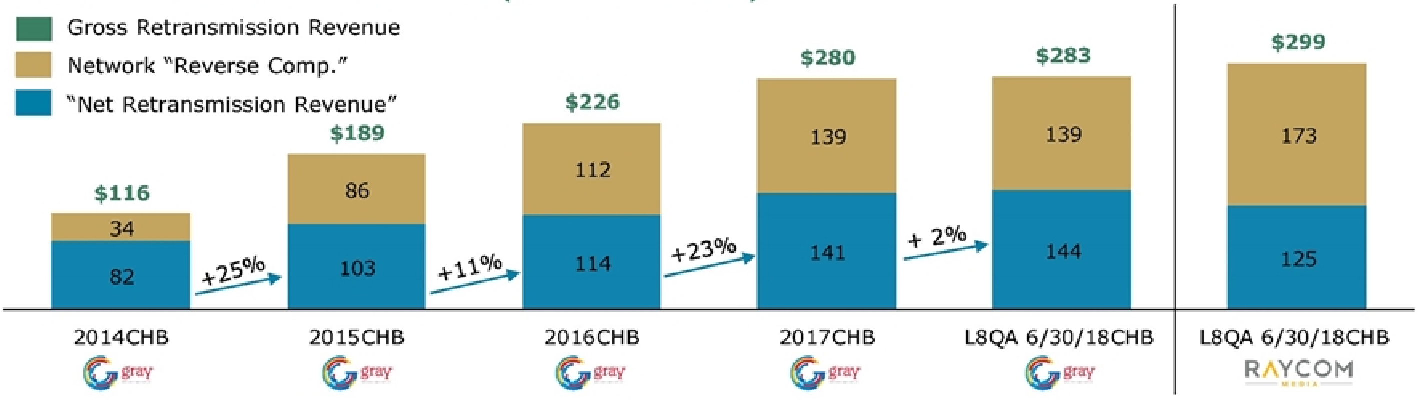


	Gray (1)	Gray (Combined) (2)	Nexstar (3)	Raycom	Scripps	Sinclair	TEGNA	Meredith (4)	Tribune
2016 Political Revenue ($mm)	$118	$185	$228	$85	$101	$199	$155	$52	$136
2016 TV Households (mm)	12.2	27.6	45.3	18.0	21.6	46.2	36.5	12.4	50.8

Source: Company management, company filings, investor presentations, BIA Investing in Television Report
Note: Pro forma for all closed transactions
(1) Gray based on CHB revenue and TV households
(2) Includes impact of pending divestitures
(3) Pro forma for Media General Acquisition
(4) Based on calendar year ended 12/31/16; Fiscal year ends 6/30

Gray Excels at Retransmission Revenue

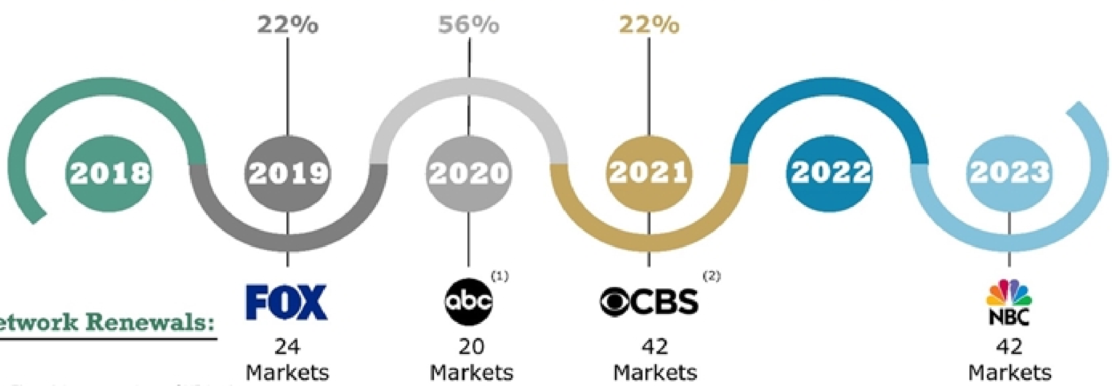
Retransmission Revenue ($ in Millions)



Note: figures are prior to impact of KDLT acquisition and other divestitures

Gray + Raycom (Pro Forma)

Year End % Sub Base Retrans Renewals for In-Market Big-4 Subs:



Significant Big-4 Network Renewals:

Source: Company management, company filings (post-close), Note: Financials presented on a CHB basis

(1) Excludes 6 markets with renewals in 2018, 2019 and 2021

(2) Excludes 2 markets with renewals in 2020

Successful Digital Media Initiatives

- **Leading Digital Platforms**
  - 4.1 billion Total Page Views as of Q2 2018 (Gray/Raycom combined)
  - Mobile makes up 85% of all digital traffic as of Q2 2018 (Gray/Raycom combined)
- **News & Weather Apps**
  - Gray – 6.3 million News and Weather app Users as of Aug. 2018
  - Raycom – 4.5 million News and Weather app Users as of Aug. 2018
- **OTT**
  - Gray – 820,444 Roku Downloads as of Aug. 2018; with 168,733 Unique Users for Roku and FireTV combined in Aug. 2018
  - Raycom – 143,726 Users for Roku and FireTV combined as of Aug. 2018

LOCALX MARKETING
A Division of Gray Television

- 42% growth in revenue over 2017
- 60 Gray stations actively selling LocalX
- Over 1,000 active monthly accounts
- 18 different product offerings

Like

Over 18 million Facebook Likes for Gray and Raycom combined

2.5 million Twitter followers as of Q2 2018, up **15%** from Q2 2017, Likes=66k, Tweets=3.7 million

2.0 million iOS downloads, up **27%** from August 2017

2.1 million Android downloads, up **10%** from August 2017

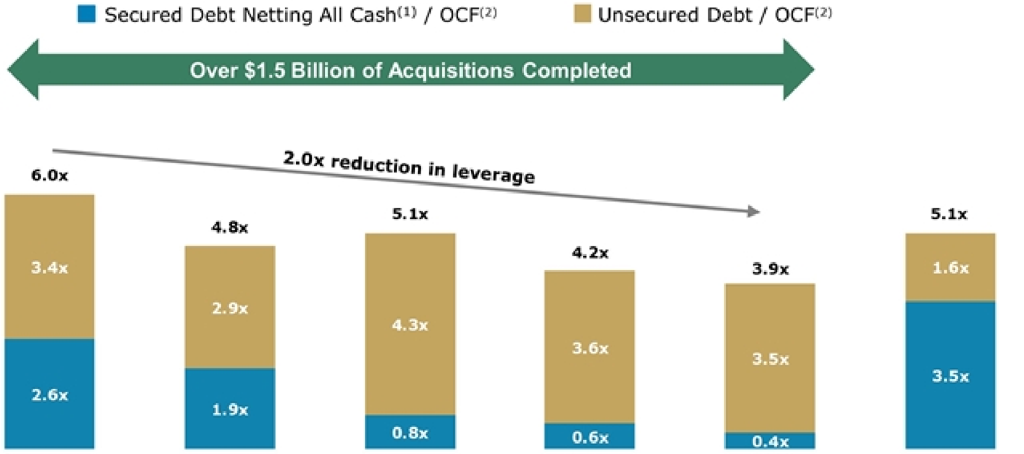
All Data is on an "as reported" basis and does not include station data prior to Gray's acquisition of a station(s)

Track Record of Successfully Integrating Acquisitions and Deleveraging

- Gray has demonstrated the ability to integrate acquisitions and delever rapidly
- Since 2014, the Company has reduced leverage by ~2.0x despite closing more than $1.5 billion of acquisitions

Financial Leverage Netting All Cash ($ in Millions)

Prudently managed leverage through primary equity raises in 2015 and 2017 in addition to equity included in Raycom transaction



Year Ended December 31	2014	2015	2016	2017	6/30/18A	6/30/18PF[5]
Total debt netting all cash	**$1,201[3]**	**$1,134**	**$1,456**	**$1,399**	**$1,346**	**$3,856**
L8QA[4] OCF[2]	**$200**	**$235**	**$288**	**$336**	**$344**	**$754**

Note: Financial leverage excludes preferred stock

(1) Secured debt netting all cash on hand as of the respective balance sheet date

(2) Operating Cash Flow ("OCF") as defined under the existing credit agreement, which includes adjustments for all transactions completed as of the respective balance sheet dates

(3) For 2014, total debt netting all cash includes $10 million in undrawn letters of credit

(4) Last eight quarter average OCF as calculated in the applicable quarterly compliance certificate

(5) Pro forma for Raycom acquisition; based on $754 million 6/30/18 Pro Forma OCF (including $80 million of synergies, $7 million of OCF from pending acquisition of KDLT (NBC) in Sioux Falls, SD, and excludes $32 million of overlap station OCF to be divested)

Historical Financial Overview

Financial Policy

Leverage

- Financial strategy aimed at deleveraging to mid-3x range by the end of 2020
- Deleveraging to be driven by a combination of debt repayment and OCF growth

Liquidity

- Sufficient liquidity will be maintained to support business operations; revolver undrawn at close
- Strong cash flow generation, cash on balance sheet and access to revolver provide ample liquidity. No meaningful debt maturities until 2024

Equity

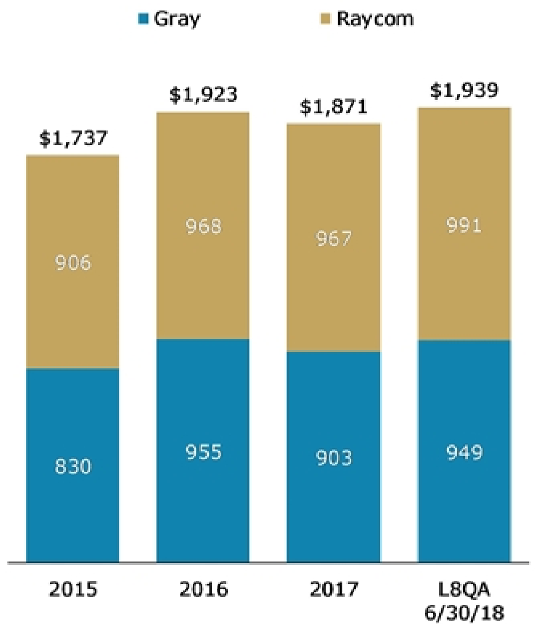
- Preferred equity viewed as a long-term capital given its favorable terms
- No cash dividends paid on the common stock over the past 5 years
- Balanced use of free cash flow to drive growth and delever
- ~$400 million of common equity raised since 2014

Gray's policy is to maintain a conservative financial position that provides a reasonable margin of debt coverage and substantial financial flexibility

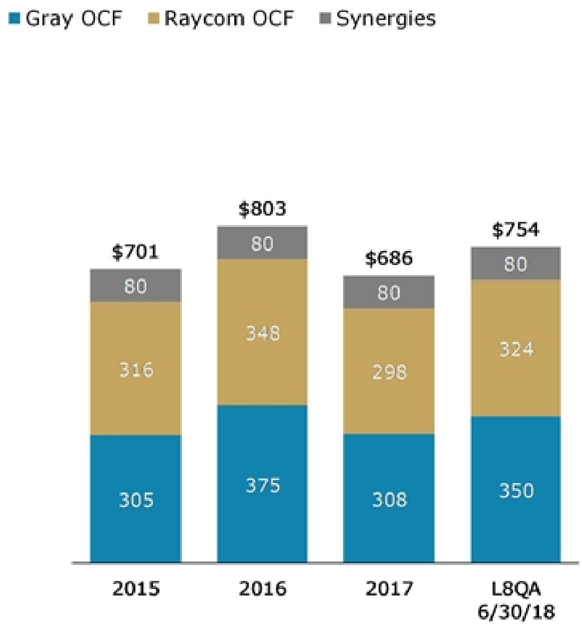
Pro Forma CHB Financial Metrics

($ in Millions)

Net Revenue(1)



OCF(2) & Margin



Combined OCF Margin	40%	42%	37%	39%

(1) Includes $13 million estimated revenue from pending acquisition of KDLT (NBC) in Sioux Falls, SD announced on 5/1/18, and excludes revenue attributed to pending overlap station divestitures

(2) Includes $7 million estimated OCF from pending acquisition of KDLT (NBC) in Sioux Falls, SD announced on 5/1/18 and excludes OCF from pending divestiture stations in nine overlap markets

Gray CHB Financial Metrics

($ in Millions)	2015	2016	2017	LTM 6/30/18	L8QA 6/30/18	CAGR '15/'16-'16/'17
Revenues:						
Local	$427	$424	$416	$403	$412	(1.3%)
National	127	119	122	117	118	(2.1%)
Political	22	118	17	35	66	(3.9%)
Digital	40	42	44	46	44	4.2%
Total Ad Revenue	$616	$703	$598	602	$641	(1.4%)
Gross Retransmission	189	226	280	311	283	22.0%
Other Broadcasting	17	17	17	17	17	0.8%
Total Net Revenue	**$822**	**$946**	**$895**	**$929**	**$941**	**4.2%**
Expenses:						
Reverse Retrans	($86)	($112)	($139)	($151)	($139)	26.8%
General Broadcast Expenses	(437)	(441)	(432)	(431)	(434)	(0.6%)
Total Expenses (Excluding Corporate)	($523)	($553)	($571)	($582)	($572)	4.4%
Add: Other Adjustments[1]	29	8	7	5	4	
Broadcast Cash Flow	**$327**	**$401**	**$331**	**$352**	**$373**	**0.6%**
Corporate Overhead	(34)	(40)	(32)	(35)	(33)	(3.6%)
Add: Other Adjustments[1]	7	9	2	6	5	(29.5%)
OCF	**$300**	**$370**	**$302**	**$323**	**$344**	**0.3%**

Note: Excludes $7 million of OCF from KDLT (NBC) acquisition in Sioux Falls, SD announced on 5/1/18; Prior to impact of Gray + Raycom transaction and any pending divestitures

¹ Other Adjustments include adjustments for pension-related expenses and payments, non-cash stock-based compensation and synergies for prior deals

Raycom CHB Financial Metrics

($ in Millions)	2015	2016	2017	LTM 6/30/18	L8QA 6/30/18	CAGR '15/'16-'16/'17
Revenues:						
Local	$498	$476	$478	$457	$465	(2.0%)
National	177	165	167	160	161	(3.1%)
Political	26	85	19	35	52	(6.6%)
Digital	53	64	74	74	72	18.1%
Total Ad Revenue	$754	$791	$737	$726	$750	(1.1%)
Gross Retransmission	203	243	294	331	299	20.5%
Other Broadcasting (incl. Olympic)	33	45	28	39	40	(6.4%)
Production Revenue	90	83	85	86	85	(2.8%)
Add: SSA Fee (excl. Richmond & Ottumwa)	10	13	14	12	13	18.5%
Less: One-Time Revenues[1]	-	(3)	-	-	-	
Total Revenue	$1,089	$1,171	$1,158	$1,194	$1,187	3.0%
Agency Commissions and Reps	(106)	(115)	(100)	(100)	(105)	(2.5%)
Total Net Revenue	**$983**	**$1,056**	**$1,057**	**$1,093**	**$1,081**	**3.6%**
Expenses:						
Reverse Retrans	(96)	(122)	(177)	(197)	(173)	37.3%
General Broadcast Expenses	(435)	(446)	(445)	(443)	(444)	1.1%
Production Companies Expenses	(76)	(70)	(71)	(73)	(72)	(3.4%)
Total Expenses (Excluding Corporate)	($606)	($638)	($693)	($713)	($689)	6.9%
OKYON PF[2]	0.5	0.5	0.5	0.2	0.3	
Broadcast Cash Flow	**$377**	**$419**	**$365**	**$380**	**$393**	**(1.5%)**
Corporate Overhead[3]	(34)	(37)	(39)	(42)	(39)	6.9%
One-Time Expense Adjustment[4]	-	-	2	2	1	
OCF	**$343**	**$381**	**$328**	**$340**	**$355**	**(2.1%)**

Note: Prior to impact of Gray + Raycom transaction and any pending divestitures

[1] Includes adjustments to remove one-time revenues of $3 million from T-Mobile in CHB 2016

[2] Pro forma adjustment for NBC affiliate launched in Ottumwa, IA in January 2018

[3] Includes the cost of services provided to American Spirit of ~$0.65 - $0.70 million annually which is netted against the SSA fee received and excludes non-cash stock based compensation

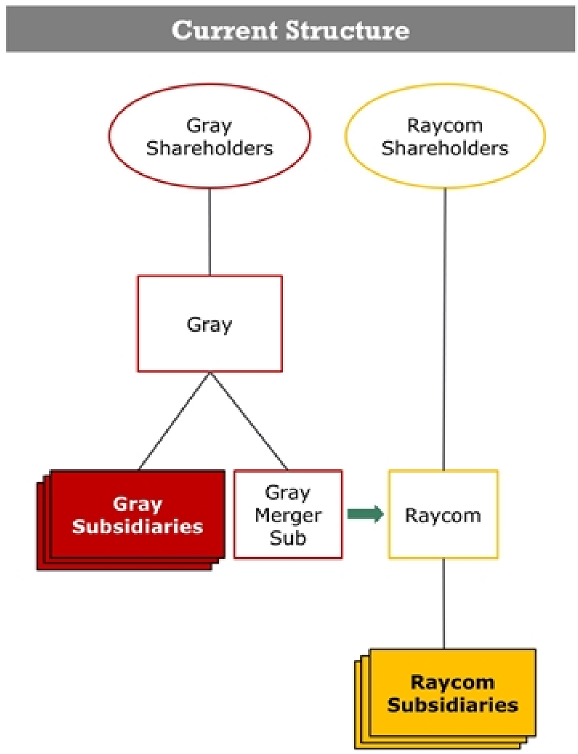
[4] Addback for one-time expense related to severance payments per Raycom management

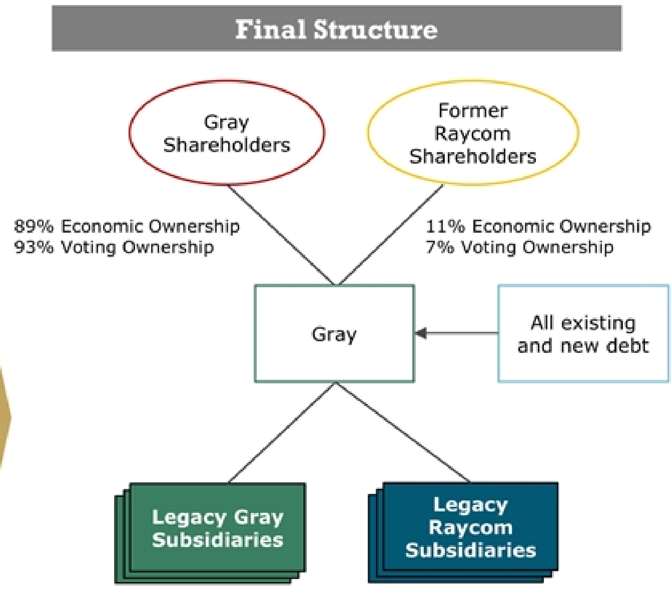
Appendix

Highly Strategic Perpetual Preferred Equity Investment from the RSA

Issuer:	▪ Gray Television, Inc. ("Gray")
Purchaser:	▪ Certain Affiliates of the Retirement Systems of Alabama ("RSA")
Class of Stock:	▪ Newly issued series of perpetual preferred stock, designated as Series A Preferred
Investment Amount:	▪ $650 million
Liquidation Value:	▪ Investment amount plus accrued but unpaid dividends
Ranking:	▪ The Series A Preferred would rank junior to all debt and senior to all Common Stock, Class A Common Stock and any other class or series of equity of Gray ▪ Gray retains ability to pay dividends on, and repurchase, Common Stock and Class A Common Stock
Preferred Dividends:	▪ 8.0% per annum payable in cash or 8.5% per annum payable in kind ("PIK"), payable quarterly ▪ Payable in cash or PIK, at Gray's election, in part or in whole ▪ If the coupon is paid in kind, Gray stock buybacks and dividends will be frozen for the next two (2) quarters
Perpetual:	▪ Series A Preferred will be perpetual, subject to optional redemption by Gray (described below) and RSA's option to redeem upon the occurrence of certain events (described under Mandatory Redemption)
Optional Redemption:	▪ Callable at par in cash
Mandatory Redemption:	▪ At purchaser's option, upon the occurrence of certain asset sales or change of control transactions, Gray would redeem Series A Preferred at par
Transferability/Hold Commitment:	▪ The Series A Preferred will be freely transferable, provided that (i) Gray shall have right to approve any transfer (not to be unreasonably withheld), (ii) no shares may be transferred to an activist fund / shareholder or to any competitor of Gray, (iii) RSA will at all times maintain ownership of at least a majority of the Series A Preferred outstanding, and (iv) any transfer will comply with applicable securities and FCC laws, rules and regulations.

Summary Pro Forma Organizational Structure





Raycom Station Portfolio

Legend:

Stations owned by American Spirit and operated by Raycom via SSA/LMA	Stations operated by Raycom via SSA	Divestitures under contract

DMA	Market	TV HH % (Gross)	Affiliate	Rev. Rank	Market Share
13	Tampa, FL	1.6%	ABC	9	7%
19	Cleveland, OH	1.3%	CBS	2	17%
			My	6	5%
23	Charlotte, NC	1.0%	CBS	1	29%
35	Cincinnati, OH	0.8%	FOX	4	19%
37	West Palm Beach, F	0.7%	FOX	4	14%
44	Birmingham, AL	0.6%	FOX	1	35%
49	Louisville, KY	0.6%	NBC	3	18%
50	Memphis, TN	0.6%	NBC	3	24%
51	New Orleans, LA	0.6%	FOX	1	27%
55	Richmond, VA	0.5%	NBC	2	30%
			CW	6	5%
61	Knoxville, TN	0.5%	FOX	5	10%
65	Tucson, AZ	0.4%	CBS	2	22%
			FOX	4	8%
			My	7	11%
66	Honolulu, HI	0.4%	CBS	1	24%
			NBC	3	15%
			My	6	7%
			NBC	12	0%
			NBC	12	0%
77	Columbia, SC	0.3%	NBC	2	38%
78	Toledo, OH	0.3%	CBS	1	37%
			FOX	3	14%
80	Huntsville, AL	0.3%	NBC	2	34%
82	Paducah, KY	0.3%	CBS	1	33%
83	Shreveport, LA	0.3%	CBS	1	29%
86	Waco, TX	0.3%	ABC	2	18%
			ABC	7	1%
90	Savannah, GA	0.3%	CBS	1	43%
92	Charleston, SC	0.3%	CBS	1	35%
94	Baton Rouge, LA	0.3%	CBS	1	43%
			My	6	1%
95	Jackson, MS	0.3%	NBC	2	33%
			FOX	4	12%
101	Myrtle Beach, SC	0.3%	NBC	4	16%
103	Evansville, IN	0.2%	NBC	1	35%
104	Boise, ID	0.2%	FOX	4	13%
108	Tallahassee, FL	0.2%	ABC	2	16%
109	Tyler, TX	0.2%	ABC	1	41%
			ABC	3	12%
112	Augusta, GA	0.2%	FOX	3	17%
124	Montgomery, AL	0.2%	NBC	1	50%
127	Columbus, GA	0.2%	ABC	2	39%
			FOX	4	15%
130	Wilmington, NC	0.2%	NBC	1	46%
			FOX	4	13%
131	Amarillo, TX	0.2%	CBS	1	34%
			TEL	5	5%
144	Odessa, TX	0.1%	NBC	2	30%
			TEL	6	5%
			NBC	12	0%
145	Lubbock, TX	0.1%	NBC	1	35%
149	Wichita Falls, TX	0.1%	ABC	1	31%
			CBS	3	19%
			TEL	6	0%
151	Panama City, FL	0.1%	FOX	4	10%
154	Albany, GA	0.1%	NBC	1	71%
157	Biloxi-Gulfport, MS	0.1%	ABC	1	77%
168	Hattiesburg, MS	0.1%	NBC	1	73%
173	Dothan, AL	0.1%	FOX	3	15%
174	Lake Charles, LA	0.1%	NBC	1	70%
			FOX	2	24%
182	Jonesboro, AR	0.1%	ABC	1	92%
200	Ottumwa, IA	0.0%	FOX	3	27%
65 Stations in 44 Markets		15.9%			

Pro Forma CHB L8QA Reconciliation

				YTD					
($ in millions)	2015PF	2016PF	2017PF	Q2'16PF	Q2'17PF	Q2'18PF	LTM 6/30/17 PF	LTM 6/30/18 PF	L8QA 6/30/18 PF
Net Revenues									
Local	$426.8	$424.0	$415.9	$210.0	$208.2	$194.9	$422.1	$402.7	$412.4
National	127.2	119.4	122.1	59.8	59.0	54.4	118.6	117.4	118.0
Political	21.9	117.5	16.5	26.0	5.1	23.8	96.6	35.3	66.0
Digital	40.2	41.6	43.7	19.9	20.7	23.5	42.3	46.4	44.4
Ad Revenue	**$616.2**	**$702.5**	**$598.2**	**$315.7**	**$293.0**	**$296.6**	**$679.7**	**$601.9**	**$640.8**
Retransmission	188.6	226.5	279.8	111.6	140.2	170.9	255.1	310.5	282.8
Other Broadcasting	16.8	17.0	17.1	9.4	9.4	9.1	17.0	16.8	16.9
2018 Acquired Revenue (KDLT Sioux Falls)	12.6	12.6	12.6	6.3	6.3	6.3	12.6	12.6	12.6
Gray Standalone Net Revenue	**$834.2**	**$958.6**	**$907.6**	**$443.0**	**$448.8**	**$482.9**	**$964.4**	**$941.8**	**$953.1**
Local	$498.0	$476.2	$478.2	$241.1	$238.1	$217.1	$473.2	$457.2	$465.2
National	177.3	165.5	166.5	83.6	80.4	73.7	162.3	159.8	161.1
Political	26.2	85.0	18.9	20.9	4.2	20.1	68.3	34.8	51.6
Digital	52.6	64.0	73.7	29.4	35.2	35.5	69.8	73.9	71.9
Ad Revenue	**$754.0**	**$790.7**	**$737.2**	**$375.0**	**$357.9**	**$346.4**	**$773.6**	**$725.7**	**$749.7**
Retransmission	202.6	243.2	293.8	116.9	140.2	177.5	266.5	331.0	298.8
Other Broadcasting (Includes Olympic)	32.7	44.8	27.8	17.2	14.5	25.2	42.1	38.5	40.3
Production Revenue	89.6	82.6	84.8	42.9	43.1	44.6	82.8	86.3	84.6
SSA Fee	9.9	12.5	14.0	5.3	7.6	5.7	14.8	12.1	13.5
One-Time Revenues[1]	-	(3.0)	-	(3.0)	-	-	-	-	-
Total Gross Revenue	**$1,088.9**	**$1,170.8**	**$1,157.6**	**$554.1**	**$563.3**	**$599.4**	**$1,179.9**	**$1,193.7**	**$1,186.8**
Agency Commissions	(105.6)	(114.6)	(100.2)	(52.6)	(48.3)	(48.5)	(110.3)	(100.4)	(105.4)
Raycom Standalone Net Revenue	**$983.2**	**$1,056.1**	**$1,057.4**	**$501.5**	**$515.0**	**$550.9**	**$1,069.6**	**$1,093.3**	**$1,081.4**
Divested Revenue	(80.7)	(91.9)	(94.1)	(45.1)	(45.9)	(49.4)	(92.7)	(97.6)	(95.2)
Total Net Revenue	**$1,736.7**	**$1,922.8**	**$1,870.9**	**$899.3**	**$917.8**	**$984.4**	**$1,941.3**	**$1,937.4**	**$1,939.4**
Broadcast Expenses									
Gray Standalone	($523.2)	($553.0)	($570.6)	($270.8)	($280.3)	($291.6)	($562.4)	($581.9)	($572.1)
2018 Acquired Expenses (KDLT Sioux Falls)	(5.8)	(5.8)	(5.8)	(2.9)	(2.9)	(2.9)	(5.8)	(5.8)	(5.8)
Raycom Standalone	(606.3)	(637.9)	(692.5)	(320.2)	(346.7)	(367.5)	(664.5)	(713.3)	(688.9)
Divested Expenses	52.3	56.7	62.9	27.8	30.9	34.3	59.8	66.3	63.1
Total Broadcast Expense	**($1,083.1)**	**($1,140.1)**	**($1,206.1)**	**($566.1)**	**($599.0)**	**($627.6)**	**($1,172.9)**	**($1,234.8)**	**($1,203.8)**
Ottumwa Station (NBC)	0.5	0.5	0.5	0.2	0.2	-	0.5	0.2	0.3
Other OCF Adjustments[2]	28.6	8.0	6.9	7.4	3.7	1.4	4.3	4.6	4.5
Total Broadcast Cash Flow (Excluding Synergies)	**$682.6**	**$791.2**	**$672.2**	**$340.9**	**$322.8**	**$358.2**	**$773.2**	**$707.5**	**$740.3**
Corporate Expenses (Raycom)	(34.2)	(37.2)	(39.1)	(16.0)	(14.7)	(17.8)	(35.9)	(42.1)	(39.0)
Corporate Expenses (Gray)	(34.3)	(40.3)	(31.6)	(24.2)	(16.1)	(19.1)	(32.2)	(34.6)	(33.4)
Severance	-	-	1.9	-	-	-	-	1.9	0.9
Other OCF Adjustments[2]	7.3	9.3	2.4	7.5	2.5	6.0	4.3	5.9	5.1
Total Adjusted Broadcast OCF	**$621.5**	**$723.0**	**$605.8**	**$308.1**	**$294.5**	**$327.3**	**$709.4**	**$638.6**	**$674.0**
Raycom Synergies	80.0	80.0	80.0	40.0	40.0	40.0	80.00	80.0	80.0
Operating Cash Flow	**$701.5**	**$803.0**	**$685.8**	**$348.2**	**$334.5**	**$367.3**	**$789.4**	**$718.6**	**$754.0**

[1] Includes adjustments to remove one-time revenues of $3 million from T-Mobile in 2016PF and $32.3 million and $1.2 million of Spectrum auction and Drewry settlement proceeds, respectively, in 2017PF per Raycom management

[2] Other Adjustments include adjustments for pension-related expenses and payments, non-cash stock-based compensation and synergies for prior deals

Non-GAAP Reconciliation

Gray Television, Inc.
Year Ended December 31, 2015

	Gray As Reported Basis	Gray Other Transactions	Gray Combined Historical Basis	Raycom As Reported Basis	Raycom Other Transactions	Adjustments	Raycom Combined Historical Basis	Gray and Raycom Combined Historical Basis	Divestiture Adjustments	Pro Forma Adjustments	Pro Forma
					(in thousands)						
Net income	$ 39,301	$ 25,901	$ 65,202	$ 29,345	$ (48,192)	$ 305	$ (18,542)	$ 46,660	$ 9,371	$ 21,777	$ 77,808
Adjustments to reconcile from net income to Free Cash Flow:											
Depreciation	36,712	15,344	52,056	34,500	(812)	-	33,688	85,744	(1,495)	-	84,249
Amortization of intangible assets	11,982	7,279	19,261	52,929	95,964	-	148,893	168,154	(8,671)	-	159,483
Non-cash stock based compensation	4,020	-	4,020	1,544	-	-	1,544	5,564	-	-	5,564
(Gain) loss on disposal of assets, net	80	1,656	1,736	10,987	(10,987)	-	-	1,736	-	-	1,736
Miscellaneous income, net (1)	974	5,832	6,806	(244)	16,041	-	15,797	22,603	(963)	-	21,640
Interest expense	74,411	22,186	96,597	166,235	2,914	-	169,149	265,746	(25,601)	(35,700)	204,445
Loss from early extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-
Income tax (benefit) expense	26,448	(4,057)	22,391	11,576	(17,182)	195	(5,411)	16,980	-	13,923	30,903
Amortization of program broadcast rights	14,960	6,839	21,799	22,131	210	-	22,341	44,140	(1,744)	-	42,396
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	26	-	26	-	-	-	-	26	-	-	26
Network compensation revenue recognized	-	-	-	-	-	-	-	-	-	-	-
Payments for program broadcast rights	(14,576)	(6,839)	(21,415)	(22,720)	(1,466)	-	(24,186)	(45,601)	2,218	-	(43,383)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation (1)	31,190	-	31,190	34,157	-	-	34,157	65,347	-	-	65,347
Other (Raycom and Sioux Falls)	-	-	-	-	(46)	-	(46)	(46)	(1,581)	6,723	5,096
Other (Gray's prior deals)	-	475	475	-	-	-	-	475	-	-	475
Synergies (Gray's prior Deals)	-	26,863	26,863	-	-	-	-	26,863	-	-	26,863
Broadcast Cash Flow (Excluding Raycom Synergies) (1)	**225,528**	**101,479**	**327,007**	**340,440**	**36,444**	**500**	**377,384**	**704,391**	**(28,466)**	**6,723**	**682,648**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation (1)	(31,190)	-	(31,190)	(34,157)	-	-	(34,157)	(65,347)	-	-	(65,347)
Broadcast Cash Flow Less Cash Corporate Expenses (1)	**194,338**	**101,479**	**295,817**	**306,283**	**36,444**	**500**	**343,227**	**639,044**	**(28,466)**	**6,723**	**617,301**
Raycom Synergies	-	-	-	-	-	-	-	-	-	80,000	80,000
Pension (income) expense (1)	3,130	-	3,130	-	-	-	-	3,130	-	-	3,130
Contributions to pension plans	(5,421)	-	(5,421)	-	-	-	-	(5,421)	-	-	(5,421)
Other	-	-	-	-	-	-	-	-	-	-	-
Other (Deal Costs)	-	6,488	6,488	-	-	-	-	6,488	-	-	6,488
Operating Cash Flow as Defined in Senior Credit Facility	**192,047**	**107,967**	**300,014**	**306,283**	**36,444**	**500**	**343,227**	**643,241**	**(28,466)**	**86,723**	**701,498**
Interest expense	(74,411)	(22,186)	(96,597)	(166,235)	(2,914)	-	(169,149)	(265,746)	25,601	35,700	(204,445)
Amortization of deferred financing costs	3,194	-	3,194	-	-	-	-	3,194	(144)	6,852	9,902
Net amortization of original issue (premium) discount on senior notes	(863)	-	(863)	2,482	-	-	2,482	1,619	-	(2,482)	(863)
Preferred dividends	-	-	-	-	-	-	-	-	-	(52,000)	(52,000)
Purchase of property and equipment	(24,222)	(2,778)	(27,000)	(26,780)	-	-	(26,780)	(53,780)	-	-	(53,780)
Reimbursements of property and equipment purchases	-	-	-	-	-	-	-	-	-	-	-
Income taxes paid, net of refunds	(1,761)	(3,239)	(5,000)	(6,300)	-	-	(6,300)	(11,300)	-	-	(11,300)
Free Cash Flow	**$ 93,984**	**$ 79,764**	**$ 173,748**	**$ 109,450**	**$ 33,530**	**$ 500**	**$ 143,480**	**$ 317,228**	**$ (3,009)**	**$ 74,793**	**$ 389,012**

(1) Amounts in certain periods have been adjusted to give effect to the adoption of ASU 2017-07 related to the classification of pension expense.

Non-GAAP Reconciliation

Gray Television, Inc.
Year Ended December 31, 2016

	Gray As Reported Basis	Gray Other Transactions	Gray Combined Historical Basis	Raycom As Reported Basis	Raycom Other Transactions	Adjustments	Raycom Combined Historical Basis	Gray and Raycom Combined Historical Basis	Divestiture Adjustments	Pro Forma Adjustments	Pro Forma
					(in thousands)						
Net income	$ 62,273	$ 43,250	$ 105,523	$ 94,630	$ (38,922)	$ (1,525)	$ 54,183	$ 159,706	$ (3,372)	$ 13,413	$ 169,747
Adjustments to reconcile from net income to Free Cash Flow:											
Depreciation	45,923	5,906	51,829	35,100	(732)	-	34,368	86,197	(2,761)	-	83,436
Amortization of intangible assets	16,596	1,308	17,904	16,781	99,196	-	115,977	133,881	(4,620)	-	129,261
Non-cash stock based compensation	5,101	-	5,101	2,239	-	-	2,239	7,340	-	-	7,340
(Gain) loss on disposal of assets, net	329	266	595	(5,537)	5,537	-	-	595	-	-	595
Miscellaneous income, net (1)	(610)	894	284	(1,109)	491	-	(618)	(334)	(811)	-	(1,145)
Interest expense	97,236	5,118	102,354	172,746	(27,189)	-	145,557	247,911	(21,393)	(21,989)	204,529
Loss from early extinguishment of debt	31,987	-	31,987	-	-	-	-	31,987	-	-	31,987
Income tax (benefit) expense	43,418	(1,193)	42,225	50,953	(18,039)	(975)	31,939	74,164	-	8,576	82,740
Amortization of program broadcast rights	19,001	2,348	21,349	21,073	183	-	21,256	42,605	(1,934)	-	40,671
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	29	-	29	-	-	-	-	29	-	-	29
Network compensation revenue recognized	-	-	-	-	-	-	-	-	-	-	-
Payments for program broadcast rights	(18,786)	(2,348)	(21,134)	(21,733)	(477)	-	(22,210)	(43,344)	2,057	-	(41,287)
Corporate and administrative expenses excluding							-				
depreciation, amortization of intangible assets and							-				
non-cash stock based compensation (1)	36,441	-	36,441	37,182	-	-	37,182	73,623	-	-	73,623
Other (Raycom and Sioux Falls)	-	-	-	-	(1,220)	-	(1,220)	(1,220)	(2,367)	6,723	3,136
Other (Gray's prior deals)	-	(1,766)	(1,766)	-	-	-	-	(1,766)	-	-	(1,766)
Synergies (Gray's prior Deals)	-	8,293	8,293	-	-	-	-	8,293	-	-	8,293
Broadcast Cash Flow (Excluding Raycom Synergies) (1)	**338,938**	**62,076**	**401,014**	**402,325**	**18,828**	**(2,500)**	**418,653**	**819,667**	**(35,201)**	**6,723**	**791,189**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation (1)	(36,441)	-	(36,441)	(37,182)	-	-	(37,182)	(73,623)	-	-	(73,623)
Broadcast Cash Flow Less Cash Corporate Expenses (1)	**302,497**	**62,076**	**364,573**	**365,143**	**18,828**	**(2,500)**	**381,471**	**746,044**	**(35,201)**	**6,723**	**717,566**
Raycom Synergies	-	-	-	-	-	-	-	-	-	80,000	80,000
Pension (income) expense (1)	-	-	-	-		-	-	-	-	-	-
Contributions to pension plans	(3,048)	-	(3,048)	-		-	-	(3,048)	-	-	(3,048)
Other	-	-	-	-	-	-	-	-	-	-	-
Other (Deal Costs)	-	8,442	8,442	-	-	-	-	8,442	-	-	8,442
Operating Cash Flow as Defined in Senior Credit Facility	**299,449**	**70,518**	**369,967**	**365,143**	**18,828**	**(2,500)**	**381,471**	**751,438**	**(35,201)**	**86,723**	**802,960**
Interest expense	(97,236)	(5,118)	(102,354)	(172,746)	27,189	-	(145,557)	(247,911)	21,393	21,989	(204,529)
Amortization of deferred financing costs	4,884	-	4,884	-	-	-	-	4,884	(107)	5,125	9,902
Net amortization of original issue (premium) discount on senior notes	(779)	-	(779)	2,770	-	-	2,770	1,991	-	(2,770)	(779)
Preferred dividends	-	-	-	-	-	-	-	-	-	(52,000)	(52,000)
Purchase of property and equipment	(43,604)	-	(43,604)	(26,169)	-	-	(26,169)	(69,773)	-	-	(69,773)
Reimbursements of property and equipment purchases	-	-	-	-	-	-	-	-	-	-	-
Income taxes paid, net of refunds	(14,588)	-	(14,588)	(51,500)	-	-	(51,500)	(66,088)	-	-	(66,088)
Free Cash Flow	**$ 148,126**	**$ 65,400**	**$ 213,526**	**$ 117,498**	**$ 46,017**	**$ (2,500)**	**$ 161,015**	**$ 374,541**	**$ (13,915)**	**$ 59,067**	**$ 419,693**

(1) Amounts in certain periods have been adjusted to give effect to the adoption of ASU 2017-07 related to the classification of pension expense.

Non-GAAP Reconciliation

Gray Television, Inc.
Year Ended December 31, 2017

	Gray As Reported Basis	Gray Other Transactions	Gray Combined Historical Basis	Raycom As Reported Basis	Raycom Other Transactions	Adjustments	Raycom Combined Historical Basis	Gray and Raycom Combined Historical Basis	Divestiture Adjustments	Pro Forma Adjustments	Pro Forma
						(in thousands)					
Net income	$ 261,952	$ (1,819)	$ 260,133	$ 49,814	$ 335,043	$ (18,967)	$ 365,890	$ 626,023	$ (7,345)	$ (2,502)	$ 616,176
Adjustments to reconcile from net income to											
Free Cash Flow:											
Depreciation	51,973	737	52,710	36,434	(483)	-	35,951	88,661	(3,632)	-	85,029
Amortization of intangible assets	25,072	26	25,098	3,227	100,167	-	103,394	128,492	(4,422)	-	124,070
Non-cash stock based compensation	8,304	-	8,304	5,416		-	5,416	13,720	-	-	13,720
(Gain) loss on disposal of assets, net	(74,200)	(50)	(74,250)	(58,363)	58,363	-	-	(74,250)	(1)	-	(74,251)
Miscellaneous income, net (1)	(657)	(9)	(666)	1,013	(27,389)	-	(26,376)	(27,042)	(597)	-	(27,639)
Interest expense	95,259	740	95,999	176,811	(59,107)	-	117,704	213,703	(13,107)	4,102	204,698
Loss from early extinguishment of debt	2,851	-	2,851	-	2,552	-	2,552	5,403	-	-	5,403
Income tax (benefit) expense	(68,674)	(286)	(68,960)	97,764	(361,684)	(12,126)	(276,046)	(345,006)	(16)	(1,600)	(346,622)
Amortization of program broadcast rights	21,033	263	21,296	20,538	199	-	20,737	42,033	(1,918)	-	40,115
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	16	-	16	-		-	-	16	-	-	16
Network compensation revenue recognized	-	-	-	-		-	-	-	-	-	-
Payments for program broadcast rights	(21,055)	(263)	(21,318)	(20,510)	(263)	-	(20,773)	(42,091)	1,993	-	(40,098)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation (1)	27,182	-	27,182	39,081	-	(1,900)	37,181	64,363	-	-	64,363
Other (Raycom and Sioux Falls)	-	-	-	-	(337)		(337)	(337)	(2,232)	6,723	4,154
Other (Gray's prior deals)	-	2,170	2,170	-	-	-	-	2,170	-	-	2,170
Synergies (Gray's prior Deals)	-	862	862	-	-	-	-	862	-	-	862
Broadcast Cash Flow (Excluding Raycom Synergies) (1)	**329,056**	**2,371**	**331,427**	**351,225**	**47,061**	**(32,993)**	**365,293**	**696,720**	**(31,277)**	**6,723**	**672,166**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation (1)	(27,182)	-	(27,182)	(39,081)	-	1,900	(37,181)	(64,363)	-	-	(64,363)
Broadcast Cash Flow Less Cash Corporate Expenses (1)	**301,874**	**2,371**	**304,245**	**312,144**	**47,061**	**(31,093)**	**328,112**	**632,357**	**(31,277)**	**6,723**	**607,803**
Raycom Synergies	-	-	-	-	-	-	-	-	-	80,000	80,000
Pension (income) expense (1)	-	-	-	-	-	-	-	-	-	-	-
Contributions to pension plans	(3,124)	-	(3,124)	-	-	-	-	(3,124)	-	-	(3,124)
Other	-	-	-	-	-	-	-	-	-	-	-
Other (Deal Costs)	-	1,136	1,136	-	-	-	-	1,136	-	-	1,136
Operating Cash Flow as Defined in Senior Credit Facility	**298,750**	**3,507**	**302,257**	**312,144**	**47,061**	**(31,093)**	**328,112**	**630,369**	**(31,277)**	**86,723**	**685,815**
Interest expense	(95,259)	(740)	(95,999)	(176,811)	59,107	-	(117,704)	(213,703)	13,107	(4,102)	(204,698)
Amortization of deferred financing costs	4,624	-	4,624	-	-	-	-	4,624	(161)	5,439	9,902
Net amortization of original issue (premium) discount on senior notes	(610)	-	(610)	4,606	-	-	4,606	3,996	-	(4,606)	(610)
Preferred dividends	-	-	-	-	-	-	-	-	-	(52,000)	(52,000)
Purchase of property and equipment	(34,516)	-	(34,516)	(22,852)	-	-	(22,852)	(57,368)	-	-	(57,368)
Reimbursements of property and equipment purchases	-	-	-	-	-	-	-	-	-	-	-
Income taxes paid, net of refunds	(1,984)	-	(1,984)	(61,700)	-	-	(61,700)	(63,684)	-	-	(63,684)
Free Cash Flow	**$ 171,005**	**$ 2,767**	**$ 173,772**	**$ 55,387**	**$ 106,168**	**$ (31,093)**	**$ 130,462**	**$ 304,234**	**$ (18,331)**	**$ 31,454**	**$ 317,357**

(1) Amounts in certain periods have been adjusted to give effect to the adoption of ASU 2017-07 related to the classification of pension expense.

Non-GAAP Reconciliation

Gray Television, Inc.
Six Months Ended June 30, 2016

	Gray As Reported Basis	Gray Other Transactions	Gray Combined Historical Basis	Raycom As Reported Basis	Raycom Other Transactions	Adjustments	Raycom Combined Historical Basis	Gray and Raycom Combined Historical Basis	Divestiture Adjustments	Pro Forma Adjustments	Pro Forma
					(in thousands)						
Net income	$ 26,652	$ 11,480	$ 38,132	$ 30,959	$ (11,237)	$ (1,678)	$ 18,044	$ 56,176	$ (2,754)	$ 8,847	$ 62,269
Adjustments to reconcile from net income to											
Free Cash Flow:											
Depreciation	22,743	3,472	26,215	17,285	(385)	-	16,900	43,115	(1,206)	-	41,909
Amortization of intangible assets	8,130	1,089	9,219	8,920	49,435	-	58,355	67,574	(2,376)	-	65,198
Non-cash stock based compensation	2,556	-	2,556	891	-	-	891	3,447	-	-	3,447
(Gain) loss on disposal of assets, net	(420)	204	(216)	(3,694)	3,694	-	-	(216)	-	-	(216)
Miscellaneous income, net (1)	(630)	942	312	(286)	(956)	-	(1,242)	(930)	(269)	-	(1,199)
Interest expense	45,544	5,633	51,177	86,353	(11,166)	-	75,187	126,364	(9,639)	(14,503)	102,222
Loss from early extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-
Income tax (benefit) expense	18,312	(1,440)	16,872	18,556	(18,436)	$ (1,073)	(953)	15,919	-	5,656	21,575
Amortization of program broadcast rights	9,209	1,536	10,745	10,986	93	-	11,079	21,824	(1,029)	-	20,795
Common stock contributed to 401(k) plan											
excluding corporate 401(k) contributions	14	-	14	-	-	-	-	14	-	-	14
Network compensation revenue recognized	-	-	-	-	-	-	-	-	-	-	-
Payments for program broadcast rights	(9,130)	(1,536)	(10,666)	(11,847)	(245)	-	(12,092)	(22,758)	1,043	-	(21,715)
Corporate and administrative expenses excluding											
depreciation, amortization of intangible assets and											
non-cash stock based compensation (1)	22,264	-	22,264	16,020	-	-	16,020	38,284	-	-	38,284
Other (Raycom and Sioux Falls)	-	-	-	-	(625)	-	(625)	(625)	(1,105)	3,362	1,632
Other (Gray's prior deals)	-	1,321	1,321	-	-	-	-	1,321	-	-	1,321
Synergies (Gray's prior Deals)	-	5,329	5,329	-	-	-	-	5,329	-	-	5,329
Broadcast Cash Flow (Excluding Raycom Synergies) (1)	**145,244**	**28,030**	**173,274**	**174,143**	**10,172**	**(2,751)**	**181,564**	**354,838**	**(17,335)**	**3,362**	**340,865**
Corporate and administrative expenses excluding											
depreciation, amortization of intangible assets and											
non-cash stock based compensation (1)	(22,264)	-	(22,264)	(16,020)	-	-	(16,020)	(38,284)	-	-	(38,284)
Broadcast Cash Flow Less Cash Corporate Expenses (1)	**122,980**	**28,030**	**151,010**	**158,123**	**10,172**	**(2,751)**	**165,544**	**316,554**	**(17,335)**	**3,362**	**302,581**
Raycom Synergies	-	-	-	-	-	-	-	-	-	40,000	40,000
Pension (income) expense (1)	-	-	-	-	-	-	-	-	-	-	-
Contributions to pension plans	(1,633)	-	(1,633)	-	-	-	-	(1,633)	-	-	(1,633)
Other	-	-	-	-	-	-	-	-	-	-	-
Other (Deal Costs)	-	7,245	7,245	-	-	-	-	7,245	-	-	7,245
Operating Cash Flow as Defined in Senior Credit Facility	**121,347**	**35,275**	**156,622**	**158,123**	**10,172**	**(2,751)**	**165,544**	**322,166**	**(17,335)**	**43,362**	**348,193**
Interest expense	(45,544)	(5,633)	(51,177)	(86,353)	11,166	-	(75,187)	(126,364)	9,639	14,503	(102,222)
Amortization of deferred financing costs	2,267	-	2,267	-	-	-	-	2,267	-	2,684	4,951
Net amortization of original issue (premium) discount											
on senior notes	(432)	-	(432)	1,387	-	-	1,387	955	-	(1,387)	(432)
Preferred dividends	-	-	-	-	-	-	-	-	-	(26,000)	(26,000)
Purchase of property and equipment	(13,475)	-	(13,475)	(10,991)	-	-	(10,991)	(24,466)	-	-	(24,466)
Reimbursements of property and equipment purchases	-	-	-	-	-	-	-	-	-	-	-
Income taxes paid, net of refunds	(14,019)	-	(14,019)	(38,112)	-	-	(38,112)	(52,131)	-	-	(52,131)
Free Cash Flow	**$ 50,144**	**$ 29,642**	**$ 79,786**	**$ 24,054**	**$ 21,338**	**$ (2,751)**	**$ 42,641**	**$ 122,427**	**$ (7,696)**	**$ 33,162**	**$ 147,893**

(1) Amounts in certain periods have been adjusted to give effect to the adoption of ASU 2017-07 related to the classification of pension expense.

Non-GAAP Reconciliation

Gray Television, Inc.
Six Months Ended June 30, 2017

	Gray As Reported Basis	Gray Other Transactions	Gray Combined Historical Basis	Raycom As Reported Basis	Raycom Other Transactions	Adjustments	Raycom Combined Historical Basis	Gray and Raycom Combined Historical Basis	Divestiture Adjustments	Pro Forma Adjustments	Pro Forma
					(in thousands)						
Net income	$ 81,066	$ (1,819)	$ 79,247	$ 43,748	$ (60,411)	$ (580)	$ (17,243)	$ 62,004	$ (835)	$ 5,338	$ 66,507
Adjustments to reconcile from net income to Free Cash Flow:											
Depreciation	25,470	737	26,207	17,884	(385)	-	17,499	43,706	(1,641)	-	42,065
Amortization of intangible assets	12,224	26	12,250	2,018	52,025	-	54,043	66,293	(2,152)	-	64,141
Non-cash stock based compensation	2,772	-	2,772	2,087	-	-	2,087	4,859	-	-	4,859
(Gain) loss on disposal of assets, net	(76,799)	(50)	(76,849)	(33,845)	33,845	-	-	(76,849)	(1)	-	(76,850)
Miscellaneous income, net (1)	(255)	(9)	(264)	(394)	2,950	-	2,556	2,292	(502)	-	1,790
Interest expense	46,982	740	47,722	86,952	(14,470)	-	72,482	120,204	(9,104)	(8,751)	102,349
Loss from early extinguishment of debt	2,851	-	2,851	-	-	-	-	2,851	-	-	2,851
Income tax (benefit) expense	55,222	(286)	54,936	25,602	(2,028)	(371)	23,203	78,139	(16)	3,413	81,536
Amortization of program broadcast rights	10,235	263	10,498	9,741	81	-	9,822	20,320	(858)	-	19,462
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	15	-	15	-	-	-	-	15	-	-	15
Network compensation revenue recognized	-	-	-	-	-	-	-	-	-	-	-
Payments for program broadcast rights	(10,393)	(263)	(10,656)	(10,672)	(176)	-	(10,848)	(21,504)	1,006	-	(20,498)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation (1)	14,066	-	14,066	14,720	-	-	14,720	28,786	-	-	28,786
Other (Raycom and Sioux Falls)	-	-	-	-	172	-	172	172	(897)	3,362	2,637
Other (Gray's prior deals)	-	2,321	2,321	-	-	-	-	2,321	-	-	2,321
Synergies (Gray's prior Deals)	-	862	862	-	-	-	-	862	-	-	862
Broadcast Cash Flow (Excluding Raycom Synergies) (1)	**163,456**	**2,522**	**165,978**	**157,841**	**11,603**	**(951)**	**168,493**	**334,471**	**(15,000)**	**3,362**	**322,833**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation (1)	(14,066)	-	(14,066)	(14,720)	-	-	(14,720)	(28,786)	-	-	(28,786)
Broadcast Cash Flow Less Cash Corporate Expenses (1)	**149,390**	**2,522**	**151,912**	**143,121**	**11,603**	**(951)**	**153,773**	**305,685**	**(15,000)**	**3,362**	**294,047**
Raycom Synergies	-	-	-	-	-	-	-	-	-	40,000	40,000
Pension (income) expense (1)	-	-	-	-	-	-	-	-	-	-	-
Contributions to pension plans	(624)	-	(624)	-	-	-	-	(624)	-	-	(624)
Other	-	-	-	-	-	-	-	-	-	-	-
Other (Deal Costs)	-	1,097	1,097	-	-	-	-	1,097	-	-	1,097
Operating Cash Flow as Defined in Senior Credit Facility	**148,766**	**3,619**	**152,385**	**143,121**	**11,603**	**(951)**	**153,773**	**306,158**	**(15,000)**	**43,362**	**334,520**
Interest expense	(46,982)	(740)	(47,722)	(86,952)	14,470	-	(72,482)	(120,204)	9,104	8,751	(102,349)
Amortization of deferred financing costs	2,309	-	2,309	-	-	-	-	2,309	-	2,642	4,951
Net amortization of original issue (premium) discount on senior notes	(305)	-	(305)	1,379	-	-	1,379	1,074	-	(1,379)	(305)
Preferred dividends	-	-	-	-	-	-	-	-	-	(26,000)	(26,000)
Purchase of property and equipment	(10,415)	-	(10,415)	(8,223)	-	-	(8,223)	(18,638)	-	-	(18,638)
Reimbursements of property and equipment purchases	-	-	-	-	-	-	-	-	-	-	-
Income taxes paid, net of refunds	(896)	-	(896)	(23,500)	-	-	(23,500)	(24,396)	-	-	(24,396)
Free Cash Flow	**$ 92,477**	**$ 2,879**	**$ 95,356**	**$ 25,825**	**$ 26,073**	**$ (951)**	**$ 50,947**	**$ 146,303**	**$ (5,896)**	**$ 27,376**	**$ 167,783**

(1) Amounts in certain periods have been adjusted to give effect to the adoption of ASU 2017-07 related to the classification of pension expense.

Non-GAAP Reconciliation

Gray Television, Inc.
Six Months Ended June 30, 2018

	Gray As Reported Basis	Gray Other Transactions	Gray Combined Historical Basis	Raycom As Reported Basis	Raycom Other Transactions	Adjustments	Raycom Combined Historical Basis	Gray and Raycom Combined Historical Basis	Divestiture Adjustments	Pro Forma Adjustments	Pro Forma	LSQA Ended June, 30 2018
						(in thousands)						
Net income	$ 60,650	$ -	$ 60,650	$ 42,743	$ (8,312)	$ -	$ 34,431	$ 95,081	$ (3,793)	$ (2,313)	$ 88,975	$ 406,315
Adjustments to reconcile from net income to Free Cash Flow:												
Depreciation	27,237	-	27,237	18,157	175	-	18,332	45,569	(1,983)	-	43,586	85,071
Amortization of intangible assets	10,589	-	10,589	975	51,488	-	52,463	63,052	(2,331)	-	60,721	124,427
Non-cash stock based compensation	3,371	-	3,371	3,472	-	-	3,472	6,843	-	-	6,843	12,228
(Gain) loss on disposal of assets, net	(1,615)	-	(1,615)	(665)	665	-	-	(1,615)	36	-	(1,579)	(37,510)
Miscellaneous income, net	(1,262)	-	(1,262)	(141)	1,642	-	1,501	239	(59)	-	180	(13,703)
Interest expense	49,081	-	49,081	87,617	(32,221)	-	55,396	104,477	(5,228)	3,100	102,349	204,677
Loss from early extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	18,695
Income tax (benefit) expense	21,256	-	21,256	14,763	(13,002)	-	1,761	23,017	-	(787)	22,230	(131,614)
Amortization of program broadcast rights	10,604	-	10,604	9,738	105	-	9,843	20,447	(1,015)	-	19,432	39,712
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	-	-	-	-	-	-	-	-	-	-	-	16
Network compensation revenue recognized	-	-	-	-	-	-	-	-	-	-	-	-
Payments for program broadcast rights	(10,866)	-	(10,866)	(11,119)	(96)	-	(11,215)	(22,081)	1,043	-	(21,038)	(40,354)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	16,909	-	16,909	17,758	-	-	17,758	34,667	-	-	34,667	67,185
Other (Raycom and Sioux Falls)	-	-	-	-	(352)	-	(352)	(352)	(1,723)	3,362	1,287	3,473
Other (Gray's prior deals)	-	503	503	-	-	-	-	503	-	-	503	(207)
Synergies (Gray's Prior Deals)	-	-	-	-	-	-	-	-	-	-	-	1,913
Broadcast Cash Flow (Excluding Raycom Synergies)	**185,954**	**503**	**186,457**	**183,298**	**92**	-	**183,390**	**369,847**	**(15,053)**	**3,362**	**358,156**	**740,324**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	(16,909)	-	(16,909)	(17,758)	-	-	(17,758)	(34,667)	-	-	(34,667)	(67,185)
Broadcast Cash Flow Less Cash Corporate Expenses	**169,045**	**503**	**169,548**	**165,540**	**92**	-	**165,632**	**335,180**	**(15,053)**	**3,362**	**323,489**	**673,139**
Raycom Synergies	-	-	-	-	-	-	-	-	-	40,000	40,000	80,000
Pension (income) expense	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to pension plans	-	-	-	-	-	-	-	-	-	-	-	(2,270)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Other (Deal Costs)	-	3,849	3,849	-	-	-	-	3,849	-	-	3,849	3,091
Operating Cash Flow as Defined in Senior Credit Facility	**169,045**	**4,352**	**173,397**	**165,540**	**92**	-	**165,632**	**339,029**	**(15,053)**	**43,362**	**367,338**	**753,960**
Interest expense	(49,081)	-	(49,081)	(87,617)	32,221	-	(55,396)	(104,477)	5,228	(3,100)	(102,349)	(204,677)
Amortization of deferred financing costs	2,315	-	2,315	-	-	-	-	2,315	-	2,636	4,951	9,902
Net amortization of original issue (premium) discount on senior notes	(305)	-	(305)	420	-	-	420	115	-	(420)	(305)	(631)
Preferred dividends	-	-	-	-	-	-	-	-	-	(26,000)	(26,000)	(52,000)
Purchase of property and equipment	(19,915)	-	(19,915)	(5,377)	-	-	(5,377)	(25,292)	-	-	(25,292)	(63,984)
Reimbursements of property and equipment purchases	1,846	-	1,846	-	-	-	-	1,846	-	-	1,846	923
Income taxes paid, net of refunds	(12,048)	-	(12,048)	(2,100)	-	-	(2,100)	(14,148)	-	-	(14,148)	(45,895)
Free Cash Flow	**$ 91,857**	**$ 4,352**	**$ 96,209**	**$ 70,866**	**$ 32,313**	**$ -**	**$ 103,179**	**$ 199,388**	**$ (9,825)**	**$ 16,478**	**$ 206,041**	**$ 397,598**

Glossary

"Combined Historical Basis" or "CHB"	Combined Historical Basis reflects financial results that have been compiled by adding Gray's or Raycom's, as applicable, historical revenue and broadcast expenses to the historical revenue and broadcast expenses of the stations acquired in the Completed Transactions and subtracting the historical revenues and broadcast expenses of stations divested in the Completed Transactions as if they had been acquired or divested, respectively, on January 1, 2014 (the beginning of the earliest period presented). Combined Historical Basis financial information does not include any adjustments for other events attributable to the Completed Transactions except "Broadcast Cash Flow," "Broadcast Cash Flow Less Cash Corporate Expenses," "Operating Cash Flow," "Operating Cash Flow as Defined in the Senior Credit Agreement" and "Total Leverage Ratio, Net of All Cash" each give effect to expected synergies, and "Free Cash Flow" on a Combined Historical Basis gives effect to the financings and certain expected operating synergies related to the Completed Transactions. "Operating Cash Flow," "Operating Cash Flow as Defined in the Senior Credit Agreement" and "Total Leverage Ratio, Net of All Cash" on a Combined Historical Basis also reflect the add-back of legal and other professional fees incurred in completing acquisitions. Certain of the Combined Historical Basis financial information has been derived from, and adjusted based on, unaudited, unreviewed financial information prepared by other entities, which Gray cannot independently verify. We cannot assure you that such financial information would not be materially different if such information were audited or reviewed and no assurances can be provided as to the accuracy of such information, or that our actual results would not differ materially from the Combined Historical Basis financial information if the Completed Transactions had been completed at the stated date. In addition, the presentation of Combined Historical Basis, "Broadcast Cash Flow," "Broadcast Cash Flow Less Cash Corporate Expenses," "Operating Cash Flow," "Operating Cash Flow as Defined in the Senior Credit Agreement," "Total Leverage Ratio, Net of All Cash," "Free Cash Flow," and the adjustments to such information, including expected synergies resulting from such transactions, may not comply with GAAP or the requirements for pro forma financial information under Regulation S-X under the Securities Act
"Pro Forma" or "PF"	Pro Forma reflects Combined Historical Basis figures, adjusted for impact of Gray's pending acquisition of KDLT, market overlap divestitures expected to close concurrently with the closing of Gray's merger with Raycom, and $80 million of estimated synergies
"Completed Transactions"	All acquisitions or dispositions completed as of June 30, 2018 as well as the pending acquisition of two stations by Raycom and market overlap divestitures that we anticipate will be completed prior to the closing date of Gray's merger with Raycom
"Revenue"	Revenue is presented net of agency commissions

Non-GAAP Terms

From time to time, Gray supplements its financial results prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") by disclosing the non-GAAP financial measures Broadcast Cash Flow, Broadcast Cash Flow Less Cash Corporate Expenses, Operating Cash Flow as defined in Gray's Senior Credit Agreement, Free Cash Flow and Total Leverage Ratio, Net of All Cash. These non-GAAP amounts are used by us to approximate the amount used to calculate key financial performance covenants contained in our debt agreements and are used with our GAAP data to evaluate our results and liquidity. These non-GAAP amounts may be provided on an As-Reported Basis as well as a Combined Historical Basis.

"Broadcast Cash Flow" or "BCF"	Net income plus loss from early extinguishment of debt, corporate and administrative expenses, broadcast non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense, less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast rights and network compensation revenue
"Broadcast Cash Flow Less Cash Corporate Expenses"	Net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast rights and network compensation revenue
"Free Cash Flow" or "FCF"	Net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, amortization of deferred financing costs, any income tax expense, non-cash 401(k) expense, pension expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast rights, trade income, network compensation revenue, contributions to pension plans, amortization of original issue premium on our debt, capital expenditures (net of reimbursements) and the payment of income taxes (net of any refunds received)
"Operating Cash Flow" or "OCF"	Defined in Gray's Senior Credit Agreement as net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense and pension expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast rights, trade income, network compensation revenue, and cash contributions to pension plans
"Total Leverage Ratio, Net of All Cash"	Our Total Leverage Ratio, Net of All Cash is determined by dividing our Adjusted Total Indebtedness, Net of All Cash by our Operating Cash Flow as defined in our Senior Credit Agreement, divided by two. Our Adjusted Total Indebtedness, Net of All Cash represents the total outstanding principal of our long-term debt, plus certain other obligations as defined in our Senior Credit Agreement, less all cash. Our Operating Cash Flow as defined in our Senior Credit Agreement, divided by two represents our average annual Operating Cash Flow as defined in our Senior Credit Agreement for the preceding eight quarters

These non-GAAP terms are not defined in GAAP and our definitions may differ from, and therefore not be comparable to, similarly titled measures used by other companies, thereby limiting their usefulness. Such terms are used by management in addition to and in conjunction with results presented in accordance with GAAP and should be considered as supplements to, and not as substitutes for, net income and cash flows reported in accordance with GAAP.

gray

Television • Digital • Mobile

Gray Television, Inc.
4370 Peachtree Rd., NE
Atlanta, Georgia 30319
www.gray.tv

CONFIDENTIAL

Exhibit 99.3

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Consolidated Carve-Out Financial Statements

December 31, 2017, 2016, and 2015

(With Independent Auditors' Report Thereon)

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Consolidated Carve-Out Financial Statements

December 31, 2017, 2016, and 2015

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Independent Auditors' Report

To the Board of Directors and Stockholders
Raycom Media, Inc.:

Report on the Consolidated Carve Out Financial Statements

We have audited the accompanying consolidated carve-out financial statements of Raycom Media, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017, 2016, and 2015, and the related consolidated statements of income, deficit in net assets, and cash flows for the years then ended, and the related notes to the consolidated carve-out financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated carve-out financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated carve-out 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 consolidated carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated carve-out financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated carve-out financial statements referred to above present fairly, in all material respects, the financial position of Raycom Media, Inc. and its subsidiaries as of December 31, 2017, 2016, and 2015, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2(a), the accompanying consolidated carve-out financial statements reflect the assets, liabilities, revenue and expenses directly attributable to the carved out entities as well as allocations deemed reasonable by management, to present the financial position, results of operations, changes in deficit in net assets and cash flows in the consolidated carve-out financial statements. Our opinion is not modified with respect to this matter.

/s/ KPMG LLP

Atlanta, Georgia
October 5, 2018

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Consolidated Carve-Out Balance Sheets

December 31, 2017, 2016, and 2015

(In thousands, except for share and share data)

Assets	2017	2016	2015
Current assets:			
Cash and cash equivalents	$ 82,979	82,799	71,670
Accounts receivable, net of allowance for doubtful accounts of $2,894, $2,825, and $2,658 in 2017, 2016, and 2015, respectively	230,220	208,547	189,159
Income tax receivable	18,411	4,069	1,068
Current portion of programming rights	22,617	19,598	19,453
Due from Parent	—	1,266	360
Prepaid expenses and other current assets	23,200	23,219	28,119
Total current assets	377,427	339,498	309,829
Programming rights, net of current portion, and accumulated amortization	846	585	1,022
Property, plant, and equipment, net	245,680	233,319	236,182
Goodwill, net	999,393	992,114	983,509
Nonamortizable intangibles	496,687	419,463	408,586
Amortizable intangibles, net	17,494	16,397	31,864
Long-term deferred income taxes, net	61,217	105,112	104,496
Long-term Investments	12,529	45,554	42,634
Other assets	15,515	39,699	24,825
Total assets	$2,226,788	2,191,741	2,142,947
Liabilities and Deficit in Net Assets			
Current liabilities:			
Current installments of long-term debt to related parties	$ 20,755	115,596	16,156
Current installments of long-term debt and capital leases	24,633	111,333	92,076
Current installments of programming liabilities	29,065	25,630	25,340
Accounts payable	10,949	10,815	10,874
Accrued interest	22,587	23,850	23,989
Accrued expenses	69,844	62,809	64,336
Due to parent	11,250	—	—
Other current liabilities	13,138	12,379	9,283
Total current liabilities	202,221	362,412	242,054
Long-term debt to related parties, net of current installments	1,641,281	1,662,036	1,777,585
Long-term debt and capital leases, net of current installments	867,746	678,045	701,797
Programming liabilities, net of current installments	3,496	3,623	4,866
Other liabilities	24,924	23,208	22,618
Total liabilities	2,739,668	2,729,324	2,748,920
Commitments and contingencies			
Deficit in net assets	(512,880)	(537,583)	(605,973)
Total liabilities and deficit in net assets	$2,226,788	2,191,741	2,142,947

See accompanying notes to consolidated carve-out financial statements.

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Consolidated Carve-Out Statements of Income

Years ended December 31, 2017, 2016, and 2015

(In thousands)

	2017	2016	2015
Gross revenues	$1,157,192	1,147,870	1,013,025
Agency commissions and representation fees	(98,341)	(109,649)	(95,572)
Net revenues	1,058,851	1,038,221	917,453
Expenses:			
Operating	482,939	414,239	375,156
Selling, general, and administrative	269,212	260,418	236,969
Depreciation and amortization	39,661	51,881	87,429
Gain on FCC spectrum auction	(32,293)	—	—
Total operating expenses	759,519	726,538	699,554
Operating profit	299,332	311,683	217,899
Interest expense	(176,811)	(172,746)	(166,235)
Interest income	1,539	1,109	244
Other expense, net	(2,552)	—	—
Gain (loss) on long-term investments, sale of assets, and other, net	26,070	5,537	(10,987)
Income from operations before income taxes	147,578	145,583	40,921
Income tax expense	(97,764)	(50,953)	(11,576)
Net income	$ 49,814	94,630	29,345

See accompanying notes to consolidated carve-out financial statements.

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Consolidated Carve-Out Statements of Deficit in Net Assets

Years ended December 31, 2017, 2016, and 2015

(In thousands)

	Deficit in net assets
Balance, December 31, 2014	$(481,007)
Net income	29,345
Cash distribution to the Parent	(166,256)
Noncash contributions from the Parent	11,945
Balance, December 31, 2015	(605,973)
Net income	94,630
Cash contributions to the Parent	(35,180)
Noncash contributions from the Parent	8,940
Balance, December 31, 2016	(537,583)
Net income	49,814
Cash contributions to the Parent	(35,770)
Noncash contributions from the Parent	10,659
Balance, December 31, 2017	$(512,880)

See accompanying notes to consolidated carve-out financial statements.

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Consolidated Carve-Out Statements of Cash Flows

Years ended December 31, 2017, 2016, and 2015

(In thousands)

	2017	2016	2015
Cash flows from operating activities:			
Net income	$ 49,814	94,630	29,345
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	36,434	35,100	34,500
Amortization of intangibles	3,227	16,781	52,960
Amortization of programming rights	20,538	21,073	22,131
Amortization of debt discount	4,606	2,770	2,482
Bad debt expense	937	1,323	352
Payment of programming liabilities	(20,510)	(21,733)	(22,720)
Deferred income tax	48,838	5,999	4,512
(Gain) Loss on long-term investments and sale of assets, net	(42,070)	(2,185)	767
(Gain) from FCC Spectrum Auction	(32,293)	—	—
Equity method investment losses (gains) and impairment charge on other assets	16,000	(2,425)	9,950
Loss on early extinguishment of debt	2,552	—	—
Stock compensation expense	5,416	2,239	1,544
Other	42	1,038	(76)
Changes in operating assets and liabilities, excluding the impact of business combinations and assets held for sale:			
Accounts receivable, net	(22,365)	(20,711)	(8,124)
Income taxes receivable/payable	(14,342)	(3,001)	(392)
Prepaid expenses and other assets	5,565	(7,353)	(8,377)
Accounts payable, accrued expenses, other current liabilities, and other long-term liabilities	20,334	(1,567)	17,279
Net cash provided by operating activities	82,723	121,978	136,133
Cash flows from investing activities:			
Capital expenditures	(22,852)	(26,169)	(26,780)
Proceeds from sales of investments and assets	79,823	338	2,549
Acquisitions, net of cash acquired	(119,407)	(21,915)	(189,255)
Proceeds from sales of businesses and FCC Spectrum Auction	33,493	—	—
Distributions from long-term investments	—	2,155	3,982
Purchases of long-term investments	—	(2,484)	(29,881)
Net cash used in investing activities	(28,943)	(48,075)	(239,385)
Cash flows from financing activities:			
Debt issuance costs	(8,805)	—	(3,039)
Proceeds from the issuance of other debt	6,966	—	250,000
Proceeds from issuance of bank group debt	900,000	—	—
Payments on revolving line of credit	(84,000)	—	—
Borrowings on revolving line of credit	—	24,000	45,000
Principal payment on long-term debt due to related party	(115,596)	(16,156)	(32,270)
Principal payments on other long-term debt	(712,087)	(23,330)	(16,333)
Principal payments on capital lease obligations, mortgage, and note payable	(4,308)	(12,108)	(13,466)
Net transfers (to) parent	(35,770)	(35,180)	(166,256)
Net cash (used in) provided by financing activities	(53,600)	(62,774)	63,636
Net increase (decrease) in cash and cash equivalents	180	11,129	(39,616)
Cash and cash equivalents, beginning of year	82,799	71,670	111,286
Cash and cash equivalents, end of year	$ 82,979	82,799	71,670

See accompanying notes to consolidated carve-out financial statements.

(1) Description of Business

Raycom Media, Inc. and subsidiaries, formed on May 2, 1996, is a media company engaged in television broadcasting and it's principal business is the sale of television broadcasting advertising time to local, regional, digital, and national customers.

Each of the broadcast properties acquired by Raycom Media, Inc. is a wholly owned subsidiary of the Raycom Media, Inc. As of December 31, 2017, the Raycom Media, Inc. operates 65 broadcast television stations as follows:

State/jurisdiction	City	Station
Alabama	Birmingham	WBRC*
Alabama	Dothan	WDFX*
Alabama	Huntsville	WAFF*
Alabama	Montgomery	WSFA*
Arizona	Tucson	KOLD*
Arkansas	Jonesboro	KAIT*
Idaho	Boise	KNIN
Florida	Panama City	WPGX
Florida	West Palm Beach	WFLX*
Florida	Sarasota	WWSB*
Florida	Tallahassee	WTXL*
Georgia	Albany	WALB*
Georgia	Augusta	WFXG
Georgia	Columbus	WTVM*
Georgia	Savannah	WTOC*
Hawaii	Honolulu	KGMB/KHNL
Indiana	Evansville	WFIE*
Kentucky	Louisville	WAVE*
Kentucky	Paducah	WQWQ*
Louisiana	Baton Rouge	WAFB/WBXH*
Louisiana	Lake Charles	KPLC*
Louisiana	New Orleans	WVUE*
Louisiana	Shreveport	KSLA*
Mississippi	Biloxi	WLOX*
Mississippi	Hattiesburg	WDAM*
Mississippi	Jackson	WLBT*
Missouri	Cape Girardeau	KFVS*
North Carolina	Charlotte	WBTV*
North Carolina	Wilmington	WECT*
Ohio	Cincinnati	WXIX*
Ohio	Cleveland	WOIO/WUAB*
Ohio	Toledo	WTOL*

(Continued)

State/jurisdiction	City	Station
Oklahoma	Lawton	KSWO/KKTM/KSWX*
South Carolina	Charleston	WCSC*
South Carolina	Columbia	WIS*
South Carolina	Myrtle Beach	WMBF
Tennessee	Knoxville	WTNZ*
Tennessee	Memphis	WMC*
Texas	Amarillo	KFDA/KEYU*
Texas	Lubbock	KCBD*
Texas	Lufkin	KTRE*
Texas	Odessa/Midland	KWES/KTLE*
Texas	Tyler	KLTV*
Texas	Waco/Temple/Bryan	KXXV/KRHD/KSCM*
Virginia	Richmond	WWBT*

Of the stations listed above, 48 of the stations (denoted by *) are owned by Raycom TV Broadcasting, LLC, a wholly owned subsidiary of Raycom Media, Inc.

Raycom Media, Inc. provides certain operating and management services to television stations as follows:

State/jurisdiction	City	Station	Owner
Arizona	Tucson	KTTU	Tucker Operating Co, LLC
Arizona	Tucson	KMSB	Sander Media, LLC
Georgia	Columbus	WXTX	American Spirit Media, LLC
Hawaii	Honolulu	KFVE	HITV License Subsidiary, Inc.
Iowa	Ottumwa	KYOU	American Spirit Media, LLC
Louisiana	Lake Charles	KVHP	American Spirit Media, LLC
Mississippi	Jackson	WDBD	American Spirit Media, LLC
North Carolina	Wilmington	WSFX	American Spirit Media, LLC
Texas	Wichita Falls	KAUZ	American Spirit Media, LLC
Ohio	Toledo	WUPW	American Spirit Media, LLC
Virginia	Richmond	WUPV	American Spirit Media, LLC

Raycom Media, Inc. has two additional ABC network affiliations in Albany, GA and Hattiesburg, MS and one additional CBS network affiliation in Biloxi, MS broadcasting on the digital spectrum.

Raycom Media, Inc. wholly owns Raycom Sports Network, LLC. (Raycom Sports). Raycom Sports owns, produces, and markets sports and entertainment programming, primarily intercollegiate basketball and football games for television and cable networks and operates various sporting events.

Pending Transaction

On June 25, 2018, Raycom Media, Inc. entered into an Agreement and Plan of Merger (the Agreement) with Gray Television, Inc. (Gray). Under the terms of the Agreement, Gray will acquire the broadcasting and production operations of Raycom Media, Inc. and subsidiaries. The acquisition will close once customary closing conditions, including antitrust clearance and approval by the FCC, are obtained. The terms of the Agreement exclude the operations of certain wholly owned subsidiaries, PureCars Automotive, LLC and PureCars, LLC (collectively, PureCars) and Community Newspaper Holdings, Inc. (CNHI), except for the deferred tax asset associated with CNHI's net operating losses, which are to be acquired by Gray (note 8).

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated carve-out financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The balance sheet, statement of operations, deficit in net assets, and cash flows of Raycom Media, Inc. and its subsidiaries, excluding the financial results of Purecars and CNHI (the Company) have been derived from historical accounting records of Raycom Media, Inc. and subsidiaries (the Parent Company records) and are presented on a carve-out basis. Historically, our consolidated financial statements have included the financial results of Purecars and CNHI.

All revenues and costs as well as assets and liabilities directly associated with the business activities of the Company are included in the consolidated carve-out financial statements. The consolidated carve-out financial statements also exclude allocations of certain operating, selling, general, and administrative expenses of PureCars and CNHI. These allocations were based on methodologies that management believes to be reasonable. However, amounts derecognized by the Company are not necessarily representative of the amounts that would have been reflected in the financial statements had PureCars and CNHI operated independently of the Company.

Historically, Raycom Media, Inc. used a centralized approach to cash management and financing of its operations. As the Company represents all of the broadcasting and production operations of Raycom Media, Inc., all of Raycom Media, Inc.'s cash, cash equivalents and debt are included in these consolidated carve-out financial statements. Any intercompany assets or liabilities are reflected as due from (to) Parent.

Deficit in net assets represents the Parent Company's recorded net liabilities, as well as the income attributed with the consolidated carve-out financial statements.

The Company has had positive cash flow from operations of $82.7 million, $127.5 million and $136.1 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company expects to fund our working capital requirements, capital expenditures and payments of principal and interest on outstanding indebtedness, with cash on hand and cash flows from operations. The Company currently anticipate that funds generated from operations, cash on hand and available borrowings under our Senior Secured Credit Facilities Agreement will be sufficient to meet the Company's anticipated cash requirements for at least the next twelve months as of the report issuance date.

All significant intercompany accounts and transactions between the businesses comprising the Company have been eliminated in the accompanying consolidated carve-out financial statements.

Certain columns and rows may not add due to the use of rounded numbers.

(b) Use of Estimates

The preparation of consolidated carve-out financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

The Company’s significant estimates include the allowance for doubtful accounts, valuation of assets acquired and liabilities assumed in business combinations, the recoverability of goodwill, FCC licenses and other long lived assets, the recoverability of broadcast rights and the useful lives of property, plant, and equipment and intangible assets. Actual results may differ from those estimates.

(c) Recognition of Revenue and Expenses

The Company’s primary source of revenue is derived from the sale of television broadcasting advertising. Total revenue includes cash and barter advertising revenue, other broadcast, and related revenues.

Advertising revenue is reported net of agency commissions and representation fees. Agency commissions and representation fees are calculated based on a stated percentage applied to gross billings for the Company’s broadcasting operations. Advertising revenue is recognized in the period in which the advertisements are aired.

Production costs and collegiate conference rights fees expense are recognized as the events are aired, on a per telecast basis.

(d) Concentration of Credit Risk

The Company’s accounts receivable are due primarily from local, regional, and national advertising agencies. Management believes that the allowance for doubtful accounts is adequate, but if the financial condition of the Company’s customers were to deteriorate, additional allowances may be required. The Company has not experienced significant losses related to receivables from individual customers or by geographical area.

(e) Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and any highly liquid investments purchased with original maturities of three months or less.

(f) Accounts Receivable

The Company’s accounts receivable are primarily due from advertisers. The Company extends credit based upon its evaluation of a customer’s creditworthiness and financial condition. For certain advertisers, the Company does not extend credit and requires cash payment in advance. The Company monitors the collection of receivables and maintains an allowance for estimated losses based upon the aging of such receivables and specific collections issues that may be identified. When receivables are deemed to be uncollectible, amounts are written off to bad debt expense.

(g) Programming Rights and Liabilities

Programming rights, primarily in the form of syndicated programs and feature programming packages, represent amounts paid or payable to program suppliers for the limited right to broadcast the suppliers' programming and are recorded when these programs are available for use. Programming rights are amortized over the lives of the underlying contracts using the greater of the straight line method or the accelerated per play method and charged to operating expense. Programming rights expected to be amortized within one year are classified as current in the accompanying consolidated balance sheet. Programming liabilities represent the gross amounts to be paid to program suppliers over the life of the contracts. Payments for programming liabilities, which are due within one year, are classified as current in the accompanying consolidated balance sheet.

(h) Trade and Barter Transactions

The Company trades certain advertising time for various goods and services. The Company also barters advertising time for certain programming rights. These transactions are recorded at the estimated fair value of the goods or services received, if determinable, or at the estimated fair value of the advertising time traded. The related revenue is recognized when advertisements are broadcast, and the related expenses are recognized as the goods or services are used. For the years ended December 31, 2017, 2016, and 2015, trade and barter revenue was $20.4 million, $15.9 million, and $13.5 million, respectively. For the years ended December 31, 2017, 2016, and 2015 trade and barter expense was approximately $20.0 million, $15.3 million, and $13.3 million, respectively.

(i) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost or estimated fair value if acquired in a business combination. Depreciation is computed on the straight line basis over the estimated useful lives of the assets, which range from 3 to 30 years. Leasehold improvements held under capital lease are amortized over the shorter of the useful life of the improvement under lease or the lease term. Construction in process is not depreciated until the asset is placed into service.

The Company reviews, on a continuing basis, the financial statement carrying value of property, plant, and equipment for impairment. If events or changes in circumstances indicate that an asset carrying value may not be recoverable utilizing undiscounted cash flows, a write down of the asset would be recorded through a charge to operations. Management reviews the continuing appropriateness of the useful lives assigned to property, plant, and equipment. Prospective adjustments to such lives are made when warranted.

(Continued)

(j) Intangible Assets and Goodwill

Intangible assets consist primarily of goodwill, broadcast licenses (FCC licenses), network affiliation agreements, and customer lists arising from acquisitions.

(i) Definite Lived Assets

The Company tests finite lived intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, relying on a number of factors including operating results, business plans, economic projections, and anticipated future cash flows. The impairment test for finite lived intangible assets consists of an asset (asset group) comparison of the carrying amount with its estimated undiscounted future cash flows. An impairment in the carrying amount of a finite lived intangible asset is recognized when the expected discounted future operating cash flow derived from the operation to which the asset relates is less than its carrying value.

(ii) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company tests goodwill for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When a triggering event occurs, an entity has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, the entity must perform the quantitative test to compare the entity's fair value with its carrying amount including goodwill (or the fair value of the reporting unit with the carrying amount including goodwill, of the reporting unit). If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is unnecessary.

(iii) Indefinite Lived Intangibles

The Company's FCC licenses are considered to be indefinite lived intangible assets and are not amortized but are tested for impairment annually in the Company's fourth quarter, or whenever events or changes in circumstances indicate that such assets might be impaired. The use of an indefinite life for FCC licenses contemplates the Company's historical ability to renew its licenses such that renewals generally may be obtained indefinitely and at little cost. Therefore, cash flows derived from the FCC licenses are expected to continue indefinitely. The estimated fair values of FCC licenses are generally calculated based on projected future discounted cash flow analyses. The development of market multiples, operating cash flow projections, and discount rates used in these analyses requires the use of assumptions, including assumptions regarding revenue and market growth as well as specific economic factors in the broadcasting industry. These assumptions reflect the Company's best estimates, but these items involve inherent uncertainties based on market conditions generally outside of the Company's control.

(k) Income Taxes

The Company calculates its income tax provision on a stand-alone basis using the asset and liability method as if PureCars and CNHI were not part of the group. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained on examination by the taxing authorities. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest and penalties related to unrecognized tax benefits in income tax benefit.

(l) Stock Based Compensation

Stock based compensation is described more fully in note 9. The grant date fair value of the equity classified employee stock options are calculated using the Black Scholes model. The fair value of the equity classified restricted stock is based on the number of shares awarded and grant date fair value of the stock on the date of award. These amounts are recognized into selling, general and administrative expense over the vesting period of the options or the restricted stock.

(m) Fair Value of Financial Instruments

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

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

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

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

The carrying value of the Company’s financial instruments including, cash and cash equivalents, accounts receivable, programming rights, short term debt, accounts payable, programming liabilities and accrued expenses approximate their fair value as of December 31, 2017 due to the short term duration of these instruments.

The carrying value of the Company’s long term debt due to related parties is not carried at fair value because it is not practicable to estimate the fair value. The fair value of the Company’s long term debt with banks is measured by discounting the future cash flows of each instrument at rates that reflect, among other things, market interest rates, and the Company’s credit standing. In determining an appropriate spread to reflect credit standing, the Company considers interest rates of other long term debt offered to the Company for similar debt instruments by the Company’s bankers or other banks that regularly compete to provide financing to the Company. The carrying values approximate fair value at December 31, 2017.

(n) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014 09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In March 2016, the FASB issued ASU No. 2016 08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations* (ASU 2016 08). The purpose of ASU 2016 08 is to clarify the implementation of guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016 10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* (ASU 2016 10), which clarifies the implementation guidance in identifying performance obligations in a contract and determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). In 2016, the FASB issued various additional updates to the standard which included technical corrections and clarifications and did not substantially change the content of the new standard. The Company does not plan to early adopt, and accordingly, it will adopt these updates effective January 1, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU No. 2014 09, ASU No. 2016 08, and ASU No 2016 10, will have on its consolidated carve-out financial statements and related disclosures.

In February of 2016, the FASB issued ASU 2016 02, *Leases (Topic 842)*. ASU 2016 02 requires the recognition of lease rights and obligations as assets and liabilities on the balance sheet. Previously, lessees were not required to recognize on the balance sheet assets and liabilities arising from operating leases. The ASU also requires disclosure of key information about leasing arrangements. ASU 2016 02 is effective for annual reporting periods after December 15, 2019, using the modified retrospective method of adoption, with early adoption permitted. The Company is in the preliminary phases of assessing the effect of the ASU on its portfolio of leases. The Company has not yet selected a transition date, nor has it determined the effect of the ASU on its consolidated carve-out financial statements. See note 14 for a summary of our undiscounted minimum rental commitments under operating leases as of December 31, 2017.

(3) Acquisitions

(a) WVUE, LLC (WVUE) Acquisition

On August 8, 2017, the Company exercised its option to purchase virtually all of the assets of WVUE. The Company had been providing certain services in relation to its Shared Service Agreement (SSA) with Louisiana Media Company, LLC (LMC) since December 2013 (note 11). The goodwill of $1.7 million arising from this transaction relates to the increase in earnings. The aggregate purchase price of $52.1 million was paid in cash from proceeds related to the spectrum auction (note 6) and cash on hand (in thousands):

Consideration:	
Cash	$52,107
Fair value of total consideration transferred	$52,107
Recognized amounts of identifiable assets acquired:	
Property and equipment	$12,236
Nonamortizable intangible assets:	
FCC License	36,743
Other intangibles	1,454
Total identifiable net assets assumed	50,433
Goodwill	1,674
Total	$52,107
Acquisition related costs included in selling, general, and administration	$ 286

(b) WWSB and WTXL TV License LLC Acquisitions

On May 1, 2017, the Company acquired virtually all of the assets of WWSB and WTXL TV License LLC (Calkins). The results of Calkins' operations have been included in the consolidated carve-out financial statements since that date. The Company entered into this transaction to expand its presence in Florida, a state known for its history of large amounts of political advertising. The goodwill of $5.6 million arising from this transaction relates to the estimate of increased political revenues. The aggregate purchase price was $67.3 million and was paid in cash from borrowing on the Senior Secured Credit Facilities Agreement (note 7d) (in thousands):

Consideration:	
Cash	$67,300
Fair value of total consideration transferred	$67,300
Recognized amounts of identifiable assets acquired:	
Current assets	$ 4,938
Property and equipment	14,080
Nonamortizable intangible assets:	
FCC License	40,481
Other intangibles	2,869
Other assets	24
Current liabilities	(697)
Total identifiable net assets assumed	61,695
Goodwill	5,605
Total	$67,300
Acquisition related costs included in selling, general, and administration	$ 2,178

(c) KVHP, LLC Acquisition

On August 15, 2016, the Company acquired the real property of KVHP, LLC (KVHP). In conjunction with the purchase, the Company entered into an SSA arrangement with American Spirit Media, which purchased the FCC license and various other property of KVHP. The Company has included the SSA fees received from American Spirit in the consolidated carve-out financial statements since that date. The Company expects to receive SSA fees of approximately $2.1 million a year. The goodwill of $8.6 million arising from this acquisition relates to the synergies expected from operating two television stations in the Lake Charles market. The aggregate purchase price was $21.9 million and was paid in cash.

Consideration:	
Cash	$21,915
Fair value of total consideration transferred	$21,915
Recognized amounts of identifiable assets acquired:	
Property and equipment	$ 1,119
Nonamortizable intangible assets:	
Shared service agreements	10,877
Other intangibles	1,314
Total identifiable assets assumed	13,310
Goodwill	8,605
Total	$21,915
Acquisition related costs included in selling, general, and administration	$ 87

(d) Acquisition of Drewry Communications

On December 1, 2015, the Company acquired substantially all of the assets of Drewry Broadcasting (Drewry). The results of Drewry's operations have been included in the consolidated financial statements since that date. The purchased Drewry portfolio consists of 5 television stations, one of which will be sold at closing to American Spirit Media, LLC and run as a Shared Services Arrangement by the Company. The Company entered into this transaction to expand its presence in Texas and use its existing management talent to create synergies and cost reductions. The goodwill of $28.8 million arising from this acquisition relates to that synergy. The aggregate purchase price was $168.3 million and was paid in cash from borrowings on the Senior Secured Credit Facilities Agreement (see note 7d).

The following table summarizes the consideration paid for Drewry and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

Consideration:	
Cash	$168,343
Fair value of total consideration transferred	$168,343
Acquisition related costs included in selling, general, and administrative	$ 783
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Current assets	$ 9,917
Property and equipment	23,781
Nonamortizable intangible assets	
FCC license	84,518
Shared service agreements	14,008
Amortizable intangible assets	
Customer list	8,017
Other intangibles	855
Current liabilities	(1,574)
Total identifiable net assets assumed	139,522
Goodwill	28,821
Total	$168,343

(e) Acquisition of KNIN

On October 1, 2015, the Company acquired substantially all of the assets of KNIN from Journal Broadcasting Corporation (JBC). The results of KNIN's operations have been included in the consolidated carve-out financial statements since that date. KNIN is a television station in Boise, ID that is run through a shared service agreement with JBC. The aggregate purchase price was $15.7 million and was paid in cash.

The following table summarizes the consideration paid for KNIN and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

Consideration:	
Cash	$15,674
Fair value of total consideration transferred	$15,674
Acquisition related costs included in selling, general, and administrative	$ 121
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Current assets	$ 1,350
Property and equipment	631
FCC license	13,198
Amortizable intangible assets	33
Current liabilities	(183)
Total identifiable net assets assumed	15,029
Goodwill	645
Total	$15,674

(f) Acquisition of WebStream

On September 1, 2015, the Company acquired substantially all of the assets of WebStream Productions, Inc. (WebStream). The results of WebStream's operations have been included in the consolidated financial statements since that date. WebStream is a sports production company who primarily produces college events for streaming over the internet or ESPNU. The aggregate purchase price was $5.2 million and was paid in cash.

(4) Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands):

	2017	2016	2015
Land and improvements	$ 41,201	38,231	38,033
Buildings and improvements	104,642	95,756	91,281
Broadcasting equipment	356,981	336,501	329,553
Furniture and other equipment	54,707	49,853	46,818
Vehicles	48,398	47,329	45,167
Construction in process	5,106	7,105	6,281
	611,035	574,775	557,133
Less accumulated depreciation	(365,355)	(341,456)	(320,951)
	$ 245,680	233,319	236,182

Total depreciation for the years ended December 31, 2017, 2016, and 2015 were $36.4, $35.1, and $34.5 million, respectively.

In conjunction with its annual impairment tests during 2017, 2016, and 2015, the Company evaluated whether the carrying value of its property, plant, and equipment was recoverable on an undiscounted cash flow basis. For all years the carrying value of property, plant, and equipment was deemed to be fully recoverable.

(5) Goodwill and Intangible Assets

(a) Intangible Assets

Intangible assets consist of nonamortizable (indefinite lived) and amortizable (definite lived) intangible assets as of December 31, 2017, 2016, and 2015, as follows (in thousands):

Nonamortizable intangible assets consist principally of FCC licenses, while the amortizable intangible assets consist of network affiliation agreements and other short term acquired intangibles. Nonamortizable intangibles are as follows:

Balance at December 31, 2014	$297,354
Drewry purchase	98,525
KNIN purchase	13,198
Other	(491)
Balance at December 31, 2015	408,586
KVHP purchase	10,877
Balance at December 31, 2016	419,463
Calkins purchase	40,481
WVUE purchase	36,743
Balance at December 31, 2017	$496,687

The Company's performed an impairment evaluation on the FCC licenses and no impairment was indicated for the years ended December 31, 2017, 2016, and 2015.

	2017	2016	2015
Amortizable intangible assets (in thousands):			
Network affiliation agreements	$ 539,367	539,367	539,367
Other intangible assets	110,683	106,362	105,048
Customer list	8,024	8,021	8,021
Noncompete agreement	25	25	25
Less accumulated amortization	(640,605)	(637,378)	(620,597)
Total amortizable intangible assets	$ 17,494	16,397	31,864

The Company's amortizable intangible assets are amortized over the term of their related agreements that generally range from 15 to 20 years. Total amortization expense for the periods ended December 31, 2017, 2016, and 2015 was $3.2 million, $16.8 million, and $53.0 million, respectively. The approximate amortization expense related to amortizable intangible assets for the five years beginning January 1, 2018 is expected to be as follows: 2018, $1.8 million; 2019, $1.7 million; 2020, $1.6 million; 2021, $1.6 million; 2022, $1.5 million; and thereafter $9.3 million.

(b) Goodwill

Goodwill is as follows (in thousands):

Balance at December 31, 2014	$ 951,300
Drewry purchase	28,821
Other	3,388
Balance at December 31, 2015	983,509
KVHP purchase	8,605
Balance at December 31, 2016	992,114
Calkins purchase	5,605
WVUE purchase	1,674
Balance at December 31, 2016	$ 999,393
Accumulated impairment losses	$(276,887)

The Company's performed a goodwill impairment evaluation as a consolidated unit and no impairment was indicated for the year ended December 31, 2017, 2016, and 2015.

(6) FCC Spectrum Auction

On April 13, 2017, the FCC announced the results of its spectrum auction. In the auction, the Company relinquished its spectrum rights in Cleveland, OH for its My Network affiliated station WUAB. The Company has a legal duopoly in Cleveland and plans to channel share with its CBS affiliated station WOIO. The Company received proceeds of $32.3 million in July 2017, which were recorded in other investing activities in the Company's consolidated statement of cash flows.

(7) Indebtedness

Indebtedness as of December 31, 2017, 2016, and 2015 consists of the following (in thousands):

	2017	2016	2015
Long-term debt due to related parties:			
Fixed-rate loan (a)	$1,662,036	1,777,632	1,793,788
Less unamortized discount on fixed-rate loan	—	—	(47)
Total long-term debt due to related parties	1,662,036	1,777,632	1,793,741
Less current installments of long-term debt due to related parties	(20,755)	(115,596)	(16,156)
Long-term debt to related parties, net of current installments	$1,641,281	1,662,036	1,777,585

	2017	2016	2015
Other long-term debt:			
Tranche A Term Note (b, c, d)	$296,250	349,161	368,832
Tranche B Term Note (b, c, d)	598,500	357,676	361,335
Less unamortized discount on Tranche B Term Note (c)	(3,164)	(1,593)	(1,949)
Revolving credit facility (c)	—	84,000	60,000
Term loan note (e)	—	—	2,013
Mortgage payable (f)	—	—	2,593
Unamortized debt issuance costs	(10,523)	(8,947)	(11,304)
Obligations under capital leases (g)	11,316	9,081	12,353
Total other long-term debt	892,379	789,378	793,873
Less current installments of other long-term debt and obligations under capital lease	(24,633)	(111,333)	(92,076)
Other long-term debt, net of current installments	$867,746	678,045	701,797

(a) The Seventh Amended and Restated Loan and Credit Agreement

On September 30, 2009, the Company executed the Seventh Amended and Restated Loan and Credit Agreement, with the Retirement Systems of Alabama (RSA), which bears interest at 8% per annum and is payable on January 31, April 30, July 31, and October 31 of each year. The Fixed Rate Loan matures on December 31, 2032. The repayment of the loans under the Seventh Amended and Restated Loan and Credit Agreement is based upon the Company’s excess cash flows as defined by the agreement and requires that preferred stock dividends be declared prior to the repayment of any portion of the outstanding balances, except in the case of any disposition of the Company’s broadcasting properties. The Seventh Amended and Restated Loan and Credit Agreement also contains significant prepayment penalties, which substantially negate the Company’s ability to prepay the loans.

(b) Third Amended and Restated Credit Agreement

On August 23, 2017 one of the Company’s subsidiaries, Raycom TV Broadcasting, LLC entered into an amended and restated credit agreement (the Senior Secured Credit Facilities Agreement) with a consortium of banks, and administered by Wells Fargo, that consists of the following credit facilities (described below): Tranche A Term Note, Tranche B Term Note, Revolving Credit Facility, Swingline Loan(s), Letter of Credit(s), and Incremental Term Loan(s).

At the discretion of Raycom TV Broadcasting, LLC, the interest rate on the Tranche A Term Note, Tranche B Term Note, Revolving Credit Facility, and any Incremental Term Loan(s) borrowed is set at either the London Inter bank Offered Rate (LIBOR) or the Base Rate, described as follows:

LIBOR plus an applicable percentage (between 1.50% and 2.50%) dependent upon the leverage ratio as defined by the Senior Secured Credit Facilities Agreement.

Base Rate: the higher of (i) the per annum interest rate publicly announced by Wells Fargo to be its prime rate, or (ii) the Federal Funds Rate plus 0.5% per annum.

The interest rate on any Swingline Loan(s) borrowed is required to be at the Base Rate.

The Tranche A Term Note was issued for $300.0 million. The Tranche A Term Note matures on January 2, 2023 with mandatory repayments that began on December 31, 2017. Interest accrues on the Tranche A Term Note based on the LIBOR plus a spread as defined in the Senior Secured Credit Facilities Agreement and at December 31, 2017 was 3.819%. Accrued interest on the Tranche A Term Note as of December 31, 2017 was approximately $161,000.

The Tranche B Term Note was issued for $600.0 million. The Tranche B Term Note matures on August 23, 2024 with mandatory repayments that began on December 31, 2017. Interest accrues on the Tranche B Term Note based on the LIBOR plus 2.75%. The interest rate at December 31, 2017 was 4.319%. Accrued interest on the Tranche B Term Note as of December 31, 2017 was approximately $215,000.

The maximum aggregate amount Raycom TV Broadcasting, LLC can borrow under the Revolving Credit Facility is $350.0 million. The total outstanding principal of the Revolving Credit Facility matures on January 2, 2023; however, Raycom TV Broadcasting, LLC can make prepayments on any outstanding principal, which can later be reborrowed. Interest accrues on the Revolving Credit Facility based on the LIBOR plus a spread as defined in the Credit Agreement. There was no outstanding balance on the Revolving Credit Facility as of December 31, 2017.

Raycom TV Broadcasting, LLC can obtain Swingline Loan(s) in an aggregate amount not to exceed $10.0 million, provided that the Aggregate Revolving Credit Exposure would not exceed the aggregate Revolving Credit Commitments immediately following the borrowing. Any amounts outstanding under the Swingline Loan(s) may be prepaid and reborrowed before their maturity date of December 26, 2022.

Raycom TV Broadcasting, LLC can draw upon a Letter of Credit with the consortium of banks, the terms of which to be negotiated upon borrowing; however, the aggregate principal balance of the Letter of Credit may not exceed $10.0 million, nor, when combined with the outstanding principal balance of the Revolving Credit Facility and any Swingline Loan(s), exceed $200 million. The Letter of Credit may not contain terms that extend beyond the longer of one year or December 26, 2022.

Raycom TV Broadcasting, LLC can obtain Incremental Term Loan(s) in an aggregate amount not to exceed $250.0 million. Any amounts outstanding under any Incremental Term Loan(s) may be repaid, but not reborrowed, through their maturity date, which is determined upon obtaining the Incremental Term Loan(s).

There were no borrowings under the Swingline Loan(s), Letter of Credit, or Incremental Term Loan(s).

The Senior Secured Credit Facilities Agreement provides for certain restrictive and financial covenants with respect to total leverage, leverage, and interest coverage. The Company must also maintain minimum liquidity of $50.0 million.

(Continued)

Future minimum payments required under the Senior Secured Credit Facilities Agreement are as follows (in thousands):

	Tranche A Term Note	Tranche B Term Note
2018	$ 15,000	6,000
2019	15,000	6,000
2020	15,000	6,000
2021	15,000	6,000
2022	15,000	6,000
Thereafter	221,250	568,500
Total	$296,250	598,500

In addition to the minimum repayments above, on April 1 of each year, Raycom TV Broadcasting, LLC must prepay the outstanding principal amount of the credit facilities in an amount based on Raycom TV Broadcasting, LLC's excess cash flows from the previous fiscal year, if any, as defined in the Senior Secured Credit Facilities Agreement. Also, each prepayment is to be applied (i) first, to reduce the outstanding principal amount of the Tranche A Term Note, Tranche B Term Note, and the Incremental Term Loan(s), if any, on a pro rata basis, with such reduction to be applied to the remaining mandatory principal payments in each instance on a pro rata basis, (ii) second, to reduce the outstanding principal amount on any Swingline Loan(s), (iii) third, to reduce the outstanding principal amount of any Revolving Term Loan(s), and (iv) fourth, to pay any outstanding reimbursement obligations and to collateralize letter of credit exposure.

Raycom TV Broadcasting, LLC also has the right to make voluntary prepayments limited to certain restrictions as defined in the Senior Secured Credit Facilities agreement.

The debt held under the Senior Secured Credit Facilities Agreement is collateralized by the assets of Raycom TV Broadcasting, LLC (note 1).

(c) First Amendment, Consent, and Incremental Facilities Agreement

On October 23, 2015, Raycom TV Broadcasting, LLC entered into the First Amendment, Consent, and Incremental Facility Agreement (Incremental Agreement). The Incremental Agreement provided for certain banks and financial institutions to commit to fund an Incremental Term Loan A in the aggregate principal amount of $160.0 million and an Incremental Term Loan B in the aggregate principal amount of $90.0 million. The Incremental Facilities are subject to the terms and conditions in the Senior Secured Credit Facilities Agreement (see note 7d).

(d) $775 million Senior Secured Credit Facilities Agreement

On August 3, 2014, Raycom TV Broadcasting, LLC entered into an amended and restated credit agreement (the Senior Secured Credit Facilities Agreement) with a consortium of banks, and administered by Wells Fargo, that consists of the following credit facilities (described below): Tranche A Term Note, Tranche B Term Note, Revolving Credit Facility, Swingline Loan(s), Letter of Credit(s), and Incremental Term Loan(s).

At the discretion of Raycom TV Broadcasting, LLC, the interest rate on the Tranche A Term Note, Tranche B Term Note, Revolving Credit Facility, and any Incremental Term Loan(s) borrowed is set at either the LIBOR or the Base Rate, described as follows:

LIBOR plus an applicable percentage (between 1.50% and 2.50%) dependent upon the leverage ratio as defined by the Senior Secured Credit Facilities Agreement.

Base Rate: the higher of (i) the per annum interest rate publicly announced by Wells Fargo to be its prime rate, or (ii) the Federal Funds Rate plus 0.5% per annum.

The interest rate on any Swingline Loan(s) borrowed is required to be at the Base Rate.

The Tranche A Term Note was issued for $225.0 million and was increased by the borrowing on the Incremental Agreement by $160.0 million for a total principal amount of $385.0 million. The Tranche A Term Note matures on January 2, 2020 with mandatory repayments that began on December 31, 2014. Interest accrues on the Tranche A Term Note based on the LIBOR plus a spread as defined in the Credit Agreement and at December 31, 2015 was 2.6739%. Accrued interest on the Tranche A Term Note as of December 31, 2015 was approximately $27,000.

The Tranche B Term Note was issued for $275.0 million and was increased by the borrowing on the Incremental Agreement by $90.0 million for a total principal amount of $365.0 million. The Tranche B Term Note matures on August 4, 2021 with mandatory repayments that began on December 31, 2014. Interest accrues on the Tranche B Term Note based on the LIBOR (with a floor of 0.75%) plus 3.0%. The interest rate at December 31, 2015 was 3.75%. Accrued interest on the Tranche B Term Note as of December 31, 2015 was approximately $38,000.

The maximum aggregate amount Raycom TV Broadcasting, LLC can borrow under the Revolving Credit Facility is $275.0 million. The total outstanding principal of the Revolving Credit Facility matures on January 2, 2020; however, Raycom TV Broadcasting, LLC can make prepayments on any outstanding principal, which can later be reborrowed. Interest accrues on the Revolving Credit Facility based on the LIBOR plus a spread as defined in the Credit Agreement, which at December 31, 2015 was 2.6739%. The outstanding balance of the Revolving Credit Facility as of December 31, 2015 was $60.0 million. Accrued interest on the Revolving Credit Facility as of December 31, 2015 was approximately $4,000. Due to the ability of Raycom TV Broadcasting, LLC to periodically borrow and repay against the Revolving Credit Facility, the related amount outstanding as of December 31, 2015 is classified as current debt on the Company's consolidated balance sheet.

Raycom TV Broadcasting, LLC can obtain Swingline Loan(s) in an aggregate amount not to exceed $10.0 million, provided that the Aggregate Revolving Credit Exposure would not exceed the aggregate Revolving Credit Commitments immediately following the borrowing. Any amounts outstanding under the Swingline Loan(s) may be prepaid and reborrowed before their maturity date of December 27, 2019.

Raycom TV Broadcasting, LLC can draw upon a Letter of Credit with the consortium of banks, the terms of which to be negotiated upon borrowing; however, the aggregate principal balance of the Letter of Credit may not exceed $10.0 million, nor, when combined with the outstanding principal balance of the Revolving Credit Facility and any Swingline Loan(s), exceed $200 million. The Letter of Credit may not contain terms that extend beyond the longer of one year or May 25, 2016.

Raycom TV Broadcasting, LLC can obtain Incremental Term Loan(s) in an aggregate amount not to exceed $500.0 million. Any amounts outstanding under any Incremental Term Loan(s) may be repaid, but not reborrowed, through their maturity date, which is determined upon obtaining the Incremental Term Loan(s).

There were no borrowings under the Swingline Loan(s), Letter of Credit, or Incremental Term Loan(s).

The Senior Secured Credit Facilities Agreement provides for certain restrictive and financial covenants over total leverage, leverage, and interest coverage. Raycom TV Broadcasting, LLC was in compliance with all covenants at December 31, 2015.

Future minimum payments required under the Senior Secured Credit Facilities Agreement are as follows (in thousands):

	Tranche A Term Note	Tranche B Term Note	Revolving credit facility
2016	$ 19,671	3,660	—
2017	19,671	3,660	—
2018	19,671	3,660	—
2019	19,671	3,660	—
2020	290,148	3,660	275,000
2021	—	343,035	—
Total	$368,832	361,335	275,000

In addition to the minimum repayments above, on April 1 of each year, Raycom TV Broadcasting, LLC must prepay the outstanding principal amount of the credit facilities in an amount based on Raycom TV Broadcasting, LLC's excess cash flows from the previous fiscal year, if any, as defined in the Senior Secured Credit Facilities Agreement. Also, each prepayment is to be applied (i) first, to reduce the outstanding principal amount of the Tranche A Term Note, Tranche B Term Note, and the Incremental Term Loan(s), if any, on a pro rata basis, with such reduction to be applied to the remaining mandatory principal payments in each instance on a pro rata basis, (ii) second, to reduce the outstanding principal amount on any Swingline Loan(s), (iii) third, to reduce the outstanding principal amount of any Revolving Term Loan(s), and (iv) fourth, to pay any outstanding reimbursement obligations and to collateralize letter of credit exposure. There are no required prepayments in 2015.

Raycom TV Broadcasting, LLC also has the right to make voluntary prepayments limited to certain restrictions as defined in the Senior Secured Credit Facilities agreement.

The debt held under the Senior Secured Credit Facilities Agreement is collateralized by the assets of Raycom TV Broadcasting, LLC, (see note 1 for station listings).

(e) Term Loan Note

As partial consideration for the asset exchange and service agreement with HITV (note 12), the Company issued a $22 million Term Loan Note. The Term Loan Note bore interest of 5% per annum and was payable on March 31, June 30, September 30, and December 31 each year. The Term Loan Note matured on October 1, 2016. Repayment of the loan under the Term Loan Note was based upon the Company's excess cash flow as defined by the Asset Exchange Agreement (AEA). Voluntary prepayments were permitted at any time with no penalty. At December 31, 2015, approximately $2.0 million of the Term note was classified as current. During 2016, the Company repaid approximately $2.0 million, which fully satisfied the balance of the Term Loan Note.

(f) Mortgage Payable

During 2012, the Company assumed a mortgage payable that was secured by commercial property located in Cincinnati, Ohio. The mortgage bore interest of 5.61% per annum, was payable in monthly installments, and matured on April 1, 2016. As of December 31, 2015, approximately $2.6 million of the mortgage was classified as current. The mortgage was paid in full on April 1, 2016.

(g) Capital Leases

The Company acquired certain equipment and facilities under long term leases that are capitalized for financial reporting purposes. Accordingly, the present value of the future minimum lease payments has been capitalized. The leases expire at dates through 2023.

The following is a schedule of future minimum lease payments for the Company's capital leases as of December 31, 2017 (in thousands):

Year ending December 31:	
2018	$ 4,390
2019	3,444
2020	2,280
2021	1,304
2022	999
Thereafter	912
Total future minimum lease payments	13,329
Less amount representing interest and taxes	(2,013)
Obligations under capital lease	11,316
Current portion of obligations under capital lease	(3,632)
Obligations under capital leases, net of current portion	$ 7,684

(8) Income Taxes

Total income taxes for the years ended December 31, 2017, 2016, and 2015 were allocated as follows (in thousands):

	2017	2016	2015
Income tax (benefit) expense:			
Current:			
Federal	$44,555	43,492	3,874
State	4,371	1,462	3,190
	48,926	44,954	7,064
Deferred:			
Federal	46,553	1,457	13,148
State	2,285	4,542	(8,636)
	48,838	5,999	4,512
Income tax expense	$97,764	50,953	11,576

The following is a reconcilation between U.S. Federal Statutory rate of 35% to actual income tax rate:

	2017	2016	2015
Book income/(loss) before taxes	$147,578	145,583	40,921
Expected tax at 35%	$ 51,652	50,954	14,322
State tax expense, net	4,287	6,129	(3,562)
Permanent items	(3,643)	(4,106)	617
Change in tax rates	44,226	—	133
Uncertain tax position release	—	(2,175)	—
Other, net	1,242	151	66
	$ 97,764	50,953	11,576

For the year ended December 31, 2017, the difference between actual income tax expense and the amount computed by applying the federal statutory rate of 35% is primarily attributable to the change in the future enacted federal corporate tax rate from 35% to 21% nondeductible expenses, state taxes, federal deduction for domestic production activities, and accrual of unrecognized tax benefits.

For the year ended December 31, 2016, the difference between actual income tax expense and the amount computed by applying the federal statutory rate of 35% is primarily attributable to state taxes, nondeductible expenses, federal deduction for domestic production activities, and release of uncertain tax positions.

For the year ended December 31, 2015, the difference between actual income tax expense and the amount computed by applying the federal statutory rate of 35% is primarily attributable to state taxes, changes in tax rates, nondeductible expenses, and the release of valuation allowance on historical Raycom state net operating losses.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities for the year ended December 31, 2017, 2016 and 2015 are presented below (in thousands):

	2017	2016	2015
Deferred tax liabilities:			
Fixed assets	$ (23,198)	(25,986)	(26,748)
Net intangible assets	(135,123)	(170,489)	(157,332)
COD income (2014–2018)	(29,692)	(94,506)	(141,716)
Other	(238)	(348)	(309)
Gross deferred tax liabilities	(188,251)	(291,329)	(326,105)
Deferred tax assets:			
Accrued expenses	2,803	5,421	5,364
Goodwill	10,759	9,884	7,458
FCC Licenses	4,604	8,780	11,676
Net operating loss carryforwards	242,083	380,173	406,731
Reserves	771	1,004	2,292
Investments in partnership	4,000	2,793	4,172
Capital loss carryforward	3,621	351	—
General business credits	—	2,835	2,835
Federal AMT credit carryforwards	—	—	4,061
Other	3,361	4,042	4,577
Gross deferred tax assets	272,002	415,283	449,166
Valuation allowance	(22,534)	(18,842)	(18,565)
Deferred tax assets, net	249,468	396,441	430,601
Net deferred tax asset	$ 61,217	105,112	104,496

In September 2011, the Company made an election pursuant to Internal Revenue Code Section 108(i) to defer its 2009 cancellation of indebtedness income (CODI). As a result of the Section 108(i) election, Raycom will have to recognize $646.7 million of CODI for tax purposes ratably over five years starting in 2014. Raycom recognized $129.3 million of CODI for tax purposes in the year ended December 31, 2017, 2016 and 2015, respectively.

For the year ended December 31, 2017, 2016 and 2015, the Company had approximately, $983 million, $1,014 million and $1,076 million of federal net operating loss carryforwards expiring in 2020 through 2037 and $897 million, $916 million and $970 million, respectively, of state and city net operating losses carryforwards expiring in 2016 through 2037.

On September 29, 2017, the Company acquired 100% of the equity interest of Community Newspaper Holdings, Inc. (CNHI). The RSA is the primary lender for both the Company and CNHI and, due to that relationship, CNHI is considered an entity under common control. These carve-out financial statements only include the deferred tax asset for CNHI's net operating losses (NOLs) as these are to be acquired by Gray. The consolidated statements of income, statement in changes in deficit in net assets, and cash flows are presented as if the transaction occurred on January 1, 2015. The Company recorded a federal deferred tax asset for the CNHI NOLs for the period ended December 31, 2017, 2016 and 2015 of $215.5 million, $354.9 million, and $346.7 million at the historical cost. CNHI's accumulated federal net operating losses as of December 31, 2017, 2016 and 2015 are $1,026 million, $1,014 million, and $990.6 million, respectively. The Company recorded the state deferred tax asset for the CNHI NOLs for the period ended December 31, 2017, 2016 and 2015 of $41.5 million, $33.4 million, and $32.3 million at the historical cost. The state net operating losses generated by CNHI in the periods ended December 31, 2017, 2016 and 2015 are $784.9 million, $767.8 million, and $741.4 million, respectively. The CNHI net operating losses have been recorded as additions to the deferred tax asset balance and as a "Noncash contribution from the Parent" in the statement of deficit in net assets. The Company recorded a valuation allowance against a portion of the CNHI state net operating losses that are expected to expire unutilized. The Company also recorded unrecognized tax benefits related to the CNHI federal and state net operating losses. The valuation allowance and unrecognized tax benefits were recorded as a reduction to the "Noncash contribution from the Parent" recorded in the statement of deficit in net assets (see additional discussion below). The tax effected net impact of these transactions to "Noncash contribution from the Parent" in the period ended December, 31, 2017, 2016, and 2015 were $5.2 million, $6.7 million, and $10.4 million, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax asset is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers scheduled reversals of deferred tax liabilities, cumulative earnings, projected future taxable income, and tax planning strategies that can be implemented by the Company in making the assessment. Based upon the level of historical taxable income, scheduled reversals of deferred tax liabilities, and projections of future taxable income over the periods in which the temporary differences become deductible and based on available tax planning strategies, the Company's management presently believes that all deferred tax assets will be realized as of the period ended December 31, 2017, 2016 and 2015 with the exception of certain state net operating losses that may expire unutilized. The net valuation allowance recorded on state net operating losses for the period ended December 31, 2017, 2016, and 2015 are $22.53 million, $18.84 million, and $18.57 million, respectively.

Unrecognized tax benefits related to the historical Raycom business recorded for the period ended December 31, 2017, 2016, and 2015 were $3.1 million, $2.5 million, and $3.8 million, respectively.

Interest expense recorded related to unrecognized tax benefits recorded for the period ended December 31, 2017, 2016, and 2015 amounted to $0.5 million, $0.3 million, and $2.5 million, respectively.

 (Continued)

The Company believes that no unrecognized tax benefits will significantly change in the next 12 months.

Additionally, the Company recorded unrecognized tax benefits related to the CNHI federal and state net operating losses. Unrecognized tax benefits recorded for federal purposes for the period ended December 31, 2017, 2016 and 2015 of $5.2 million, $8.8 million and $6.3 million, respectively. Unrecognized tax benefits recorded for state purposes for the period ended December 31, 2017, 2016 and 2015 were $6.1 million, $5 million, and $5 million, respectively.

The Company and its subsidiaries file a consolidated federal income tax return. The federal income tax return remains subject to tax examination for tax years 2015 to 2016; however, the Internal Revenue Service could redetermine taxable income in a closed year (i.e., prior to 2015) and adjust the Company's net operating loss carryforward. The Company underwent an IRS examination of the 2014 federal tax return that resulted in no significant changes to the tax liability, and therefore, the 2014 year is now closed. The Company and its subsidiaries also file income tax returns in several state and city jurisdictions, which in general remain subject to examination from 2014 to 2016. In some state jurisdictions, the examination period is from 2013 to 2016.

Deferred income taxes reflect temporary differences in the recognition of revenues and expenses for tax reporting and financial statement purposes. Deferred tax liabilities and assets are adjusted for changes in tax laws or tax rates of the various tax jurisdictions as of the enacted date. The federal tax rate used to calculate deferred tax liabilities and assets as of December 31, 2016 was 35%. Pub. L. No. 115-97, commonly referred to as the Tax Cuts and Jobs Act or the Act, was enacted into law as of December 22, 2017. Among other provisions, the Act reduced the federal tax rate to 21% effective as of January 1, 2018. The December 31, 2017 deferred tax assets and liabilities were recorded using the 21% federal tax rate.

(9) Stock Based Compensation

(a) Stock Option Plan

Stock-based compensation expense is recorded in operating expenses net of expected forfeitures. As the options are held at the Parent Company level, the cost of the options are recorded as a credit in Net Parent Investment. This represents the cost associated with those employees of the Company that were a part of the Parent Company's stock option plan.

During 2017, 2016, and 2015, stock grants had exercise prices of $45.32, $53.53, and $50.25, respectively. Options granted under the Parent Company's stock option plan vest from the grant date as follows: 50% after two years and 50% after three years. The Company recorded compensation expense of $3.0 million, $1.1 million, and $1.5 million for 2017, 2016, and 2015, respectively.

The fair value of each option award is estimated on the date of grant using the Black Scholes Merton option pricing model that used the weighted average assumptions in the following table. The estimated expected term of the option based on estimates since there was no historical data to base such an assumption. Since the Parent Company's shares are not publicly traded and its shares are rarely traded privately, expected volatility is computed based on the average historical volatility of similar entities with publicly traded shares. The risk free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The weighted average grant date fair value per option granted during 2017 and 2015 was $28.45 and $37.03, respectively. There were no options granted during 2016. The following assumptions were used to estimate the fair value of the options granted:

	2017	2015
Valuation assumptions:		
Expected dividend yield	— %	— %
Expected volatility	58.71%	84.60%
Expected term (years)	8	8
Risk-free interest rate	2.15%	1.80%

A summary of the stock option activity for was as follows:

	2017	
	Options	Weighted average exercise price
Outstanding, beginning of year	636,654	$ 11.05
Granted	569,400	45.29
Exercised	(21,915)	16.06
Forfeitures	(51,201)	10.08
Outstanding, end of year	1,132,938	$ 27.80
Exercisable, end of year	537,638	$ 8.46

The weighted average or remaining contractual term in years for the options outstanding at the end of 2017 is 7.0 years. The aggregate intrinsic value of options outstanding at the end of 2017 is $19.98 million.

Approximately, 26,300, 284,500, and 284,500 options will vest in 2018, 2019, and 2020, respectively.

As of December 31, 2017, there was $14.5 million of total unrecognized compensation costs related to the nonvested share based compensation arrangements granted under the Parent’s Stock Option Plan. That cost is expected to be recognized over a weighted average period of 4 years.

(b) Restricted Stock Plan

As the restricted stock are held at the Parent Company level, the cost of the restricted stock are also recorded as a credit to Net Parent Investment. The Company recorded compensation expense of approximately $2.4 million and $1.1 million in 2017 and 2016, respectively. No compensation expense was recorded in 2015.

A summary of the restricted stock activity for 2017 as follows:

Nonvested shares	Shares
Balance at January 1, 2017	130,574
Granted	164,156
Vested	—
Forfeited	(20,112)
Balance at December 31, 2017	274,618

As of December 31, 2017, there was $10.7 million of total unrecognized compensation costs related to the nonvested share based compensation arrangements granted under the Parent's Restricted Stock Plan. That cost is expected to be recognized over a weighted average period of 4 years. The total fair value of shares granted during the years ended December 31, 2017 and 2016 was $45.32 and $53.53, respectively. There were no shares granted during 2015.

(10) Supplemental Disclosures of Cash Flow and Noncash Information

Cash paid for interest for the year ended December 31, 2017, 2016, and 2015 was approximately $173.5 million, $170 million, and $163.5 million, respectively.

Cash payments of approximately $61.7 million, $51.5 million, and $6.3 million for income taxes were made for the years ended December 31, 2017, 2016, and 2015, respectively.

Programming broadcast rights acquired during 2017, 2016, and 2015 through the assumption of programming contracts payable were approximately $20.8 million, $19.6 million, and $22.6 million, respectively.

During the years ended December 31, 2017, 2016, and 2015, the Company acquired $6.8 million, $4.2 million, and $2.4 million of equipment financed by capital leases (note 8d), respectively.

(11) Shared Service Agreements

The Company has a Shared Services Agreement (SSA) with HITV Operating Co., Inc. (HITV). In addition, the Company agreed to lease studio space (Studio Lease) and equipment to HITV. The SSA and Studio Lease agreements obligate the Company to provide certain functions and services to KFVE in return for certain fees. The fees represent 30% of cash flow of KFVE plus a flat fee of $2.5 million per year (pro rated based on actual cash flows of the Company). The functions and services provided to KFVE may include technical, nonmanagerial administrative functions, and sharing of studio locations. The Company recognized approximately $965,000, $964,000, and $715,000 in revenue for the years ended December 31, 2017, 2016, and 2016, respectively, related to these SSA and Studio Lease agreements.

Under SSA agreements with ASM, the Company provided certain functions and services in return for a monthly service fee. The functions and services provided may include technical, nonmanagerial administrative functions and sharing of studio locations. The Company recognized approximately $13.6 million, $10.6 million, and $8.7 million in revenue for the years ended December 31, 2017, 2016, and 2015, respectively, related to these shared service agreements.

During June 2011, the Company entered into an SSA with WPTV (owned and operated by E.W. Scripps Company) under which WPTV provides certain support services to WFLX in return for a monthly service fee. The functions and services provided to the stations may include technical, nonmanagerial administration functions and sharing of studio locations. The Company incurred $5.5 million, $2.1 million, and $3.1 million, respectively, in service fees in connection with this agreement during the year ended December 31, 2017, 2016, and 2015.

During November 2011, the Company entered into an SSA with KTTU TV, Inc., KMSB TV, Inc. (owned and operated by Tuckers Operating Co, LLC and Sander Media, LLC) and KOLD, LLC. The Company provides certain support services in return for a monthly service fee. The functions and services provided to the stations may include technical, nonmanagerial administration functions and sharing of studio locations. The Company recognized approximately $1.8 million, $1.6 million, and $1.8 million, respectively, in revenue in connection with this agreement for the year ended December 31, 2017, 2016, and 2015.

During December 2013, the Company entered into an SSA and a Joint Service Agreement (JSA) with Louisiana Media Company, LLC (LMC) and WVUE. In return for providing certain support services and for acting as the sales agent for LMC, the Company kept 50% of the broadcast cash flow generated by WVUE over $4.0 million. The Company recognized approximately $2.7 million in broadcast cash flow in connection with this agreement through August 8, 2017 and $1.0 million and $76,000, respectively, for the years ended December 31, 2016 and 2015. On August 8, 2017, the Company exercised its option to purchase virtually all of the assets of WVUE (note 3b). The exercise of the option caused both agreements to terminate as of that date.

During October 2015, the Company entered into an SSA agreement with KIVI (owned and operated by EW Scripps) under which KIVI provides certain support services to KNIN in return for a monthly service fee. The functions and services provided to the station may include technical, nonmanagerial administration functions and sharing of studio locations. The Company incurred approximately $1.6 million, $1.6 million, and $365,000, respectively, in service fees in connection with this agreement during the year ended December 31, 2017, 2016, and 2015.

(12) Commitments

Programming rights acquired for cash under license agreements are recorded as an asset and corresponding liability at the inception of the license period. At December 31, 2017, 2016, and 2015, the Company has executed contracts for programming rights totaling approximately $31.7 million, $22.7 million, and $24.8 million, respectively. As the broadcast license period has not yet begun at the year ends, the asset and related liability are not recorded as of the year end date.

The Company leases certain equipment and facilities under noncancelable operating leases expiring at various dates through 2066.

Future annual payments required under noncancelable operating leases and programming rights are as follows (in thousands):

	Operating leases	Programming rights
2018	$ 8,358	20,894
2019	8,027	15,821
2020	7,494	14,028
2021	6,871	1,904
2022	6,374	871
Thereafter	20,632	228
Total	$ 57,756	53,746

Rent expense under noncancelable operating leases was approximately $8.7 million, $7.9 million, and $7.1 million for the years ended December 31, 2017, 2016, and 2015, respectively.

(13) Related Party Transactions

(a) RSA Office Lease

On July 17, 1998, the Company entered into an office lease agreement with the RSA. The term of the lease is effective from July 1998 through July 2028 for the corporate headquarters office space. Total annual payments to the RSA for 2017, 2016, and 2015 were approximately $1.6 million, $1.4 million, and $1.5 million, respectively. Future minimum lease payments under this lease agreement have been included under operating leases (see note 12).

(b) RSA Public Service Announcements

In accordance with the Seventh Amended and Restated Loan and Credit Agreements (see note 7(a)), the Company is committed to air public service announcements for bona fide agencies of the state of Alabama, as directed by the RSA. These announcements are being aired in otherwise unsold commercial inventory and the commitment extends over the life of the Seventh Amended and Restated Loan and Credit Agreement. As public service announcements have no commercial value and these spots are limited to otherwise unsold inventory, no liability has been recorded in the consolidated financial statements for this commitment.

(c) Other

During the course of business, the Company purchases certain service from companies affiliated with board members. During 2017, 2016, and 2015, the Company paid approximately $1.0 million for such services.

(d) Due (to) from Parent

The amounts due (to) from Parent represent amount arising from the Company’s centralized approach to cash management and financing of operations. The primary component of the transfers (to) from Parent are cash pooling/general financing activities, various expense allocations (to) from Parent, and receivables/payables (to) from Parent. Upon the closing of the merger transaction with Gray, the due (to) from Parent will be forgiven and recorded as a contribution (distribution) to Parent in the statement of deficit of net assets.

(14) Contingencies

From time to time, the Company is party to certain litigation and other claims in the normal course of business. Currently, there are claims or lawsuits filed against the Company and its subsidiaries for potential libel and defamation claims or other alleged actions arising from information contained in newscasts, FCC complaints, and other employee related matters. The Company intends to vigorously defend against these matters and does not believe their resolution will significantly affect the consolidated financial condition, results of operations, or cash flows of the Company.

(15) Investments

Frankly, Inc.

At January 1, 2015, the Company had a 36.25% interest in WorldNow. WorldNow provides browser based web site management systems to news and information providers. In 2015, Frankly, Inc., a next-generation chat technology platform that trades on the TSX Venture Exchange purchased 100% of WorldNow. As part of the purchase price, Raycom received $1.4 million in cash, a promissory note in the amount of $4.0 million and 6,751,132 shares of Frankly, Inc valued at $10.8 million. At December 2017, 2016, and 2015, the Company held approximately 25%, 26.95%, and 23% of the outstanding Frankly shares, respectively. In addition to the Company's equity investment in Frankly, the Company and Frankly entered into a Credit Agreement in 2016, which allows Frankly to borrow $16.0 million from the Company. With the funds, Frankly paid $3.0 million of the outstanding $4.0 million 2015 note. The Company converted $1.0 million of outstanding 2015 note to 2,553,400 Frankly common shares. As of December 31, 2017, Frankly has borrowed $14.5 million from the Company. In conjunction with the Credit Agreement, Frankly issued 14,809,720 warrants to the Company that allows the Company to acquire one Frankly common share at $0.50 for each warrant. The warrants expire on the earlier of the repayment of the loan or five years. The Company elected to account for the total investment in Frankly under the Fair Value Method and has recorded a pre tax impairment charge on the investment of $16.0 million, $1.7 million and $7.1 million during the years ended December 31, 2017, 2016 and 2015. As of December 31, 2017, the Company's total investment in Frankly, Inc. was $1.5 million.

Divestures

As of January 1, 2015, the Company owned 2,500,000 Series A preferred units and 500,000 common units of Bounce, LLC (Bounce). The Company also owned 3,000,000 Series A convertible preferred units and 1,750,000 common units of KATZ Broadcasting Holding, LLC (KATZ). During 2015, the Company purchased an additional 4,745,000 Bounce common units for $20.0 million. Bounce was accounted for under the equity method and KATZ was accounted for using the cost method. Both investments were national networks telecast via multicast channels. On October 2, 2017, Bounce and KATZ were sold to E.W. Scripps. In conjunction with the sale, the Company received consideration of $79.8 million, Net of funds in escrow, which was recorded in other investing activities in the consolidated statement of cash flows. The Company recognized a pretax gain of $47.4 million in gain on long term investments during 2017.

Other Investments

The Company has made various other strategic investments in programming ventures and over-the-top (OTT) companies.

(16) Subsequent Events

On June 25, 2018, we entered into an Agreement and Plan of Merger (the Agreement) with Gray Television, Inc. (Gray). Under the terms of the Agreement, Gray will acquire the broadcasting and production operations of Raycom Media, Inc. and subsidiaries. Under the terms of the agreement, Raycom Media, Inc. stockholders will receive $2,850,000,000 in cash, 650,000 shares of Gray preferred stock, and 11,500,000 shares of Gray common stock (note 1).

Exhibit 99.4

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Condensed Consolidated Carve-Out Financial Statements

June 30, 2018 and for the Six-Month Periods Ended
June 30, 2018 and 2017 (Unaudited)

(With Independent Auditors' Review Report Thereon)

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Condensed Consolidated Carve-Out Financial Statements (Unaudited)

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Independent Auditors' Review Report

To the Board of Directors and Stockholders
Raycom Media, Inc.:

Report on the Financial Statements

We have reviewed the accompanying condensed consolidated carve-out balance sheet of Raycom Media, Inc. and its subsidiaries as of June 30, 2018, the related condensed consolidated carve-out statements of operations for the six-month periods ended June 30, 2018 and 2017, the related condensed consolidated carve-out statements of changes in deficit in net assets for the six-month periods ended June 30, 2018 and 2017, and the related condensed consolidated carve-out statements of cash flows for the six-month periods ended June 30, 2018 and 2017.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the condensed consolidated carve-out interim financial information in accordance with U.S. generally accepted accounting principles; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim condensed consolidated carve-out financial information in accordance with U.S. generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated carve-out interim financial information for it to be in accordance with U.S. generally accepted accounting principles.

Report on Condensed Consolidated Carve-Out Balance Sheet as of December 31, 2017

We have previously audited, in accordance with the auditing standards generally accepted in the United States of America, the condensed consolidated carve-out balance sheet of Raycom Media, Inc., and its subsidiaries as of December 31, 2017, and the related consolidated statements of operations, changes in deficit in net assets and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion (which included an emphasis of a matter paragraph relating to the consolidated carve-out financial statements reflecting the assets, liabilities and expenses directly attributed to the carve-out entities as well as allocations deemed reasonable by management to present the financial position, results of operations, changes in deficit in net assets and cash flows in the consolidated carve-out financial statements) on those audited consolidated carve-out financial statements in our report dated October 5, 2018. In our opinion, the accompany condensed consolidated carve-out balance sheet of Raycom Media, Inc. and its subsidiaries as of December 31, 2017, is consistent, in all material respects, with the audited consolidated carve-out financial statements from which it has been derived.

/s/ KPMG LLP

Atlanta, Georgia
October 17, 2018

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Condensed Consolidated Carve-Out Balance Sheets

Dollars in thousands

(unaudited)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 120,533	82,979
Accounts receivable, net of allowance for doubtful accounts of $2,667 and $2,894	221,985	230,220
Income tax receivable	17,510	18,411
Current portion of programming rights	6,639	22,617
Prepaid expenses and other current assets	15,718	23,200
Total current assets	382,385	377,427
Programming rights, net of current portion, and accumulated amortization	540	846
Property, plant, and equipment, net	232,113	245,680
Goodwill, net	999,393	999,393
Nonamortizable intangibles	496,687	496,687
Amortizable intangibles, net	16,519	17,494
Long-term deferred income taxes, net	49,447	61,217
Other assets	31,828	28,044
Total assets	$ 2,208,912	2,226,788
Liabilities and Deficit in Net Assets		
Current liabilities:		
Current installments of long-term debt to related parties	$ 7,960	20,755
Current installments of long-term debt and capital leases	24,507	24,633
Current installments of programming liabilities	12,097	29,065
Accounts payable	12,198	10,949
Accrued interest	22,202	22,587
Accrued expenses	69,500	69,844
Due to parent	19,662	11,250
Other current liabilities	8,061	13,138
Total current liabilities	176,187	202,221
Long-term debt to related parties	1,641,300	1,641,281
Long-term debt and capital leases, net of current installments	856,010	867,746
Other liabilities	29,944	28,420
Total liabilities	2,703,441	2,739,668
Commitments and contingencies		
Deficit in net assets	(494,529)	(512,880)
Total liabilities and deficit in net assets	$ 2,208,912	2,226,788

See accompanying notes to condensed consolidated carve-out financial statements.

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Condensed Consolidated Carve-Out Statements of Operations

Dollars in thousands

(unaudited)

	Six months ended June 30, 2018	Six months ended June 30, 2017
Gross revenues	$ 607,121	557,284
Agency commissions and representation fees	(48,177)	(46,765)
Net revenues	558,944	510,519
Expenses:		
Operating	261,052	236,587
Selling, general, and administrative	134,443	131,967
Depreciation and amortization	19,132	19,902
Gain on FCC Spectrum auction	—	(32,293)
Total operating expenses	414,627	356,163
Operating profit	144,317	154,356
Interest expense	(87,617)	(86,952)
Interest income	141	394
Gain (loss) on long-term investments, sale of assets, and other, net	665	1,552
Income from operations before income taxes	57,506	69,350
Income tax expense	(14,763)	(25,602)
Net income	$ 42,743	43,748

See accompanying notes to condensed consolidated carve-out financial statements.

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Condensed Consolidated Carve-Out Statements of Changes in Deficit in Net Assets

Dollars in thousands

(Unaudited)

	Deficit in net assets
Balance, December 31, 2016	$(537,583)
Net income	43,748
Cash distributions to the Company	(29,741)
Noncash contributions by the Company	2,087
Balance, June 30, 2017	(521,489)
Balance, December 31, 2017	$(512,880)
Net income	42,743
Cash distributions to the Company	(27,864)
Noncash contributions by the Company	3,472
Balance, June 30, 2018	$(494,529)

See accompanying notes to condensed consolidated carve-out financial statements.

RAYCOM MEDIA, INC. AND SUBSIDIARIES

Condensed Consolidated Carve-Out Statements of Cash Flows

Dollars in thousands

(unaudited)

	June 30, 2018	June 30, 2017
Cash flows from operating activities:		
Net income	$ 42,743	43,748
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	18,157	17,884
Amortization of intangibles	975	2,018
Amortization of programming rights	9,738	9,741
Amortization of debt discount	420	1,379
Payment of programming liabilities	(11,119)	(10,672)
Deferred income tax	11,235	1,968
(Gain) from FCC Spectrum Auction	—	(32,293)
Stock compensation expense	3,472	2,087
Bad debt expense	631	566
Other	1,846	(1,408)
Changes in operating assets and liabilities, excluding the impact of business combinations:		
Accounts receivable, net	7,604	23,529
Prepaid expenses, income tax receivable and other assets	4,598	(2,360)
Accounts payable, accrued expenses, other current liabilities, and other long-term liabilities	5,379	(10,137)
Net cash provided by operating activities	95,679	46,050
Cash flows from investing activities:		
Capital expenditures	(5,377)	(8,223)
Proceeds from sales of investments and assets	—	442
Acquisitions, net of cash acquired	—	(67,300)
Net cash used in investing activities	(5,377)	(75,081)
Cash flows from financing activities:		
Proceeds from borrowings on long-term debt	—	69,056
Repayments on long-term debt due to related party	(12,776)	(23,064)
Principal payments on capital lease obligations	(12,108)	(13,812)
Net transfers (to)/from parent	(27,864)	(29,741)
Net cash provided by (used in) provided by financing activities	(52,748)	2,439
Net increase (decrease) in cash and cash equivalents	37,554	(26,592)
Cash and cash equivalents, beginning of period	82,979	82,799
Cash and cash equivalents, end of period	$ 120,533	56,207

See accompanying notes to condensed consolidated carve-out financial statements.

(1) Description of Business

Raycom Media, Inc. and subsidiaries, formed on May 2, 1996, is a media company engaged in television broadcasting and its principal business is the sale of television broadcasting advertising time to local, regional, digital, and national customers.

Each of the broadcast properties acquired by Raycom Media, Inc. is a wholly owned subsidiary of the Raycom Media, Inc. Raycom Media, Inc. operates 65 broadcast television stations in Alabama, Arizona, Arkansas, Idaho, Florida, Georgia, Hawaii, Indiana, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, and Virginia. Of the 65 stations, 48 of the stations are owned by Raycom TV Broadcasting, LLC, a wholly owned subsidiary of Raycom Media, Inc.

Raycom Media, Inc. provides certain operating and management services to 11 television stations in Arizona, Georgia, Hawaii, Iowa, Louisiana, Mississippi, North Carolina, Texas, Ohio, and Virginia.

Raycom Media, Inc. has two additional ABC network affiliations in Georgia and Mississippi and one additional CBS network affiliation in Mississippi broadcasting on the digital spectrum.

Raycom Media, Inc. wholly owns Raycom Sports Network, LLC. (Raycom Sports). Raycom Sports owns, produces, and markets sports and entertainment programming, primarily intercollegiate basketball and football games for television and cable networks and operates various sporting events.

Pending Transaction

On June 25, 2018, Raycom Media, Inc. entered into an Agreement and Plan of Merger (the Agreement) with Gray Television, Inc. (Gray). Under the terms of the Agreement, Gray will acquire the broadcasting and production operations of Raycom Media, Inc. and subsidiaries. The acquisition will close once customary closing conditions, including antitrust clearance and approval by the FCC, are obtained. The terms of the Agreement exclude the operations of certain wholly owned subsidiaries, PureCars Automotive, LLC and PureCars, LLC (collectively, PureCars) and Community Newspaper Holdings, Inc. (CNHI), except for the deferred tax asset associated with CNHI's net operating losses, which are to be acquired by Gray.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying unaudited condensed consolidated carve-out financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and are unaudited. Accordingly, they do not include all information and disclosures required to be included in annual financial statements. The information contained in the accompanying condensed consolidated carve-out financial statements and the notes thereto should be read in conjunction with the consolidated carve-out financials statements and notes thereto for the period ended December 31, 2017 (the Annual Financial statements). These condensed consolidated carve-out financial statement do not repeat disclosures that would substantially duplicate disclosures included in the Annual Financial Statements or details of accounts that have not been changed significantly in amounts or composition. The interim unaudited condensed consolidated financial statements have been prepared on the same basis as the Company's Annual Financial Statements. In the opinion of management, the accompanying condensed consolidated carve-out financials statements reflect all adjustments, which include normal recurring adjustments and the adjustments noted below, necessary for the fair presentation of these condensed consolidated carve-out financial statements. The results for the six months ended June 30, 2018 are not necessarily indicative of the results that could be expected for the year ended December 31, 2018.

The unaudited condensed consolidated balance sheets, statements of operations, statements of changes in net deficit in net assets and cash flows of Raycom Media, Inc. and its subsidiaries, excluding the financial results of PureCars and CNHI (the Company) have been derived from historical accounting records of Raycom Media, Inc. and subsidiaries (the Parent Company records) and are presented on a carve-out basis. Historically, our consolidated financial statements have included the financial results of PureCars and CNHI.

All revenues and costs as well as assets and liabilities directly associated with the business activities of the Company are included in the unaudited condensed consolidated carve-out financial statements. The unaudited condensed consolidated carve-out financial statements also exclude allocations of certain operating, selling, general, and administrative expenses of PureCars and CNHI. These allocations were based on methodologies that management believes to be reasonable. However, amounts derecognized by the Company are not necessarily representative of the amounts that would have been reflected in the unaudited condensed consolidated financial statements had PureCars and CNHI operated independently of the Company.

Historically, Raycom Media, Inc. used a centralized approach to cash management and financing of its operations. As the Company represents all of the broadcasting and production operations of Raycom Media, Inc., all of Raycom Media, Inc.'s cash, cash equivalents and debt are included in these unaudited condensed consolidated carve-out financial statements. Any intercompany assets or liabilities are reflected as due from (to) Parent.

Deficit in net assets represents the Parent Company's recorded net assets, as well as the income attributed within the unaudited condensed consolidated carve-out financial statements.

The Company has had positive cash flow from operations of $95.7 million for the six-month period ended June 30, 2018 and $82.7 million for the year ended December 31, 2017. The Company expects to fund its working capital requirements, capital expenditures and payments of principal and interest on outstanding indebtedness, with cash on hand and cash flows from operations. The Company currently anticipates that funds generated from operations, cash on hand and available borrowings under our Senior Secured Credit Facilities Agreement will be sufficient to meet the Company's anticipated cash requirements for at least the next twelve months as of the report issuance date.

All significant intercompany accounts and transactions between the businesses comprising the Company have been eliminated in the accompanying unaudited condensed consolidated carve-out financial statements.

Certain columns and rows may not add due to the use of rounded numbers.

(Continued)

(b) Use of Estimates

The preparation of condensed consolidated carve-out financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated carve-out financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

(c) Recognition of Revenue and Expenses

The Company's primary source of revenue is derived from the sale of television broadcasting advertising. Total revenue includes cash and barter advertising revenue, other broadcast, and related revenues.

Advertising revenue is reported net of agency commissions and representation fees. Agency commissions and representation fees are calculated based on a stated percentage applied to gross billings for the Company's broadcasting operations. Advertising revenue is recognized in the period in which the advertisements are aired.

Production costs and collegiate conference rights fees expense are recognized as the events are aired, on a per-telecast basis.

(d) Trade and Barter Transactions

The Company trades certain advertising time for various goods and services. The Company also barters advertising time for certain programming rights. These transactions are recorded at the estimated fair value of the goods or services received, if determinable, or at the estimated fair value of the advertising time traded. The related revenue is recognized when advertisements are broadcast, and the related expenses are recognized as the goods or services are used. For the six months ended June 30, 2018 and 2017, trade and barter revenue was $11.3 million and $8.3 million, respectively. For the six months ended June 30, 2018 and 2017, trade and barter expense was approximately $11.2 million and $8.4 million, respectively.

(e) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606)*: *Principal versus Agent Considerations* (ASU 2016-08). The purpose of ASU 2016-08 is to clarify the implementation of guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606)*: *Identifying Performance Obligations and Licensing* (ASU 2016-10), which clarifies the implementation guidance in identifying performance obligations in a contract and determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). In 2016, the FASB issued various additional updates to the standard which included technical corrections and clarifications and did not substantially change the content of the new standard. The Company does not plan to early adopt, and accordingly, it will adopt these updates effective January 1, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU No. 2014-09, ASU No. 2016-08, and ASU No 2016-10, will have on its consolidated carve-out financial statements and related disclosures.

(Continued)

In February of 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition of lease rights and obligations as assets and liabilities on the balance sheet. Previously, lessees were not required to recognize on the balance sheet assets and liabilities arising from operating leases. The ASU also requires disclosure of key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods after December 15, 2019, using the modified retrospective method of adoption, with early adoption permitted. In July 2018, the FASB issued an amendment giving companies the option to apply the requirements of the standard in the period of adoption, with no restatement of prior periods. The Company is in the preliminary phases of assessing the effect of the ASU on its portfolio of leases. The Company has not yet selected a transition date, nor has it determined the effect of the ASU on its consolidated carve-out financial statements.

(3) Property, Plant and Equipment

Property, plant and equipment consist of the following (in thousands):

	June 30, 2018	December 31, 2017
Land and improvements	$ 41,222	41,201
Buildings and improvements	104,904	104,642
Broadcasting equipment	358,180	356,981
Furniture and other equipment	54,835	54,707
Vehicles	37,506	48,398
Construction in process	4,297	5,106
	600,944	611,035
Less accumulated depreciation	(368,831)	(365,355)
	$ 232,113	245,680

Total depreciation for the six months ended June 30, 2018 and 2017 was $18.2 million and $17.9 million, respectively.

(4) Goodwill and Intangible Assets

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

	June 30, 2018			December 31, 2017		
	Gross	Accumulated impairment	Net	Gross	Accumulated impairment	Net
Goodwill	$1,276,280	(276,887)	999,393	1,276,280	(276,887)	999,393
FCC Licenses	471,803	—	471,803	471,803	—	471,803
Shared Service Agreements	24,884	—	24,884	24,884	—	24,884
Total definite-lived intangibles	$1,772,967	(276,887)	1,496,080	1,772,967	(276,887)	1,496,080

Indefinite-lived intangible assets are not subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that such assets might be impaired. During the six months ended June 30, 2018, the Company did not identify any events that would trigger impairment assessment.

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

		June 30, 2018			December 31, 2017		
	Estimated useful life (years)	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Network affiliation agreements	15	$539,367	(539,320)	47	539,367	(539,253)	114
Other intangible assets	7.5	110,707	(100,951)	9,756	110,707	(100,295)	10,412
Customer lists	9	8,024	(1,310)	6,714	8,024	(1,057)	6,967
Total indefinite-lived intangibles		$658,098	(641,581)	16,517	658,098	(640,605)	17,493

Amortization expense for the six months ended June 30, 2018 and 2017 was $1.0 million and $4.1 million, respectively. Based on the intangible assets subject to amortization as of June 30, 2018, we expect that amortization expense for the remainder of 2018 would be approximately $1.1 million, and, for the succeeding five years, amortization expense will be approximately as follows: 2019, $1.6 million; 2020, $1.6 million; 2021, $1.6 million; 2022, $1.5 million; and 2023, $1.1 million.

(Continued)

(5) Indebtedness

Indebtedness as of June 30, 2018 and December 31, 2017, consists of the following (in thousands):

	June 30, 2018	December 31, 2017
Long-term debt due to related parties:		
Fixed-rate loan	$ 1,649,260	1,662,036
Total long-term debt due to related parties	1,649,260	1,662,036
Less current installments of long-term debt due to related parties	(7,960)	(20,755)
Other long-term debt, net of current installments	$ 1,641,300	1,641,281
Other long-term debt:		
Tranche A Term Note	$ 288,750	296,250
Tranche B Term Note	595,500	598,500
Less unamortized discount on Tranche B Term Note	(2,949)	(3,164)
Revolving credit facility	—	—
Unamortized debt issuance costs	(10,318)	(10,523)
Obligations under capital leases	9,534	11,316
Total other long-term debt	880,517	892,379
Less current installments of other long-term debt and obligations under capital lease	(24,507)	(24,633)
Other long-term debt, net of current installments	$ 856,010	867,746

On August 23, 2017 one of the Company's subsidiaries, Raycom TV Broadcasting, LLC entered into an amended and restated credit agreement (the Senior Secured Credit Facilities Agreement) with a consortium of banks, and administered by Wells Fargo, that consists of the following credit facilities (described below): Tranche A Term Note, Tranche B Term Note, Revolving Credit Facility, Swingline Loan(s), Letter of Credit(s), and Incremental Term Loan(s).

At the discretion of Raycom TV Broadcasting, LLC, the interest rate on the Tranche A Term Note, Tranche B Term Note, Revolving Credit Facility, and any Incremental Term Loan(s) borrowed is set at either the London Inter-bank Offered Rate (LIBOR) or the Base Rate, described as follows:

LIBOR plus an applicable percentage (between 1.50% and 2.50%) dependent upon the leverage ratio as defined by the Senior Secured Credit Facilities Agreement.

Base Rate: the higher of (i) the per annum interest rate publicly announced by Wells Fargo to be its prime rate, or (ii) the Federal Funds Rate plus 0.5% per annum.

The interest rate on any Swingline Loan(s) borrowed is required to be at the Base Rate.

The Tranche A Term Note was issued for $300.0 million. The Tranche A Term Note matures on January 2, 2023 with mandatory repayments that began on December 31, 2017. Interest accrues on the Tranche A Term Note based on the LIBOR plus a spread as defined in the Senior Secured Credit Facilities Agreement and at June 30, 2018 was 4.09%. Accrued interest on the Tranche A Term Note as of June 30, 2018 and December 31, 2017, was approximately $65,000 and $161,000, respectively.

The Tranche B Term Note was issued for $600.0 million. The Tranche B Term Note matures on August 23, 2024 with mandatory repayments that began on December 31, 2017. Interest accrues on the Tranche B Term Note based on the LIBOR plus 2.75%. The interest rate at June 30, 2018 was 4.34%. Accrued interest on the Tranche B Term Note as of June 30, 2018 and December 31, 2017, was approximately $144,000 and $215,000, respectively.

The maximum aggregate amount Raycom TV Broadcasting, LLC can borrow under the Revolving Credit Facility is $350.0 million. The total outstanding principal of the Revolving Credit Facility matures on January 2, 2023; however, Raycom TV Broadcasting, LLC can make prepayments on any outstanding principal, which can later be reborrowed. Interest accrues on the Revolving Credit Facility based on the LIBOR plus a spread as defined in the Credit Agreement. There was no outstanding balance on the Revolving Credit Facility as of June 30, 2018 or December 31, 2017.

Raycom TV Broadcasting, LLC can obtain Swingline Loan(s) in an aggregate amount not to exceed $10.0 million, provided that the Aggregate Revolving Credit Exposure would not exceed the aggregate Revolving Credit Commitments immediately following the borrowing. Any amounts outstanding under the Swingline Loan(s) may be prepaid and reborrowed before their maturity date of December 26, 2022.

Raycom TV Broadcasting, LLC can draw upon a Letter of Credit with the consortium of banks, the terms of which to be negotiated upon borrowing; however, the aggregate principal balance of the Letter of Credit may not exceed $10.0 million, nor, when combined with the outstanding principal balance of the Revolving Credit Facility and any Swingline Loan(s), exceed $200 million. The Letter of Credit may not contain terms that extend beyond the longer of one year or December 26, 2022.

Raycom TV Broadcasting, LLC can obtain Incremental Term Loan(s) in an aggregate amount not to exceed $250.0 million. Any amounts outstanding under any Incremental Term Loan(s) may be repaid, but not reborrowed, through their maturity date, which is determined upon obtaining the Incremental Term Loan(s).

There were no borrowings under the Swingline Loan(s), Letter of Credit, or Incremental Term Loan(s) as of June 30, 2018 or December 31, 2018.

The Senior Secured Credit Facilities Agreement provides for certain restrictive and financial covenants with respect to total leverage, leverage, and interest coverage. The Company must also maintain minimum liquidity of $50.0 million.

(6) Income Taxes

For the six-month periods ended June 30, 2018 and 2017, the Company's income tax expense and effective income tax rates were as follows (dollars in thousands):

	Six months ended June 30	
	2018	**2017**
Income tax expense	14,763	25,602
Effective income tax rate	25.7%	36.9%

The Company estimates its differences between taxable income or loss and recorded income or loss on an annual basis. The Company's tax provision for each quarter is based upon these full year projections, which are revised each reporting period. These projections incorporate estimates of permanent differences between U.S. GAAP income or loss and taxable income or loss, state income taxes and adjustments to its liability for unrecognized tax benefits to adjust its statutory Federal income tax rate of 21.0% in 2018 and 35.0% in 2017 to our effective income tax rate. For the six-month period ended June 30, 2018, these estimates increased its statutory Federal income tax rate of 21.0% to its effective income tax rate of 25.7% as follows: state income taxes added 3.9%, permanent differences between our U.S. GAAP income and taxable income added 0.4%, and accrual of unrecognized tax benefits added 0.4%. For the six-month period ended June 30, 2017, these estimates increased or decreased our statutory Federal income tax rate of 35.0% to its effective income tax rate of 36.9% as follows: state income taxes added 2.9% and permanent differences between its U.S. GAAP income and taxable income reduced 2.5%, accrual of unrecognized tax benefits added 0.5%, and various other differences added 1%.

Changes in tax laws, the outcome of tax audits and any other changes in potential tax liabilities may result in additional tax expense or benefit in 2018, which are not considered in the Company's estimated annual tax rate. While the Company does not currently view any such items as individually material to the results of the Company's consolidated position or results of operations, the impact of certain items may yield additional tax expense or benefit in the remaining quarters of fiscal year 2018.

The Company made income tax payments (net of refunds) of approximately $2.1 million and $23.5 million during the six months ended June 30, 2018 and 2017, respectively.

(7) Stock-Based Compensation

Stock-based compensation expense is recorded in operating expenses net of expected forfeitures. As stock-based awards are held at the Parent Company level, the cost of the stock-based awards are also recorded as a noncash contribution from the Parent. This represents the cost associated with those employees of the Company that were a part of the Parent Company's stock option plan. The Company recorded compensation expense of $3.5 million and $2.1 million for the six months ended June 30, 2018 and 2017, respectively.

(8) Supplemental Disclosures of Cash Flow and Noncash Information

Cash paid for interest for the six months ended June 30, 2018 and 2017 was approximately $85.4 million and $85.6 million, respectively.

(Continued)

Cash paid for income taxes for the six months ended June 30, 2018 and 2017 was approximately $2.1 million and $23.5 million, respectively.

During the six months ended June 30, 2018 and 2017, the Company acquired $0.2 million and $5.6 million of equipment financed by capital leases, respectively.

(9) Shared Service Agreements

The Company has a Shared Services Agreement (SSA) with HITV Operating Co., Inc. (HITV). In addition, the Company agreed to lease studio space (Studio Lease) and equipment to HITV. The SSA and Studio Lease agreements obligate the Company to provide certain functions and services to KFVE in return for certain fees. The fees represent 30% of cash flow of KFVE plus a flat fee of $2.5 million per year (pro rated based on actual cash flows of the Company). The functions and services provided to KFVE may include technical, nonmanagerial administrative functions, and sharing of studio locations. The Company recognized approximately $477,000 and $571,000 in revenue for the six months ended June 30, 2018 and 2017, respectively, related to these SSA and Studio Lease agreements.

Under SSA agreements with ASM, the Company provided certain functions and services in return for a monthly service fee. The functions and services provided may include technical, nonmanagerial administrative functions and sharing of studio locations. The Company recognized approximately $5.6 million and $7.2 million in revenue for the six months ended June 30, 2018 and 2017, respectively, related to these shared service agreements.

During June 2011, the Company entered into an SSA with WPTV (owned and operated by E.W. Scripps Company) under which WPTV provides certain support services to WFLX in return for a monthly service fee. The functions and services provided to the stations may include technical, nonmanagerial administration functions and sharing of studio locations. The Company incurred $1.9 million and $2.6 million in service fees in connection with this agreement during the six months ended June 30, 2018 and 2017, respectively.

During November 2011, the Company entered into an SSA with KTTU-TV, Inc., KMSB-TV, Inc. (owned and operated by Tuckers Operating Co, LLC and Sander Media, LLC) and KOLD, LLC. The Company provides certain support services in return for a monthly service fee. The functions and services provided to the stations may include technical, nonmanagerial administration functions and sharing of studio locations. The Company recognized approximately $412,000 and $838,000 in revenue in connection with this agreement during the six months ended June 30, 2018 and 2017, respectively.

During December 2013, the Company entered into an SSA and a Joint Service Agreement (JSA) with Louisiana Media Company, LLC (LMC) and WVUE. In return for providing certain support services and for acting as the sales agent for LMC, the Company kept 50% of the broadcast cash flow generated by WVUE. The Company recognized approximately $2.8 million in service fees in connection with this agreement during the six months ended June 30, 2017. On August 8, 2017, the Company exercised its option to purchase virtually all of the assets of WVUE. The exercise of the option caused both agreements to terminate as of that date.

During October 2015, the Company entered into an SSA agreement with KIVI (owned and operated by EW Scripps) under which KIVI provides certain support services to KNIN in return for a monthly service fee. The functions and services provided to the station may include technical, nonmanagerial administration functions and sharing of studio locations. The Company incurred approximately $830,000 and $810,000 in service fees in connection with this agreement during the six months ended June 30, 2018 and 2017, respectively.

(10) Related-Party Transactions

(a) RSA Office Lease

On July 17, 1998, the Company entered into an office lease agreement with the RSA. The term of the lease is effective from July 1998 through July 2028 for the corporate headquarters office space. Total payments to the RSA for the six months ended June 30, 2018 and 2017 were $0.6 million.

(b) RSA Public Service Announcements

In accordance with the Seventh Amended and Restated Loan and Credit Agreements (Credit Agreement) with the Retirement Systems of Alabama (RSA), the Company is committed to air public service announcements for bona fide agencies of the state of Alabama, as directed by the RSA. These announcements are being aired in otherwise unsold commercial inventory and the commitment extends over the life of the Credit Agreement. As public service announcements have no commercial value and these spots are limited to otherwise unsold inventory, no liability has been recorded in the consolidated financial statements for this commitment.

(c) Other

During the course of business, the Company purchases certain service from companies affiliated with board members. During the six months ended June 30, 2018 and 2017, the Company paid approximately $500,000 for such services.

(d) Due (to) from Parent

The amounts due (to) from Parent represent amount arising from the Company's centralized approach to cash management and financing of operations. The primary component of the transfers (to) from Parent are cash pooling/general financing activities, various expense allocations (to) from Parent, and receivables/payables (to) from Parent. Upon the closing of the merger transaction with Gray, the due (to) from Parent will be forgiven and recorded as a contribution (distribution) to Parent in the statement of changes in deficit in net assets.

(e) RSA Interest Payments

In accordance with the executed the Seventh Amended and Restated Loan and Credit Agreement with the RSA, this Credit Agreement bears interest at 8% per annum and is payable on January 31, April 30, July 31, and October 31 of each year. Total interest payments to the RSA for the six months ended June 30, 2018 and 2017 were approximately $12.8 million and $23.1 million, respectively.

(Continued)

(11) Commitments and Contingencies

Legal Matters

From time to time, the Company is party to certain litigation and other claims in the normal course of business. Currently, there are claims or lawsuits filed against the Company and its subsidiaries for potential libel and defamation claims or other alleged actions arising from information contained in newscasts, FCC complaints, and other employee-related matters. The Company intends to vigorously defend against these matters and does not believe their resolution will significantly affect the consolidated financial condition, results of operations, or cash flows of the Company.

(12) Subsequent Events

The Company evaluated subsequent events through October 17, 2018, the date when the condensed consolidated carve-out financial statements were issued. On June 25, 2018, we entered into an Agreement and Plan of Merger (the Agreement) with Gray Television, Inc. (Gray). Under the terms of the Agreement, Gray will acquire the broadcasting and production operations of Raycom Media, Inc. and subsidiaries. Under the terms of the agreement, Raycom Media, Inc. stockholders will receive $2,850,000,000 in cash, 650,000 shares of Gray preferred stock, and 11,500,000 shares of Gray common stock (note 1).