SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002 or**

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from __________ to ___________.**

Commission File Number 1-13796

GRAY TELEVISION, INC.

(Exact Name of Registrant as Specified in Its Charter)

Georgia (State or Other Jurisdiction of Incorporation or Organization)	**52-0285030** (I.R.S. Employer Identification No.)
4370 Peachtree Road, NE **Atlanta, GA** (Address of Principal Executive Offices)	**30319** (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock (no par value)	**New York Stock Exchange**
Common Stock (no par value)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes ☒ No o

The aggregate market value of the voting stock (based upon the closing sales price quoted on the New York Stock Exchange) held by non-affiliates as of June 30, 2002: **Class A and Common Stock; no par value — $195,237,597**

The number of shares outstanding of the registrant's classes of common stock as of March 14, 2003: **Class A Common Stock; no par value — 6,848,467 shares; Common Stock, no par value — 43,525,984 shares**

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's definitive proxy statement for the annual meeting of shareholders to be filed with the Commission pursuant to Regulation 14A is incorporated by reference into Part III hereof.

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PART 1

Item 1. Business

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

The Company's common stock, no par value, (the "Common Stock") and its class A common stock, no par value, (the "Class A Common Stock') have been listed and traded on The New York Stock Exchange (the "NYSE") since September 24, 1996 and June 30, 1995, respectively. On August 30, 2002, the Company changed its ticker symbols to "GTN" from "GCS.B" for its Common Stock and to "GTN.A" from "GCS" for its Class A Common Stock. Prior to September 16, 2002, the Common Stock was named class B common stock.

Unless otherwise indicated, all station rank, in-market share and television household data herein are derived from the Nielsen Station Index, Viewers in Profile, dated November 2002, as prepared by A.C. Nielsen Company ("Nielsen").

General

The Company owns 29 television stations serving 25 television markets. Fifteen of the stations are affiliated with CBS Inc., or "CBS," seven are affiliated with National Broadcasting Company, Inc., or "NBC" and seven are affiliated with the American Broadcasting Company, or "ABC." The combined station group has 22 stations ranked #1 in local news audience and 22 stations ranked #1 in overall audience within their respective markets based on the results of the Nielsen November 2002 ratings reports. The combined TV station group reaches approximately 5.3% of total U.S. TV households. In addition, with 15 CBS affiliated stations, the Company is the largest independent owner of CBS affiliates in the country.

The Company also owns and operates four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total circulation of over 124,000.

In 1993, after the acquisition of a large block of the Class A Common Stock by Bull Run Corporation ("Bull Run"), the Company implemented a strategy to foster growth through strategic acquisitions and certain select divestitures. Bull Run continues to be a principal shareholder of the Company since its investment in 1993. Since January 1, 1994, the Company's significant acquisitions have included 28 television stations, three newspapers, a transportable satellite uplink business and a paging business located in the Southeast, Southwest and Midwest and the divestiture of two stations in the Southeast. As a result of the Company's acquisitions and in support of its growth strategy, the Company has added certain key members of management and has greatly expanded its operations in the television broadcasting and newspaper publishing businesses.

Acquisitions, Investments and Divestitures

2002 Acquisitions

On October 25, 2002 the Company completed its acquisition of Stations Holding Company, Inc. ("Stations Holding") by acquiring all of Stations Holding's outstanding capital stock in a merger transaction. Effective with the completion of the transaction, Stations Holding changed its name to Gray MidAmerica Television, Inc. ("Gray MidAmerica Television"). With this transaction the Company

acquired 15 network affiliated television stations serving 13 television markets. On December 18, 2002 the Company completed its acquisition of the assets of KOLO-TV, the ABC affiliate serving Reno, Nevada.

The Company paid approximately $515.7 million in aggregate cash consideration for Gray MidAmerica Television. This amount included a base purchase price of $502.5 million plus certain net working capital adjustments of approximately $5.7 million and fees of $7.5 million associated with the transaction. The Company funded the acquisition and related fees and expenses by issuing 30,000,000 shares of Gray Common Stock to the public for net proceeds of $232.7 million, issuing additional debt totaling $275.0 million and cash on hand.

For advisory services rendered by Bull Run in connection with the acquisition of Gray MidAmerica Television, the Company paid to Bull Run an advisory fee of $5.0 million. This amount is included in the fees described above. The Company does not intend to compensate Bull Run for any such advisory or similar services in the future.

The Company paid approximately $41.8 million in cash consideration for KOLO-TV. This purchase price included a base purchase price of $41.5 million and related fees of approximately $325,000. The Company financed this transaction by utilizing cash on hand and net proceeds of $34.9 million from the issuance of an additional 4,500,000 shares of Gray Common Stock. As of December 31, 2002, the Company did not owe any additional material contingent payments related to the acquisition of KOLO-TV.

Acquisition of Investment in Sarkes Tarzian, Inc.

On December 3, 2001, the Company exercised its option to acquire 301,119 shares of the outstanding common stock, $4.00 par value, of Sarkes Tarzian, Inc. (“Tarzian”) from Bull Run. Bull Run had purchased these same shares from U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate of Mary Tarzian (the “Estate”) in January 1999.

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

Gray paid $10 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. The Company has previously capitalized and paid to Bull Run $3.2 million of costs associated with the Company’s option to acquire these shares. This investment has been accounted for under the cost method of accounting and reflected as a non-current other asset. The Company believes the cost method is appropriate to account for this investment given the existence of a single voting majority shareholder. The Company’s ownership of these shares is subject to certain litigation which is discussed in Item 3. Legal Proceedings.

Acquisition of the Texas Stations

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

Aggregate consideration (net of cash acquired) paid in the Company's Common Stock and cash was approximately $146.4 million which included a base purchase price of $139.0 million, transaction expenses of $2.8 million and certain net working capital adjustments (excluding cash) of $4.6 million. In addition to the amount paid, the Company assumed approximately $600,000 in liabilities in connection with the asset purchase of KXII Broadcasters Ltd. The Company funded the acquisitions by issuing 3,435,774 shares of the Company's Common Stock (valued at $49.5 million) to the sellers, borrowing an additional $94.4 million under its senior credit facility and using cash on hand of approximately $2.5 million.

With the Texas Acquisitions, the Company added the following television stations to its broadcast segment: KWTX-TV, the CBS affiliate located in Waco, Texas; KBTX-TV, the CBS affiliate located in Bryan, Texas, each serving the Waco-Temple-Bryan, Texas television market and KXII-TV, the CBS affiliate serving Sherman, Texas and Ada, Oklahoma. Under Federal Communications Commission (the "FCC") regulations, KBTX-TV is operated as a satellite station of KWTX-TV. The stations are collectively referred to herein as the "Texas Stations."

Acquisition of The Goshen News

On March 1, 1999, the Company acquired substantially all of the assets of *The Goshen News* from News Printing Company, Inc. and affiliates thereof, for aggregate cash consideration of approximately $16.7 million including a non-compete agreement (the "Goshen Acquisition"). *The Goshen News* is currently a 16,000-circulation newspaper published Monday through Sunday and serves Goshen, Indiana and surrounding areas. The Company financed the acquisition through borrowings under its senior credit facility.

Busse – WALB Transactions

On July 31, 1998, the Company completed the purchase of all of the outstanding capital stock of Busse Broadcasting Corporation (“Busse”). The purchase price was approximately $126.6 million, less the accreted value of Busse’s 11 5/8 % Senior Secured Notes due 2000 (the “Busse Senior Notes”). The purchase price of the capital stock consisted of the contractual purchase price of $112.0 million, associated transaction costs of $3.9 million, acquisition costs associated with the Busse Senior Notes of $5.1 million and Busse’s cash and cash equivalents of $5.6 million. Immediately following the acquisition of Busse, the Company exercised its right to satisfy and discharge the Busse Senior Notes, effectively prefunding the Busse Senior Notes at the October 15, 1998 call price of 106, plus accrued interest. The amount necessary to satisfy and discharge the Busse Senior Notes was approximately $69.9 million.

Immediately prior to the Company’s acquisition of Busse, Cosmos Broadcasting Corporation acquired the assets of WEAU-TV (“WEAU”) from Busse and exchanged them for the assets of WALB-TV, Inc. (“WALB”), the Company’s NBC affiliate in Albany, Georgia. In exchange for the assets of WALB, the Company received the assets of WEAU, which were valued at $66.0 million, and approximately $12.0 million in cash for a total value of $78.0 million. The Company recognized a pre-tax gain of approximately $72.6 million and estimated deferred income taxes of approximately $28.3 million in connection with the exchange of WALB. The Company funded the remaining costs of the acquisition of Busse’s capital stock through borrowings under the Company’s senior credit facility.

As a result of these transactions, the Company acquired the following television stations: KOLN-TV (“KOLN”), the CBS affiliate serving the Lincoln-Hastings-Kearney, Nebraska market; its satellite station KGIN-TV (“KGIN”), the CBS affiliate serving Grand Island, Nebraska; and WEAU, an NBC affiliate serving the La Crosse-Eau Claire, Wisconsin market. These transactions also satisfied the FCC’s requirement for the Company to divest itself of WALB. These transactions are referred to as the “Busse-WALB Transactions.”

Television Broadcasting

The Company’s Stations and their Markets

As used in the table for the Company’s stations (i) “Total Market Revenues” represent gross advertising revenues, excluding barter revenues, for all commercial television stations in the market, as reported in Investing in Television 2002 Market Report, Fourth Edition November 2002 Ratings published by BIA Publications, Inc. (the “BIA Guide”), except for revenues in WYMT-TV’s (“WYMT”) 16-county trading area which is not separately reported in the BIA Guide; (ii) “in-market share of households viewing television” represents the percentage of the station’s audience as a percentage of all viewing by households of local commercial stations in the market from 6 a.m. to 2 a.m. Sunday through Saturday, as reported by Nielsen for November 2002; (iii) “station rank in DMA” is based on Nielsen estimates for November 2002 for the period from 6 a.m. to 2 a.m. Sunday through Saturday; (iv)“station news rank in DMA” is based on management’s review of the Nielsen estimates for November 2002, (v) estimates of population, average household income, effective buying income and retail business sales growth projections are as reported in the BIA Guide; and (vi) television households are as reported by Nielsen for November 2002. Designated Market Area is defined herein as “DMA.”

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

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Broadcasting Summary

DMA Rank (a)	Market	Station	Analog Channel	Affiliation		FCC License Renewal Date	Station Rank in DMA(b)	Station News Rank in DMA(c)	Commercial Stations in DMA(d)	In Market Share of Household Viewing (b)	Television Households (a) (in thousands)
				Network	Expiration						
63	Knoxville, TN	WVLT	8	CBS	12/31/04	8/1/05	2	3	5	25%	490
65	Lexington, KY	WKYT	27	CBS	12/31/04	8/1/05	1	1	5	38%	454
Note(f)	Hazard, KY	WYMT	57	CBS	12/31/04	8/1/05	1	1		32%	169
66	Wichita—Hutchinson, KS	KAKE	10	ABC	1/1/06	6/1/06	3	2	6	23%	445
	(Colby, KS)	KLBY (e)	4	ABC	1/1/06	6/1/06					
	(Garden City, KS)	KUPK (e)	13	ABC	1/1/06	6/1/06					
78	Omaha, NE	WOWT	6	NBC	1/1/12	6/1/06	1	1	5	29%	387
86	Madison, WI	WMTV	15	NBC	1/1/12	12/1/05	2	2	4	25%	349
93	Waco-Temple-Bryan, TX	KWTX	10	CBS	12/31/05	8/1/06	1	1	6	41%	304
	(Bryan, TX)	KBTX (g)	3	CBS	12/31/05	8/1/06	1	1			
94	Colorado Springs, CO	KKTV	10	CBS	6/30/05	4/1/06	1	1	5	33%	303
102	Lincoln—Hastings	KOLN	10	CBS	12/31/05	6/1/06	1	1	5	52%	267
	Kearney, NE	KGIN (h)	11	CBS	12/31/05	6/1/06					
	(Grand Island, NE)										
103	Greenville—New Bern—Washington, NC	WITN	7	NBC	12/31/11	12/1/04	2	2	4	32%	266
107	Tallahassee, FL—Thomasville, GA	WCTV	6	CBS	12/31/04	4/1/05	1	1	5	56%	256
111	Lansing, MI	WILX	10	NBC	1/1/12	10/1/05	1	1	4	37%	248
114	Reno, NV	KOLO	8	ABC	1/2/05	10/1/06	1	1	5	31%	242
115	Augusta, GA	WRDW	12	CBS	3/31/05	4/1/05	1	1	4	37%	241
123	La Crosse— Eau Claire, WI	WEAU	13	NBC	12/31/11	12/1/05	1	1	4	37%	218
134	Wausau—Rhinelander, WI	WSAW	7	CBS	6/30/05	12/1/05	1	2	4	37%	176
135	Rockford, IL	WIFR	23	CBS	6/30/05	12/1/05	2	2	4	28%	176
138	Topeka, KS	WIBW	13	CBS	6/30/05	6/1/06	1	1	4	44%	168
159	Panama City, FL	WJHG	7	NBC	12/31/11	2/1/05	1	1	3	51%	131
160	Sherman,TX—Ada, OK	KXII	12	CBS	12/31/05	8/1/06	1	1	2	69%	121
171	Dothan, AL	WTVY	4	CBS	6/30/05	4/1/05	1	1	3	70%	98
178	Harrisonburg, VA	WHSV	3	ABC	11/1/04	10/1/04	1	1	1	97%	86
180	Bowling Green, KY	WBKO	13	ABC	11/1/04	8/1/05	1	1	2	85%	82
185	Meridian, MS	WTOK	11	ABC	11/1/04	6/1/05	1	1	3	67%	71
188	Parkersburg, WV	WTAP	15	NBC	1/1/12	10/1/04	1	1	1	92%	64
											5,812(i)

(a) Based on data published by Nielsen.
(b) Based on Nielsen data for November 2002 rating period, Sunday to Saturday, 6 a.m. to 2 a.m.
(c) Based on our review of the Nielsen data for the November 2002 rating period during various news hours.
(d) We have included only stations that BIA has reported at one share or more in three of the four most recent rating periods.
(e) KLBY and KUPK are satellite stations of KAKE under FCC rules.
(f) Special 16 county trading area defined by Nielsen and is part of the Lexington, KY DMA.
(g) KBTX is a satellite station of KWTX under FCC rules.
(h) KGIN is a satellite station of KOLN under FCC rules.
(i) Approximately 5% of all US television households

The percentage of the Company’s total revenues contributed by the Company’s television broadcasting segment was approximately 74%, 68%, and 71% for the years ended December 31, 2002, 2001 and 2000, respectively.

Television Industry Background

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

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

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

Four major broadcast networks, ABC, NBC, CBS and FOX dominate broadcast television. Additionally, United Paramount Network (“UPN”), Warner Brothers Network (“WB”) and the Pax TV Network have been launched as additional television networks. An affiliate of FOX, UPN, WB or Pax TV receives a smaller portion of each day’s programming from its network compared to an affiliate of ABC, NBC or CBS.

The affiliation of a station with ABC, NBC or CBS has a significant impact on the composition of the station’s programming, revenues, expenses and operations. A typical affiliate of these networks receives the majority of each day’s programming from the network. This programming, along with cash payments (“network compensation”) in certain instances, is provided to the affiliate by the network in exchange for a substantial majority of the advertising time available for sale during the airing of network programs. The network then sells this advertising time and retains the revenues. The affiliate retains the revenues from time sold during breaks in and between network programs and programs the affiliate produces or purchases from non-network sources. In acquiring programming to supplement programming supplied by the affiliated network, the affiliates compete primarily with other affiliates and independent stations in their markets. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. In addition, a television station may acquire programming through barter arrangements. Under barter arrangements, a national program distributor may receive advertising time in exchange for the programming it supplies, with the station

paying a reduced or no fee for such programming. Most successful commercial television stations obtain their brand identity from locally produced news programs.

The Company accounts for trade barter transactions involving the exchange of tangible goods or services with its customers. The revenue is recorded at the time the advertisement is broadcast and the expense is recorded at the time the goods or services are used. The revenue and expense associated with these transactions are based on the fair value of the assets or services received.

Management of the Company believes that barter revenue and related expense generated from syndicated and network programming is immaterial. Furthermore, any barter revenue recognized would then require the recognition of barter expense. Barter revenue would then be equal to barter expense and the recognition of these amounts would not have an effect upon net income. Therefore, the Company does not recognize barter revenue or barter expense generated by transactions between the Company and the providers of syndicated programming.

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

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

Network Affiliation of the Stations

Each of the Company's stations is affiliated with a major network pursuant to an affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which the station is affiliated. In return, the network has the right to sell a substantial majority of the advertising time during such broadcasts. In exchange for every hour that a station elects to broadcast network programming, the network pays the station a specific network compensation fee, which varies with the time of day. Typically, prime-time programming generates the highest hourly network compensation payments. Such payments are subject to increase or decrease by the network during the term of an affiliation agreement with provisions for advance notices and right of termination by the station in the event of a reduction in such payments. Although network affiliation agreements have historically been renewed by the Company and the respective networks, the Company can not guarantee that any agreements will be renewed in the future under their current terms. Network compensation has declined in recent years at certain of the Company's television stations reflecting an ongoing phase out of network compensation. See the Broadcasting Summary table above for each of the Company's television stations network affiliations and the expiration date of the current affiliation agreements.

Newspaper Publishing

At December 31, 2002, the Company owned and operated five publications comprising four daily newspapers and an advertising shopper, located in the Southeast and Midwest. The percentage of total Company revenues contributed by the newspaper publishing segment was approximately 22%, 26% and 24% for each of the years ended December 31, 2002, 2001 and 2000, respectively.

The Albany Herald

The Albany Herald Publishing Company, Inc. ("The Albany Herald"), located in Albany, Georgia, publishes *The Albany Herald*, which is published seven days a week and serves southwest Georgia. The Albany Herald's circulation approximates 31,000 Sunday subscribers and 28,000 daily. The Albany Herald also produces a weekly advertising shopper and other niche publications.

Gwinnett Daily Post and Rockdale Citizen/Newton Citizen

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

The *Gwinnett Daily Post* is published Tuesday through Sunday and has a circulation of approximately 65,000 subscribers. The *Gwinnett Daily Post* is located northeast of Atlanta, Georgia in Gwinnett County, which has an estimated population of approximately 650,000. Since the purchase of the *Gwinnett Daily Post* in 1995, the frequency of publication has increased from three to six days per week and circulation has grown from 13,000 to 65,000 subscribers.

Rockdale Citizen/Newton Citizen is published seven days per week with a circulation of approximately 15,000. In 2000, the Company began publication of the *Newton Citizen* for distribution into neighboring Newton County. The Rockdale Citizen is located in Conyers, Georgia, the county seat of Rockdale County, which is 19 miles east of downtown Atlanta. Rockdale County and Newton County's combined population is estimated to be approximately 132,000.

The Goshen News

The Goshen News is published seven days a week with a circulation of 17,000 and serves Goshen, Indiana and surrounding areas. *The Goshen News* also produces a weekly advertising shopper. Since the Company acquired *The Goshen News* in 1999, it has added a Sunday edition and converted the Saturday edition to morning delivery.

Industry Background

Newspaper publishing is the oldest segment of the media industry and, as a result of the focus on local news, newspapers in general, remain an important media for local advertising. Newspaper advertising revenues are cyclical and have generally been affected by changes in national and regional economic conditions. Financial instability in the retail industry, including bankruptcies of larger retailers and consolidations among large retail chains can result in reduced retail advertising expenditures. Classified advertising, which makes up approximately one-third of newspaper advertising expenditures, can be affected by an economic slowdown and its effect on employment, real estate transactions and automotive sales. However, growth in housing starts (the number of residential building projects beginning in a specific period of time) and automotive sales, although cyclical in nature, generally provide continued growth in newspaper advertising expenditures. While the newspaper publishing

industry is impacted by the economic cycles, it is not generally affected by the cyclical nature of political advertising revenue.

Pagers and Wireless Services

The Paging Business

The paging business, acquired by the Company in September 1996, is based in Tallahassee, Florida and operates in Georgia, Alabama and Florida. In 2002, the Company's paging operations had approximately 66,000 units in service compared to approximately 75,000 units in service in 2001. The percentage of total Company revenues contributed by the paging segment was approximately 4%, 6% and 5% for the years ended December 31, 2002, 2001 and 2000, respectively.

Additional Information on Business Segments

Reference is made to Note K of notes to consolidated financial statements of the Company for additional financial and other information regarding business segments.

Competition

Television Industry

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

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

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

Other sources of competition include home entertainment systems, "wireless cable" services, satellite master antenna television systems, low power television stations, television translator stations, direct broadcast satellite ("DBS") video distribution services and the internet.

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

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

Newspaper Industry

The Company's newspapers compete for advertisers with a number of other media outlets, including magazines, radio, television and the internet, as well as other newspapers, which also compete for readers with the Company's publications. One of the Company's newspaper competitors is significantly larger than the Company and operates in two of its newspaper markets. The Company differentiates its publications from the other newspaper by focusing on local news and local sports coverage in order to compete with its larger competitor. The Company clearly identifies the markets it wishes to target and seeks to become the primary source for local news and advertising information within those markets.

Paging Industry

The paging industry is highly competitive. Companies in the industry compete on the basis of price, coverage area offered to subscribers, available services offered in addition to basic numeric or tone paging, transmission quality, system reliability and customer service. The Company's paging services also compete with other wireless communications services such as cellular service. The Company competes by maintaining competitive pricing of its product and service offerings, by providing quality, reliable transmission networks and by furnishing subscribers a superior level of customer service.

Federal Regulation of the Company's Business

Television Broadcasting

Existing Regulation. Television broadcasting is subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communications Act") and the Telecommunications Act of 1996 (the "Telecommunications Act"). The Communications Act prohibits the operation of television broadcasting stations except under a license issued by the FCC and empowers the FCC, among other things, to issue, revoke and modify broadcasting licenses, determine the locations of stations, regulate the equipment used by stations, adopt regulations to carry out the provisions of the Communications Act and the Telecommunications Act and impose penalties for violation of such regulations. The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC.

License Grant and Renewal. Television broadcasting licenses generally are granted or renewed for a period of eight years but may be renewed for a shorter period upon a finding by the FCC that the "public interest, convenience, and necessity" would be served thereby. Broadcast licenses are of paramount importance to the Company's Television Broadcasting segment. The Telecommunications Act requires a broadcast license to be renewed if the FCC finds that: (i) the station has served the public interest, convenience and necessity; (ii) there have been no serious violations of either the Communications Act or the FCC's rules and regulations by the licensee; and (iii) there have been no other violations which, taken together, would constitute a pattern of abuse. At the time an application is made for renewal of a

television license, parties in interest may file petitions to deny, and such parties, including members of the public, may comment upon the service the station has provided during the preceding license term and urge denial of the application. If the FCC finds that the licensee has failed to meet the above-mentioned requirements, it could deny the renewal application or grant a conditional approval, including renewal for a lesser term. The FCC will not consider competing applications contemporaneously with a renewal application. Only after denying a renewal application can the FCC accept and consider competing applications for the license. Although in substantially all cases broadcast licenses are renewed by the FCC even when petitions to deny are filed against broadcast license renewal applications, there can be no assurance that the Company's stations' licenses will be renewed. The Company is not aware of any facts or circumstances that could prevent the renewal of the licenses for its stations at the end of their respective license terms. See the dates through which the current licenses are effective in the Broadcasting Summary table above.

Multiple Ownership Restrictions. Currently, the FCC has rules that limit the ability of individuals and entities to own or have an ownership interest above a certain level (an "attributable" interest, as defined more fully below) in broadcast stations, as well as other mass media entities. As discussed below, however, a number of these rules have been challenged successfully in the courts, and those still in effect are the subject of a pending FCC rulemaking proceeding.

The current rules limit the number of broadcast stations that may be owned both on a national and a local basis. On a national basis, the rules preclude any individual or entity from having an attributable interest in television stations whose aggregate audience reach exceeds 35% of the total national audience. Owners of television stations that have an attributable interest in another TV station in the same Nielsen DMA, or that operate a satellite station in the same market, do not have to include those additional same-market outlets in calculating their aggregate television audience reach. A station owner with an attributable interest in a station in a separate market (including time-brokered local marketing agreements ("LMAs") and satellite stations), however, must count that additional audience as part of its national aggregate audience.

On a local basis, in an August 1999 decision, as modified by a January 2001 order on reconsideration, the FCC revised its local market television ownership rules, permitting station owners to realize the efficiencies of certain types of common ownership. The FCC currently allows the common ownership of two television stations without regard to broadcast signal contour overlap if the stations are in separate DMAs. The FCC continues to allow common ownership of two stations in the same DMA if their Grade B contours do not overlap. Entities also now are permitted to own two television stations within the same DMA if eight full-power independently owned television stations (commercial and noncommercial) will remain post-merger, and one of the co-owned stations is not among the top four-ranked stations in the market based on Nielsen audience share ratings. In order for a television station to count toward the minimum number of independent stations necessary for FCC approval of a proposed duopoly, its Grade B signal contour must overlap the Grade B signal contour of at least one of the TV stations involved in the proposed combination. The common ownership of two television stations in the same market with an overlapping contour also is permitted under the FCC's waiver policy where the same-market licensee is the only reasonably available buyer and the station purchased is a "failed station" (either off the air for at least four months prior to the waiver application or involved in involuntary bankruptcy or insolvency proceedings) or a "failing" station (having a low audience share and financially struggling during the previous several years). In addition, a waiver of the FCC's ownership restrictions is possible if the applicant for waiver can show that the combination will result in the construction of a previously unbuilt station. The FCC also substantially modified its rules implementing TV-radio cross-ownership restrictions (the so-called "one-to-a-market" rule). Depending upon the particular circumstances an entity may own up to two television stations and six radio stations or one television station and seven radio stations in a market.

On February 19, 2002, in response to appeals filed by Time Warner and three of the national broadcast television networks, the U.S. Court of Appeals for the D.C. Circuit issued a ruling vacating the cable/broadcast cross-ownership rule (which effectively prohibited joint ownership of a broadcast television station and cable system in the same market) and remanding the national television station ownership cap to the FCC for further proceedings.

Sinclair Broadcast Group filed a separate appeal in federal court, contending that the requirement that eight independent voices exist in a market before the FCC will permit a TV duopoly violates the First Amendment. On April 2, 2002, the U.S. Court of Appeals for the D.C. Circuit remanded the television duopoly rule to the FCC for further reconsideration, finding that it had failed to show that it was not arbitrary and capricious to exclude non-television media from the "eight-voices test" used to determine the permissibility of television duopolies.

In response to these federal appeals court decisions finding that the FCC had failed to adequately justify certain of its media ownership rules, on September 23, 2002 the FCC released a Notice of Proposed Rulemaking initiating a comprehensive review (the "Omnibus Ownership Rulemaking proceeding") of its media ownership rules (with the exception of the cable/broadcast cross-ownership rule, which, as noted above, was vacated by the D.C. Circuit). The Notice of Proposed Rulemaking, which was released in conjunction with the Commission's 2002 biennial review,[1] commenced a review of four of the agency's existing rules: the television duopoly rule; the radio/television cross-ownership rule; the national television ownership cap; and the dual network rule.[2]

The Omnibus Ownership Rulemaking proceeding also addresses two rules that are the subject of pending rulemaking proceedings: the newspaper/broadcast cross-ownership ban;[3] and the local radio ownership rule.

Comments in the Omnibus Ownership Rulemaking proceeding were due by January 2, 2003; Reply Comments by February 3, 2003. The FCC has indicated its intention to conclude this proceeding by June 2003.

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

Under the FCC's ownership rules, a direct or indirect purchaser of certain types of securities of the Company could violate FCC regulations if that purchaser owned or acquired an "attributable" or "meaningful" interest in other media properties in the same areas as stations owned by the Company or in a manner otherwise prohibited by the FCC. All officers and directors of a licensee and its direct or

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1 Under the Telecommunications Act, the FCC must review all of its broadcast ownership rules biennially to determine if they remain necessary to the public interest.

2 The dual network rule currently prohibits combinations among the top four networks (*i.e.*, ABC, CBS, FOX and NBC).

3 The FCC initiated a rulemaking on the newspaper/broadcast cross-ownership ban in September 2001. (The rule, adopted by the FCC in the 1970s, generally prohibits one entity from owning both a commercial broadcast station and a daily newspaper in situations in which the predicted or measured contours of the station encompass entirely the community in which the newspaper is published.) Comments filed in response to that Notice of Proposed Rulemaking have been incorporated into the record of the Omnibus Ownership Rulemaking proceeding.

indirect parent(s), as well as general partners, uninsulated limited partners or members of a limited liability company and stockholders who own 5% or more of the voting power of the outstanding common stock of a licensee (either directly or indirectly), generally will be deemed to have an "attributable" interest in the licensee. Certain institutional investors, which exert no control or influence over a licensee, may own up to 20% of the voting power of the outstanding common stock before attribution occurs.

The FCC revised its broadcast ownership attribution rules. The FCC's attribution rules now include a new "equity/debt plus" attribution rule that functions in addition to the current attribution rules. Under the new rule, a holder of a financial interest, whether equity or debt or both, of 33% of licensee's total assets will have an attributable interest in that licensee if it is either a major program supplier to that licensee (supplying more than 15% of a station's total weekly broadcast programming hours) or if it is a same media market entity (including broadcasters, cable operators and newspapers). All stock, including common and preferred, voting and nonvoting stock, will be counted toward the 33% threshold. Time brokerage of another television station in the same market (including LMAs) for more than 15% of the brokered station's broadcast hours per week will result in the attribution of the time brokerage arrangement. Except for certain LMAs, any interest acquired on or after November 7, 1996, is subject to the FCC's revised ownership and attribution rules.

In addition, the FCC in January 2001 made several minor changes to its attribution rules. Most significantly, the FCC eliminated the single majority shareholder exception, which had deemed the interests of minority shareholders in corporations in which a single shareholder owns more than 50 percent of the voting stock of the corporation to be non-attributable. The FCC's decision to eliminate the single majority shareholder exemption in the broadcast context has been called into question, however, by a March 2001 D.C. Circuit ruling, which reversed and remanded the FCC's decision to eliminate the corresponding exemption for purposes of the cable attribution rules. In light of the D.C. Circuit's decision, the FCC issued a Further Notice of Proposed Rulemaking in September 2001 to review the single majority shareholder exemption in both the cable and broadcast contexts. In addition, the FCC separately issued an order suspending enforcement of the elimination of the exemption for the broadcast industry pending resolution of that proceeding.

To the best of the Company's knowledge, no officer, director or 5% stockholder of the Company currently holds an attributable interest in another television station, radio station, cable television system or daily newspaper that is inconsistent with the FCC's ownership rules and policies or with ownership by the Company of its stations.

Alien Ownership Restrictions. The Communications Act restricts the ability of foreign entities or individuals to own or hold interests in broadcast licenses. Foreign governments, representatives of foreign governments, non-citizens, representatives of non-citizens, and corporations or partnerships organized under the laws of a foreign nation are barred from holding broadcast licenses. Non-citizens, collectively, may directly or indirectly own or vote up to 20% of the capital stock of a licensee. In addition, a broadcast license may not be granted to or held by any corporation that is controlled, directly or indirectly, by any other corporation more than one-fourth of whose capital stock is owned or voted by non-citizens or their representatives or by foreign governments or their representatives, or by non-U.S. corporations if the FCC finds that the public interest will be served by the refusal or revocation of such license. The Company has been advised that the FCC staff has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such corporation and the FCC has made such an affirmative finding only in limited circumstances. The Company, which serves as a holding company for wholly-owned subsidiaries that are licensees for its stations, therefore may be restricted from having more than one-fourth of its stock owned or voted directly or indirectly by non-citizens, foreign governments, representatives of non-citizens or foreign governments, or foreign corporations.

Recent Developments. Congress has recently enacted legislation and the FCC currently has under consideration or is implementing new regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation and ownership of the Company's broadcast properties. In addition to the proposed changes noted above, such matters include, for example, spectrum use fees, political advertising, cable carriage of digital television signals and viewing of distant network signals by direct broadcast satellite services. Other matters that could affect the Company's broadcast properties include technological innovations and developments generally affecting competition in the mass communications industry, such as the rapid growth of direct broadcast satellite service and the continued establishment of wireless cable systems and low power television stations.

In response to two decisions of the U.S. Court of Appeals for the D.C. Circuit, the FCC suspended its former equal employment opportunity ("EEO") rules. On November 7, 2002, however, the FCC adopted new EEO rules requiring licensees to widely disseminate information about job openings to all segments of the community and periodically disclose details concerning recruiting and outreach activities. Those rules went into effect on March 10, 2003.

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

The signal carriage, or "must carry," provisions of the 1992 Cable Act require cable operators to carry the signals of local commercial and non-commercial television stations and certain low power television stations. Systems with 12 or fewer usable activated channels and more than 300 subscribers must carry the signals of at least three local commercial television stations. A cable system with more than 12 usable activated channels, regardless of the number of subscribers, must carry the signals of all local commercial television stations, up to one-third of the aggregate number of usable activated channels of such system. The 1992 Cable Act also includes a retransmission consent provision that prohibits cable operators and other multi-channel video programming distributors from carrying broadcast stations without obtaining their consent in certain circumstances. The "must carry" and retransmission consent provisions are related in that a local television broadcaster, on a cable system-by-cable-system basis, must make a choice once every three years whether to proceed under the "must carry" rules or to waive that right to mandatory but uncompensated carriage and negotiate a grant of retransmission consent to permit the cable system to carry the station's signal, in most cases in exchange for some form of consideration from the cable operator. Cable systems must obtain retransmission consent to carry all distant commercial stations other than certain "super stations" delivered via satellite. Under rules adopted to implement these "must carry" and retransmission consent provisions, local television stations are required to make an election of "must carry" or retransmission consent at three year intervals. Stations that fail to elect are deemed to have elected carriage under the "must carry" provisions. Other issues addressed in the FCC rules are market designations, the scope of retransmission consent and procedural requirements for implementing the signal carriage provisions. Each of the Company's stations has elected "must carry" status on certain cable systems in its DMA. On other cable systems the Company's stations have entered into retransmission consent agreements. These elections and agreements, when concluded, will entitle the Company's stations to carriage on those systems until at least December 31, 2005.

The 1992 Cable Act was amended in several important respects by the Telecommunications Act. Most notably, the Telecommunications Act repeals the cross-ownership ban between cable and telephone entities as well as the FCC's former video dial-tone rules (permitting telephone companies to enter the video distribution services market under several new regulatory options). The Telecommunications Act also (a) eliminated the broadcast network/cable cross-ownership limitation and (b) lifted the statutory ban

on TV/cable cross-ownership within the same market area. (The separate FCC regulatory restrictions on TV/cable cross-ownership have since been vacated, as discussed above).

Digital Television Service. In December 1996, the FCC formally approved technical standards for digital advanced television (“DTV”). DTV is a flexible system that will permit broadcasters to utilize a single digital channel in various ways, including providing one channel of high-definition television programming with greatly enhanced image and sound quality or several channels of lower-definition television programming (“multicasting”), and is capable of accommodating subscription video and data services. Broadcasters may offer a combination of services, so long as they transmit at least one stream of free video programming on the DTV channel. The FCC has assigned to each existing full power television station (including each station owned by the Company) a second channel to implement DTV while present television operations are continued on that station’s existing analog channel. Although in some cases a station’s DTV channel may only permit operation over a smaller geographic service area than that available using its existing channel, the FCC’s stated goal in assigning channels was to provide stations with DTV service areas that will replicate their existing service areas. The FCC’s DTV rules also permit stations to request new channel assignments and other modifications to their assigned DTV facilities, allowing them to expand their DTV service areas if certain interference criteria are met. Under FCC rules and the Balanced Budget Act of 1997, station owners may be required to surrender one channel in 2006 and thereafter provide service solely in the DTV format. Generally, under current FCC rules each of the Company’s stations was required to construct DTV facilities and commence operations by May 2002. Today, 13 of the Company’s stations are on the air with a digital signal; the remaining stations have received extensions of the May 2002 construction deadline.

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

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

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

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

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

The FCC deferred making a decision as to whether broadcasters are entitled to simultaneous carriage of both their digital and analog signals during the transition to DTV. Nevertheless, the agency did announce its tentative conclusion that, although neither forbidden nor mandated by the Communications

Act, dual carriage obligations would appear to impose an unconstitutional burden on a cable operator's First Amendment rights. The FCC is also considering whether rules for carriage of digital television signals by cable system operators should also apply to direct broadcast satellite operators.

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

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

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

In response to broadcasters' July 2001 elections, DBS operators issued a large number of carriage denial letters, prompting the FCC to issue an order in September 2001 clarifying the DBS mandatory carriage rules. In particular, the FCC emphasized that a satellite carrier must have a "reasonable basis" for rejecting a broadcast station's request for carriage. The Company cannot predict the impact of DBS service upon the Company's business. It has, however, entered a retransmission consent agreement with EchoStar for the retransmission of its television stations' signals into the local markets that they serve.

Paging

Federal Regulation. The Company's paging operations, acquired by the Company in September 1996, are subject to regulation by the FCC under the Communications Act. The FCC has issued the Company licenses to use the radio frequencies necessary to conduct its paging operations.

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

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Employees

As of March 1, 2003, the Company had 2,147 full-time employees, of which 1,746 were employees of the Company's television stations and satellite business, 327 were employees of the Company's publications, 55 were employees of the Company's paging operations and 19 were corporate and administrative personnel. The Company has 235 employees that are represented by unions. The Company believes that its relations with its employees are satisfactory.

Available Information

The Company's Internet address is http://www.graytvinc.com. We make the following reports filed by the Company available, free of charge, on our website under the heading "SEC Filings":

- Annual reports on Form 10-K;
- Quarterly reports on Form 10-Q;
- Current reports on Form 8-K; and
- Amendments to the foregoing reports filed or furnished pursuant to Section 13 (a) or 15 (d) of the Exchange Act.

The foregoing reports are made available on the Company's website as soon as practicable after they are filed with the Securities and Exchange Commission.

Item 2. Properties

The Company's principal executive offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia, 30319.

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

The following table sets forth certain information regarding the Company's properties.

Television Broadcasting

Market Area, Station and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height(ft.)/ Power	Lease Expiration Date
Knoxville, Tennessee, WVLT				
Office and studio	Owned	18,000		—
Transmission tower site	Leased	Tower space	1,078/316 kw	Month to month
Lexington, Kentucky, WKYT				
Office and studio	Owned	34,500		
Transmission tower site	Owned		1,023/—	—
Hazard, Kentucky, WYMT				
Office and studio	Owned	21,200	—	—
Transmission tower site	Leased		1,029/263 kw	06/2005
Transmitter buildings and improvements	Owned	816 and 864		—

Market Area, Station and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height(ft.)/ Power	Lease Expiration Date
Waco, Texas, KWTX				
Office and studio	Owned	34,000	—	—
Moody, Texas, KWTX				
Transmission tower site	Owned	856	1,679/209 kw	—
Killeen, Texas, KWTX				
Office space	Leased	3,000		07/2006
Tower relay	Owned		109	—
Bryan, Texas, KBTX				
Office and studio	Owned	7,000	374	—
Grimes County, Texas, KBTX				
Transmission tower site	Leased	1,300	1,705/70 kw	03/2023
Calvert, Texas, KBTX				
Transmission tower site	Owned	80 and 96	252	—
Falls County, Texas, KBTX				
Transmission tower site	Owned	128	200	—
Beaver Crossing, Nebraska, KOLN				
Transmission tower site	Owned	120 acres	1,500/302 kw	—
Lincoln, Nebraska, KOLN				
Office and studio	Owned	28,044	400	
Bradshaw, Nebraska, KOLN				
Transmission tower site	Owned	8 acres	345	
Heartwell, Nebraska, KGIN				
Transmission tower site	Owned	71 acres	1,069/316 kw	—
Grand Island, Nebraska, KGIN				
Office and studio	Leased	3,616	—	12/2003
Washington, North Carolina, WITN				
Office and studio	Owned	19,600	198	—
Greenville, North Carolina, WITN				
Office and studio	Leased	2,822	—	11/2005
Grifton, North Carolina, WITN				
Transmitter building	Owned	4,190	2,000	—
Grifton, North Carolina, WITN				
Transmission tower site	Leased	9 acres	316 kw	01/2029
Tallahassee, Florida, WCTV				
Office and studio	Owned	20,000		—
Transmission tower site	Leased	37 acres	310	12/2014
Metcalf, Georgia, WCTV				
Transmission tower site	Owned	182 acres	2,000/100 kw	—
North Augusta, South Carolina, WRDW				
Office and studio	Owned	17,000	501/20 kw	—
Beech Island, South Carolina, WRDW				
Transmission tower site	Owned	143 acres	1454/346 kw 1591/316 kw	—
Eau Claire, Wisconsin, WEAU				
Office and studio	Owned	16,116	1,000	—
Township of Fairchild, Wisconsin, WEAU	Owned			
Transmitter building and transmission site	With easement	2,304	2,000/316 kw (analog) 500 kw (digital)	

Market Area, Station and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height(ft.)/ Power	Lease Expiration Date
Panama City, Florida, WJHG				
Office and studio	Owned	14,000	400	—
Youngstown, Florida, WJHG				
Transmission tower site	Owned	17 acres	808/316 kw	—
Sherman, Texas, KXII				
Office and studio	Owned	12,813	202	—
Madill, Oklahoma, KXII				
Transmission tower site	Owned	1,200	1,694/316 kw	—
Ardmore, Oklahoma, KXII				
Studio and offices	Owned	3,000	60	
Paris, Texas, KXII				
Translator tower site	Owned	65	300/.010 kw	—
Baton Rouge, Louisiana, Lynqx Communications				
Office and repair site	Leased	3,400	—	12/2003
Tallahassee, Florida, Lynqx Communications				
Office	Owned	1,000	—	—
Wichita-Hutchinson, Kansas, KAKE-TV				
Office and Studio	Owned	46,762	—	—
Tower/Transmitter site	Owned	2,176	1,079/316 kw	—
Colby, Kansas, KLBY-TV				
Office and Studio	Leased	2,850	—	04/2004
Tower/Transmitter site	Leased	1,000	768/100 kw	04/2007
Garden City, Kansas, KUPK-TV				
Office and Studio	Owned	1,831	—	—
Tower/Transmitter site	Owned	4,655	880/224 kw	—
Omaha, Nebraska, WOWT-TV				
Office and Studio	Owned	58,829	528/100 kw	—
Tower/Transmitter site	Owned	2,500	1,342/100 kw	—
Madison, Wisconsin, WMTV-TV				
Office and Studio	Owned	16,485(b)	—	—
Tower/Transmitter site	Owned		1,040/955 kw	—
Colorado Springs-Pueblo, Colorado, KKTV				
Office and Studio	Owned	30,465	—	—
Tower/Transmitter site	Leased	800	350/234 kw	02/2059
Lansing, Michigan, WILX-TV				
Office and Studio	Owned	13,700	—	—
Tower/Transmitter site	Leased	5,000	994/309 kw	10/2003
Rockford, Illinois, WIFR-TV				
Office and Studio	Owned	15,858(b)	—	—
Tower/Transmitter site	Owned		674/562 kw	—
Wausau-Rhinelander, Wisconsin WSAW-TV				
Office and Studio	Owned	24,400	—	—
Tower/Transmitter site	Leased	2094	650/316 kw	08/2017
Topeka, Kansas, WIBW-TV				
Office and Studio	Owned	19,800	—	—
Tower/Transmitter site	Leased	2,338	1,249/316 kw	02/2062

Market Area, Station and Use	Owned or Leased	Approximate Size (sq. ft.)(a)	Height(ft.)/ Power	Lease Expiration Date
Dothan, Alabama and Panama City, Florida, WTVY-TV				
Office and Studio	Leased	20,440	—	12/2003
Tower/Transmitter site	Owned	2,500	1,880/100 kw	—
Harrisonburg, Virginia, WHSV-TV				
Office and Studio	Leased	18,000	—	04/2018(d)
Tower/Transmitter site	Leased	2,016	337/8.32 kw	12/2001(e)
Bowling Green, Kentucky, WBKO-TV				
Office and Studio	Owned	17,598	—	—
Tower/Transmitter site	Owned	1,175	603/316 kw	—
Meridian, Mississippi, WTOK-TV				
Office and Studio	Owned	12,878	—	—
Tower/Transmitter site	Owned	1,504	316/316 kw	—
Parkersburg, West Virginia, WTAP-TV				
Office and Studio	Owned	17,500	—	—
Tower/Transmitter site	Owned	3,600	439/208 kw	—

(a) Approximate size is for building space only and does not include the land on which the facilities are located.

(b) The tower/transmitter is located at and included within the size of the office and studio premises.

(c) The Company leases this space with Shockley Communications Corporation and the Wisconsin Educational Communications Board from the State of Wisconsin Department of Natural Resources.

(d) The Company has an option to purchase this property during the term of the lease. The purchase price is subject to adjustment depending upon the date the option is exercised.

(e) The United States Department of Agriculture Forest Service granted us a Special Use Permit to occupy this land.

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Publishing

Newspaper and Property Location	Use	Owned or Leased	Approximate Size (sq. ft.)	Lease Expiration Date
The Albany Herald Publishing Company, Inc., Albany, GA	Offices and production facility for *The Albany Herald*	Owned	83,000	—
Post Citizen Media, Inc. Conyers, GA	Offices for *Rockdale* Citizen/ Newton *Citizen*	Owned	20,000	—
Conyers, GA	Offices and production facility for *Rockdale Citizen/Newton Citizen* and the *Gwinnett Daily Post*	Leased	20,000	05/2007
Lawrenceville, GA	Offices for the *Gwinnett Daily Post*	Leased	11,000	Month to month
Goshen, IN	Offices and production facility for *The Goshen News*	Owned	21,000	—

Item 3. Legal Proceedings

The Company is not a party to any legal proceedings in which an adverse outcome would have a material adverse effect, either individually or in the aggregate, upon the Company except as described below.

Income Tax Matter

In October 2001, the Company received a notice of deficiency from the Internal Revenue Service (the "IRS") with respect to its 1996 and 1998 federal income tax returns. The notice of deficiency alleges that the Company recognized a significant amount of taxable gain from the sale of certain assets in 1996 in connection with a business acquisition from First American Media, Inc. The notice of deficiency also alleges that the Company's 1996 acquisition of certain assets from First American Media, Inc. should be characterized for tax purposes as an acquisition of stock. If both of these claims were successful, the Company would owe approximately $12.1 million of additional federal income tax with respect to its 1996 and 1998 taxable years, plus related interest and penalties and, the tax basis of the acquired assets would be significantly reduced. On January 18, 2002, the Company filed a petition to contest the matter in the United States Tax Court.

On February 19, 2003 the IRS and the Company filed a stipulation with the Tax Court acknowledging that the IRS has withdrawn its claim relating to the taxable gain alleged to have been recognized by the Company from the sale of certain assets in 1996. This withdrawn claim accounted for virtually all of the $12.1 million tax liability in dispute before the Tax Court.

The remaining matter pending before the Tax Court is the IRS assertion that the Company's purchase of certain assets from First American Media, Inc. in 1996 should be treated as a purchase of stock. If

successful, the tax basis of such assets acquired in 1996 would be reduced by approximately $166 million and the reduction in tax basis would significantly reduce the Company's tax deductions for depreciation and amortization with respect to the acquired assets. Nevertheless, because of the Company's available federal net operating losses, the Company would not owe any additional cash income tax payments for the tax years ending at least through December 31, 2002 in the event of an adverse ruling from the Tax Court. The Company believes it has a meritorious position with respect to this issue and intends to defend the IRS claim vigorously. However, the Company cannot be certain when, and if, this matter will be resolved in its favor, and if it is not, the Company might incur additional cash taxes in future years.

Tarzian

As previously discussed in "Acquisitions, Investments and Divestitures" under Item 1 of this annual report, the Company has an equity investment in Sarkes Tarzian, Inc. ("Tarzian") representing shares of Tarzian which were originally held by the estate of Mary Tarzian (the "Estate"). As described more fully below, our ownership of the Tarzian shares is subject to certain litigation.

On February 12, 1999, Tarzian filed suit in the United States District Court for the Southern District of Indiana against U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate, claiming that Tarzian had a binding and enforceable contract to purchase the Tarzian shares from the Estate. On February 3, 2003, the Court entered judgment on a jury verdict in favor of Tarzian for breach of contract and awarding Tarzian $4.0 million in damages. The Estate has filed a renewed motion for judgment as a matter of law, and alternatively, for a new trial on the issue of liability. Tarzian has filed a motion to amend the judgment, requesting that the court award Tarzian specific performance of the contract and title to the Tarzian shares, or, in the alternative, award pre-judgment interest on the $4.0 million damage award. The Company cannot predict when the final resolution of this litigation will occur.

On March 7, 2003, Tarzian filed suit in the United States District Court for the Northern District of Georgia against Bull Run and the Company for tortious interference with contract and conversion. The lawsuit alleges that Bull Run and Gray purchased the Tarzian shares with actual knowledge that Tarzian had a binding agreement to purchase the stock from the Estate. The lawsuit seeks damages in an amount equal to the liquidation value of the interest in Tarzian that the stock represents, which Tarzian claims to be as much as $75 million, as well as attorneys' fees, expenses, and punitive damages. The lawsuit also seeks an order requiring the Company and Bull Run to turn over the stock certificates to Tarzian and relinquish all claims to the stock. The stock purchase agreement with the Estate would permit the Company to make a claim against the Estate in the event that title to the Tarzian Shares is ultimately awarded to Tarzian. The Company has not filed an answer or other responsive pleading in the lawsuit; however, the Company believes it has meritorious defenses and intends to vigorously defend the lawsuit. The Company cannot predict when the final resolution of this litigation will occur.

Item 4. Submission of Matters to a vote of Security Holders

No matters were submitted to a vote of security holders of the Company during the fourth quarter of the fiscal year covered.

Item 4.1. Executive Officers of the Registrant

Set forth below is certain information with respect to the executive officers of the Company as of March 17, 2003:

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

Hilton H. Howell, Jr., age 41, has been our Vice Chairman since September 2002. Prior to that, he was our Executive Vice President since September 2000. He has served as one of our directors since 1993. He is a member of the Executive Committee of our board of directors. He has served as President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since 1995 and Executive Vice President from 1992 to 1995. He has been Executive Vice President and General Counsel of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1991, and Vice Chairman of Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company since 1992. He has been a director, Vice President and Secretary of Bull Run, one of our principal stockholders, since 1994. Mr. Howell also serves as a director of the following companies: Atlantic American Corporation, Bankers Fidelity Life Insurance Company, Delta Life Insurance Company, Delta Fire and Casualty Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company, American Safety Insurance Company, Association Casualty Insurance Company and Association Risk Management General Agency. He is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of our board of directors.

Robert S. Prather, Jr., age 59, has served as our President and Chief Operating Officer since September 2002. Prior to that, he served as our Executive Vice President — Acquisitions since 1996. He has served as one of our directors since 1993. He is a member of the Executive Committee of our board of directors. He has served as President and Chief Executive Officer and a director of Bull Run, one of our principal stockholders, since 1992. He serves as a director of Swiss Army Brands, Inc. and The Morgan Group, Inc. and serves on the Board of Trustees of the Georgia World Congress Center Authority.

James C. Ryan, age 42, has served as our Senior Vice President and Chief Financial Officer since September 2002. Prior to that, he was our Vice President and Chief Financial Officer since October 1998. He was the Chief Financial Officer of Busse Broadcasting Corporation from 1987 until we acquired it in 1998.

Robert A. Beizer, age 63, has served as our Vice President for Law and Development and Secretary since 1996. From June 1994 to February 1996 he was of counsel to Venable, Baetjer, Howard & Civiletti, a law firm, in its regulatory and legislative practice group. From 1990 to 1994, Mr. Beizer was a partner in the law firm of Sidley & Austin and was head of their communications practice group in Washington, D.C. He is a past president of the Federal Communications Bar Association and has served as a member of the American Bar Association House of Delegates.

Thomas J. Stultz, age 51, has served as our Vice President and President of our Publishing Division since 1996. Prior to joining us, he served as Vice President of Multimedia Newspaper Company, a division of Multimedia, Inc. from 1988 to 1995, having responsibility for developing and coordinating Multimedia's newspaper marketing initiatives and directly supervising several Multimedia daily and non-daily publications. Mr. Stultz has approximately 32 years of experience in the newspaper industry.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock, no par value (the "Common Stock"), and its class A common stock, no par value (the "Class A Common Stock"), have been listed and traded on The New York Stock Exchange (the "NYSE") since September 24, 1996 and June 30, 1995, respectively. On August 30, 2002, the Company changed its ticker symbols to "GTN" from "GCS.B" for its Common Stock and to "GTN.A" from "GCS" for its Class A Common Stock. Prior to September 16, 2002, the Common Stock was named class B common stock.

The following table sets forth the high and low sale prices of the Common Stock and the Class A Common Stock as well as the cash dividend declared for the periods indicated. The high and low sales prices of the Common Stock and the Class A Common Stock are as reported by the NYSE.

	Common Stock			Class A Common Stock		
	High	Low	Cash Dividends Declared Per Share	High	Low	Cash Dividends Declared Per Share
2002						
First Quarter	$14.50	$10.24	$0.02	$16.16	$12.95	$0.02
Second Quarter	14.55	13.20	0.02	18.10	14.75	0.02
Third Quarter	13.35	10.75	0.02	18.15	13.10	0.02
Fourth Quarter	10.95	7.95	0.02	13.65	10.15	0.02
2001						
First Quarter	$17.65	$14.50	$0.02	$19.04	$15.63	$0.02
Second Quarter	16.40	14.20	0.02	19.05	15.27	0.02
Third Quarter	15.45	13.10	0.02	18.79	15.20	0.02
Fourth Quarter	13.23	9.60	0.02	15.20	12.20	0.02

As of March 17, 2003, the Company had 43,525,984 outstanding shares of Common Stock held by approximately 714 stockholders and 6,848,467 outstanding shares of Class A Common Stock held by approximately 846 stockholders. The number of stockholders includes stockholders of record and individual participants in security position listings as furnished to the Company pursuant to Rule 17Ad-8 under the Exchange Act.

The Company has paid a dividend on its Common Stock since its initial offering in 1996 and on its Class A Common Stock since 1967. The Company's Articles of Incorporation provide that each share of

Common Stock is entitled to one vote and each share of Class A Common Stock is entitled to 10 votes. The Articles of Incorporation require that the Common Stock and the Class A Common Stock receive dividends on a *pari passu* basis. There can be no assurance of the Company's ability to continue to pay any dividends on either class of common stock.

The senior credit facility and the Company's 9 1/4% Notes due 2011 each contain covenants that restrict the ability of the Company to pay dividends on its capital stock. However, the Company does not believe that such covenants currently limit its ability to pay dividends at the recent quarterly rate of $0.02 per share. In addition to the foregoing, the declaration and payment of dividends on the Common Stock and the Class A Common Stock are subject to the discretion of the Board of Directors. Any future payments of dividends will depend on the earnings and financial position of the Company and such other factors as the Board of Directors deems relevant. See Note C. Long-term Debt accompanying the Company's consolidated financial statements included elsewhere herein for further discussion of restrictions on the Company's ability to pay dividends.

Equity Compensation Plan Information

See "Item 12 — Security Ownership of Certain Beneficial Owners and Management — Equity Compensation Plan Information" for disclosure regarding the Company's equity compensation plans.

Recent Sales of Unregistered Securities

On April 22, 2002, the Company issued $40 million (4,000 shares) of redeemable and convertible preferred stock to a group of private investors. The preferred stock was designated as Series C Preferred Stock and has a liquidation value of $10,000 per share. The sale issuance of the Series C Preferred Stock was exempt from registration under the Securities Act of 1933, as amended (the "Act"), pursuant to Section 4(2) of the Act because it was a transaction by an issuer that did not involve a public offering.

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

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

Net cash proceeds approximated $30.6 million, after transaction fees and expenses and excluding the value of the Series A and Series B Preferred Stock exchanged into the Series C Preferred Stock. The Company used the net cash proceeds to repay outstanding borrowings of $13.5 million under the Company's revolving credit facility and used the remaining net cash proceeds for other general corporate purposes.

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Item 6. Selected Financial Data

Set forth below is certain selected historical consolidated financial data of the Company. This information should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto appearing elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,				
	2002[1]	2001	2000	1999[2]	1998[3]
	(in thousands except per share data)				
Statements of Operations Data					
Revenues	$ 198,640	$156,343	$171,213	$143,953	$128,890
Operating income[4]	55,928	17,880	31,098	22,060	24,927
Extraordinary charge on extinguishment of debt, net of income tax benefit of $5,905	(10,933)	-0-	-0-	-0-	-0-
Cumulative effect of accounting change, net of income tax benefit of $8,873	(30,592)	-0-	-0-	-0-	-0-
Net income (loss)	(27,887)	(13,318)	(6,212)	(6,315)	41,659
Net income (loss) available to common stockholders	(34,317)	(13,934)	(9,384)	(7,325)	36,981
Net income (loss) available to common stockholders per common share[5]:					
Basic	(1.55)	(0.89)	(0.61)	(0.57)	3.10
Diluted	(1.53)	(0.89)	(0.61)	(0.57)	2.98
Cash dividends per common share[5]	0.08	0.08	0.08	0.08	0.06
Balance Sheet Data (at end of period):					
Total assets	$1,296,724	$794,337	$636,772	$658,157	$468,974
Long-term debt (including current portion)	658,220	551,444	374,887	381,702	270,655
Redeemable serial preferred stock	39,190	-0-	-0-	-0-	-0-
Total stockholders' equity	369,420	142,196	155,961	168,188	126,703

(1) Reflects the acquisitions of Gray MidAmerica Television, completed October 25, 2002 and KOLO-TV, completed December 18, 2002, as of their respective acquisition dates. For further information concerning these acquisitions, see Part 1, Item 1. Business included elsewhere herein.

(2) Reflects the operating results of the Texas Acquisitions, completed October 1, 1999 and the Goshen Acquisition, completed on March 1, 1999, as of their respective acquisition dates. For further information concerning these acquisitions, see Part 1, Item 1. Business included elsewhere herein.

(3) Reflects the operating results of the Busse-WALB Transactions as of July 31, 1998, the closing date of the respective transactions. For further information concerning these acquisitions, see Part 1, Item 1. Business included elsewhere herein.

(4) Operating income excludes gain on disposition of television stations of $72.6 million recognized for the exchange of WALB in 1998. Operating income also excludes charges relating to valuation adjustments of goodwill and other assets of $2.1 million for the year ended December 31, 1998.

(5) On August 20, 1998, the Company's Board of Directors declared a 50% stock dividend, payable on September 30, 1998, to stockholders of record of the Common Stock and Class A Common Stock on September 16, 1998. This stock dividend effected a three for two stock split. All applicable share and per share data have been adjusted to give effect to the stock split.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations of the Company

Introduction

The following analysis of the financial condition and results of operations of Gray Television, Inc. (the "Company") should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included elsewhere herein.

On October 25, 2002 the Company completed its acquisition of Stations Holding Company, Inc. ("Stations Holding") by acquiring all of Stations Holding's outstanding capital stock in a merger transaction. Effective with the completion of the transaction, Stations Holding changed its name to Gray MidAmerica Television, Inc. ("Gray MidAmerica Television"). With this transaction the Company acquired 15 network affiliated television stations serving 13 television markets. On December 18, 2002 the Company completed its acquisition of the assets of KOLO-TV, the ABC affiliate serving Reno, Nevada.

With these completed acquisitions, the Company owns 29 television stations serving 25 television markets. The stations include 15 CBS affiliates, seven NBC affiliates and seven ABC affiliates. The combined station group has 22 stations ranked #1 in local news audience and 22 stations ranked #1 in overall audience within their respective markets based on the results of the Nielsen Media Research ("Nielsen") November 2002 ratings reports.

The acquisitions of Gray MidAmerica Television and KOLO-TV have been accounted for under the purchase method of accounting. Under the purchase method of accounting, the results of operations of the acquired businesses are included in the accompanying consolidated financial statements as of their respective acquisition dates. The assets and liabilities of acquired businesses are included based on an allocation of the purchase price.

See Note B of the Notes to the Company's audited consolidated financial statements included elsewhere herein for more information concerning its acquisitions of Gray MidAmerica Television and KOLO-TV.

General

The Company derives its revenues from its television broadcasting, publishing and paging operations. The operating revenues of the Company's television stations are derived from broadcast advertising revenues and, to a much lesser extent, from compensation paid by the networks to the stations for broadcasting network programming. The operating revenues of the Company's publishing operations are derived from advertising, circulation and classified revenue. Paging revenue is derived primarily from the leasing and sale of pagers. Certain information concerning the relative contributions of the Company's television broadcasting, publishing and paging operations is provided in Note K Information on Business Segments of the Notes to the Company's audited consolidated financial statements included elsewhere herein.

In the Company's broadcasting operations, broadcast advertising is sold for placement either preceding or following a television station's network programming and within local and syndicated programming. Broadcast advertising is sold in time increments and is priced primarily on the basis of a program's popularity among the specific audience an advertiser desires to reach, as measured by Nielsen. In addition, broadcast advertising rates are affected by the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability

of alternative advertising media in the market area. Broadcast advertising rates are the highest during the most desirable viewing hours, with corresponding reductions during other hours. The ratings of a local station affiliated with a major network can be affected by ratings of network programming.

Most broadcast advertising contracts are short-term, and generally run only for a few weeks. Approximately 66% of the net revenues of the Company’s television stations for the year ended December 31, 2002, were generated from local advertising (including political advertising revenues), which is sold primarily by a station’s sales staff directly to local accounts, and the remainder represented primarily by national advertising, which is sold by a station’s national advertising sales representative. The stations generally pay commissions to advertising agencies on local, regional and national advertising and the stations also pay commissions to the national sales representative on national advertising.

Broadcast advertising revenues are generally highest in the second and fourth quarters each year, due in part to increases in consumer advertising in the spring and retail advertising in the period leading up to and including the holiday season. In addition, broadcast advertising revenues are generally higher during even numbered years due to spending by political candidates, which spending typically is heaviest during the fourth quarter.

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

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

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

Broadcasting, Publishing and Paging Revenues

Set forth below are the principal types of broadcasting, publishing and paging revenues earned by the Company’s broadcasting, publishing and paging operations for the periods indicated and the percentage contribution of each of the Company’s total broadcasting, publishing and paging revenues, respectively (dollars in thousands):

	Year Ended December 31,					
	2002		2001		2000	
	Amount	%	Amount	%	Amount	%
Broadcasting						
Net Revenues:						
Local	$ 79,631	40.1%	$ 63,012	40.3%	$ 65,152	38.1%
National	39,288	19.8%	31,164	19.9%	31,043	18.1%
Network compensation	6,422	3.2%	6,902	4.4%	8,311	4.9%
Political	16,612	8.4%	287	0.2%	9,021	5.3%
Production and other	4,761	2.4%	5,065	3.3%	7,113	4.1%
	$146,714	73.9%	$106,430	68.1%	$120,640	70.5%
Publishing						
Revenues:						
Retail	$ 21,953	11.1%	$ 20,132	12.9%	$ 19,569	11.4%
Classifieds	12,590	6.3%	12,396	7.9%	13,031	7.6%
Circulation	8,083	4.1%	7,730	4.9%	7,659	4.5%
Other	1,031	0.5%	931	0.6%	1,240	0.7%
	$ 43,657	22.0%	$ 41,189	26.3%	$ 41,499	24.2%
Paging						
Revenues:						
Paging lease, sales and service	$ 8,269	4.1%	$ 8,724	5.6%	$ 9,074	5.3%
Total	$198,640	100.0%	$156,343	100.0%	$171,213	100.0%

Year Ended December 31, 2002 to Year Ended December 31, 2001

Revenues. Total revenues for the year ended December 31, 2002 increased 27% to $198.6 million as compared to the same period of the prior year.

- Broadcasting revenues increased 37.9% to $146.7 million. From the respective dates of acquisition, the Company earned $25.0 million of net revenue from Gray MidAmerica Television and $367,000 from KOLO-TV. The increase in broadcast revenues also reflects, in part, the cyclical increase in political advertising revenue. With respect to the Company's television stations that were owned for the entire year of 2002, the Company had revenues from political advertising of $13.2 million compared to $287,000 during 2001. With respect to the Company's television stations which were owned for the entire year of 2002 local and national commercial time sales revenues, excluding political revenues, increased 4% and 5%, respectively. Network compensation declined reflecting the ongoing phase out of network compensation at certain of our television stations.

- Publishing revenues increased 6% to $43.7 million. Retail advertising and circulation revenues for the publishing segment increased 9% and 5%, respectively, while classified advertising increased 2%. The increased retail and classified advertising revenue is attributable to a general increase in advertising placement by customers. The increased circulation revenue is attributable to increased pricing. All four of the Company's newspapers generated increased revenues in 2002 as compared to 2001. The Company's two newspapers that are located in eastern suburban Atlanta, *The Gwinnett Daily Post* and the *Rockdale Citizen*, generated the largest increases.

- Paging revenue decreased 5% to $8.3 million. The decline reflected, in part, increasing competition for subscribers from alternate service providers including cellular telephone providers. The Company had approximately 66,000 pagers and 75,000 pagers in service at December 31, 2002 and 2001, respectively.

Operating expenses. Operating expenses for the year ended December 31, 2002 increased 3% to $142.7 million. The increase resulted primarily from increases in broadcasting expenses and corporate overhead. These increases were partially offset by decreases in publishing expenses, paging expenses, depreciation expense and amortization expense.

- Broadcast operating expenses for all stations, excluding depreciation and amortization increased 24% to $82.0 million. From the respective dates of acquisition during the fourth quarter of 2002, the Company incurred operating expenses, excluding depreciation and amortization, of $13.0 million for Gray MidAmerica Television and $203,000 for KOLO-TV. With respect to the Company's television stations which were owned for the entire year of 2002, broadcast operating expenses, excluding depreciation and amortization increased 4%, or $2.5 million, to $68.8 million from $66.2 million primarily reflecting, in part, approximately $2.0 million of certain incentive compensation and approximately $1.0 million of national sales representatives commissions earned on political time sales during 2002. These expense increases were partially offset by savings from cost control measures taken during 2002.

- Publishing expenses for the year ended December 31, 2002 decreased 1% to $31.6 million. Aggregate non-newsprint operating costs increased $488,000 as compared with 2001. Newsprint costs decreased approximately $820,000 due to lower newsprint prices.

- Paging expenses decreased 1% to $5.8 million due primarily to decreased employee compensation costs and decreased repairs and maintenance costs.

- Corporate and administrative expenses increased 55%, or $2.0 million to $5.6 million. This increase reflects, in part, approximately $660,000 of costs in 2002 directly attributable to the operations of Gray MidAmerica Television and approximately $850,000 of other payroll and incentive compensation costs incurred in 2002 of which approximately $350,000 is not anticipated to recur in 2003.

- Depreciation of property and equipment decreased 6% to $15.6 million. This decrease can be attributed to certain assets becoming fully depreciated that were acquired in prior acquisitions.

- Amortization of intangible assets decreased 85% to $2.2 million. Effective January 1, 2002, the Company implemented the Statement of Financial Accounting Standards No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under these new rules, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but will be subject to annual impairment tests in accordance with these standards. Amortization expense of $13.8 million was recorded in the year ended December 31, 2001 for goodwill and other intangibles that are no longer being amortized in the year ended December 31, 2002.

Appreciation (depreciation) in value of derivatives, net. The Company records changes in market value of the interest rate swap agreement as income or expense. Accordingly, the Company recognized income of $1.6 million in the year ended December 31, 2002 and recognized depreciation expense of $1.6 million for the year ended December 31, 2001. In the prior year, depreciation was experienced primarily due to decreasing market interest rates. In the current year, market interest rates have remained low

however as interest payments on the swap agreement were made the remaining estimated liability decreased.

Miscellaneous income (expense), net. Miscellaneous income (expense), net was an expense of $396,000 for the year ended December 31, 2002, as compared to income of $194,000 for the year ended December 31, 2001. The change in miscellaneous income (expense) was due primarily to the write off of certain investments of $420,000 in 2002.

Interest expense. Interest expense remained consistent with that of the prior year at approximately $35.7 million due to the net effect of two factors. Interest expense decreased due to lower interest rates. However, additional principal outstanding that resulted from the acquisition of Gray MidAmerica Television offset this decrease. The weighted average interest rate on the Company's senior credit facility for the years ended December 31, 2002 and 2001 was 4.95% and 7.03%, respectively. The Company incurred approximately $275.0 million in additional indebtedness as a result of the acquisition completed in the fourth quarter of 2002.

Income tax expense (benefit). An income tax expense of $7.8 million was recorded for the year ended December 31, 2002, as compared to an income tax benefit of $6.0 million for the year ended December 31, 2001. The recording of the expense in the current year as compared to the benefit in the prior year was attributable to having income in the current period as compared to a loss in the prior period. The Company also experienced a higher effective income tax rate that was due primarily to the differences in the operating results and the state income tax rates in the states in which those prior year losses were generated.

Extraordinary charge on extinguishment of debt, net of income tax benefit. On December 21, 2001, the Company completed its sale of $180 million aggregate principal amount of its 91/4% Senior Subordinated Notes due 2011. On this same date, the Company instructed the trustee for its 10?% Senior Subordinated Notes due 2006 (the "10?% Notes") to commence the redemption in full of the 10?% Notes. The net proceeds from the sale of the 91/4% Senior Subordinated Notes due 2011 was used for the redemption of the 10?% Notes. The redemption was completed on January 22, 2002 and all obligations associated with the 10?% Notes were extinguished on that date. The Company recorded an extraordinary charge of approximately $11.3 million ($7.3 million after income tax) in the first quarter of 2002 in connection with this early extinguishment of debt.

In the fourth quarter of 2002, the Company amended its senior credit facility as part of the financing arrangements for the acquisition of Gray MidAmerica Television. As a result of this amendment, the Company recorded an extraordinary charge of approximately $5.6 million ($3.6 million after income tax).

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

Preferred dividends and preferred dividends associated with exchange of preferred stock. On April 22, 2002, the Company issued $40 million (4,000 shares) of a redeemable and convertible preferred stock to a group of private investors and designated it as Series C Preferred Stock. As part of the transaction, holders of the Company's Series A and Series B Preferred Stock exchanged all of the outstanding shares of each respective series, an aggregate fair value of approximately $8.6 million, for an equal number of shares of the Series C Preferred Stock. In connection with such exchange, the Company recorded a non-cash constructive dividend of $4.0 million during the year ended December 31, 2002. Preferred dividends increased to $2.5 million for the year ended December 31, 2002 as compared to $616,346 for the year ended December 31, 2001. The increase was due to the additional outstanding preferred stock in the current year.

Net loss available to common stockholders. Net loss available to common stockholders of the Company for the year ended December 31, 2002 and 2001 was $34.3 million and $13.9 million, respectively.

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

Revenues. Total revenues for the year ended December 31, 2001 decreased $14.9 million, or 9%, over the prior year, to $156.3 million from $171.2 million. The operating results for the year ended December 31, 2001 when compared to the year ended December 31, 2000 reflect a general economic slowdown, the cyclical decline in broadcast political revenue and the economic effects of the September 11, 2001 terrorist acts on the Company's broadcast revenues, as discussed below. The majority of the revenue decline occurred in the Company's broadcast operations.

Broadcasting revenues decreased $14.2 million, or 11.8%, over the prior year, to $106.4 million from $120.6 million. The decline in broadcast revenues reflects, in part, the cyclical decline in political revenue. For the year 2001, the Company had revenues from political advertising of only $287,000 compared to $9.0 million for the year ended 2000. The decline in broadcast revenues also reflected a generally soft advertising market at each of the Company's television stations during 2001. For the year ended 2001 compared to 2000, local sales revenues declined 3%, or $2.1 million, to $63.0 million from $65.1 million. National revenues increased 0.4%, or $121,000 to $31.2 million from $31.0 million for the year ended 2001 compared to the year ended 2000. The Company believes that its share of the television advertising expenditures earned in each of its markets remained relatively consistent between the years ended 2001 and 2000. In addition, the Company estimates its Broadcast revenue loss attributable to the multi-day continuous commercial free coverage of the September 11, 2001 terrorist acts and the cancellation of certain broadcasting advertising contracts resulting from the attacks totaled $1.0 million. The revenue losses resulting from the terrorist attacks were isolated to the third quarter of 2001. Furthermore, network compensation declined approximately $1.4 million for the year ended December 31, 2001 compared to the year ended December 31, 2000, primarily reflecting the terms of the renewed CBS affiliation agreements for the Company's three stations in Texas.

Publishing revenues decreased $310,000, or 1%, over the same period of the prior year, to $41.2 million from $41.5 million. Revenue declines were recorded at all of the Company's newspapers except *The Gwinnett Daily Post*, located in eastern suburban Atlanta. Revenues for that paper increased approximately 5%. The overall Publishing segment's decline in revenues reflected a relatively soft advertising market in each paper's local service area. Aggregate classified advertising revenues decreased 5% while aggregate retail advertising increased 3% and aggregate circulation revenues increased 1%. The increase in retail advertising reflects the continuing growth of both *The Gwinnett Daily Post,* which recorded a 11% increase and the *Rockdale Citizen* which recorded a 10% increase for the year ended 2001 as compared to the same period of 2000.

Paging revenue decreased $350,000, or 4%, over the same period of the prior year, to $8.7 million from $9.1 million. The decline reflected, in part, increasing competition for subscribers from alternate service providers including cellular phone providers. The Company had approximately 75,000 pagers and 90,000 pagers in service at December 31, 2001 and 2000, respectively.

Operating expenses. Operating expenses for the year ended December 31, 2001 decreased $1.7 million, or 1%, over the prior year, to $138.5 million from $140.1 million. The decrease resulted primarily from the Company's focus on cost control in the current year.

Broadcasting expenses decreased $1.5 million or 2%, over the year ended December 31, 2001, to $66.2 million from $67.8 million. This focus on cost control generated decreases in broadcast payroll expense of $833,000 and decreased other broadcast expense of $941,000.

Publishing expenses for the year ended December 31, 2001 increased $507,000, or 2%, from the same period of the prior year, to $31.9 million from $31.4 million. The increase was primarily attributable to increased newsprint costs approximating $500,000 for the year ended 2001 as compared to the year ended 2000.

Paging expenses decreased $259,000, or 4%, over the same period of the prior year, to $5.9 million from $6.1 million. The decrease in paging expenses reflected an expense reduction plan instituted by the Company in the prior year.

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

Depreciation of property and equipment and amortization of intangible assets was $30.8 million for the year ended December 31, 2001, as compared to $31.2 million for the prior year, a decrease of $383,000, or 1%.

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

Miscellaneous income (expense), net. Miscellaneous income decreased $587,000, or 75%, to $194,000 for the year ended December 31, 2001 from $781,000 for the year ended December 31, 2000. The change in miscellaneous income (expense) was due primarily to the gain of $522,000 recognized upon the sale of a real estate investment in December 2000.

Interest expense. Interest expense decreased $4.2 million, or 10%, to $35.8 million for the year ended December 31, 2001 from $40.0 million for the year ended December 31, 2000. The decrease was due primarily to lower interest rates.

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

Preferred Dividends. Preferred dividends decreased $396,000, or 39%, to $616,000 for the year ended December 31, 2001 from $1.0 million for the year ended December 31, 2000. The decrease was due to fewer weighted average shares outstanding in 2000 as compared to 2001. The Company redeemed a portion of its preferred stock in 2000.

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

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

Liquidity and Capital Resources

General

The following tables present certain data that the Company believes is helpful in evaluating the Company's liquidity and capital resources (in thousands).

	December 31,	
	2002	2001
Cash and cash equivalents	$ 12,915	$ 558
Restricted cash for redemption of long-term debt	-0-	168,558
Long-term debt including current portion	658,220	551,444
Redeemable serial preferred stock	39,190	-0-
Serial preferred stock	-0-	4,637
Available credit under senior credit agreement	75,000	32,500

The Company and its subsidiaries file a consolidated federal income tax return and such state or local tax returns as are required. Although the Company may earn taxable operating income, as of December 31, 2002 the Company anticipates that through the use of its available loss carryforwards it will not pay significant amounts of federal or state income taxes in the next several years.

Management believes that current cash balances, cash flows from operations and available funds under its senior revolving credit facility will be adequate to provide for the Company's capital expenditures, debt service, cash dividends and working capital requirements for the forseeable future.

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

2002 Acquisitions

On October 25, 2002, the Company completed its acquisition of Stations Holding Company, Inc. Effective with the completion of the transaction, Stations Holding Company, Inc. changed its name to Gray MidAmerica Television, Inc. (Gray MidAmerica Television"). The Company paid approximately $515.7 million in aggregate cash consideration for Gray MidAmerica Television. This amount included a base purchase price of $502.5 million plus certain net working capital adjustments of approximately $5.7 million and fees of $7.5 million associated with the transaction. The Company funded the acquisition and

related fees and expenses by issuing 30,000,000 shares of Gray Common Stock (GTN) to the public for net proceeds of $232.7 million, issuing additional debt totaling $275.0 million and cash on hand.

The Company completed the acquisition of KOLO-TV on December 18, 2002. The Company paid approximately $41.8 million in cash consideration for KOLO-TV. This purchase price included a base purchase price of $41.5 million and related fees of approximately $325,000. The Company financed this transaction by utilizing cash on hand and net proceeds of $34.9 million from the issuance of an additional 4,500,000 shares of Gray Common Stock (GTN).

For advisory services rendered by Bull Run in connection with the merger, the Company paid to Bull Run an advisory fee of $5.0 million. This amount is included in the fees described above. The Company does not intend to compensate Bull Run for any such advisory or similar services in the future.

Issuance of Additional Senior Subordinated Notes

On September 16, 2002, Gray completed the sale of $100 million principal amount of senior subordinated notes with a coupon of 9 1/4%. The notes were issued at par. These notes are in addition to the $180 million principal amount of Gray's 9 1/4% Senior Subordinated Notes due 2011 that were issued on December 21, 2001. The additional $100 million of senior subordinated notes were issued under the same indenture and have the same terms as the original issuance. They form a single series with Gray's existing notes. The notes were offered pursuant to Gray's existing effective shelf registration statement. Gray used the net proceeds of this offering primarily to repay $100 million of borrowings under its amended senior credit facility, without a corresponding reduction in the credit commitment under the facility. The Company incurred approximately $3.4 million in underwriting costs and other fees associated with the issuance of the additional $100 million of senior subordinated notes. The Company recorded an extraordinary charge of approximately $11.3 million (approximately $7.3 million after income tax) in the first quarter of 2002 in connection with this early extinguishment of debt.

Amendment of Senior Credit Facility

In connection with the acquisition Gray MidAmerica Television, the Company entered into an amended senior credit facility on October 25, 2002 with a group of lenders. The primary modifications to the loan agreement effected by the amendment were an increase in committed available credit and a decrease in interest rates. Under the amended loan agreement, committed available credit increased from $250.0 million to $450.0 million. Prior to the amendment, the loan agreement consisted of a $50.0 million revolving facility and a $200.0 million term facility. With the amendment, the revolving facility was increased to $75.0 million and the term facility was increased to $375.0 million. The Company recorded an extraordinary charge of approximately $5.6 million (approximately $3.6 million after income tax) in the fourth quarter of 2002 in connection with this early extinguishment of debt.

At December 31, 2002, the balance outstanding and the balance available for borrowing under the Company's amended senior credit facility were $375.0 million and $75.0 million, respectively, and the effective interest rate on the balance outstanding was 4.4%.

At December 31, 2001, the balance outstanding and the balance available under the Company's amended senior credit facility were $217.5 million and $32.5 million, respectively, and the effective interest rate on the balance outstanding was 5.8%.

In connection with the amendment to the senior credit facility, Gray incurred approximately $5.6 million in additional financing costs. These financing costs were funded through borrowings under the amended senior credit facility.

Issuance of 34,500,000 Shares of Additional Gray Common Stock

On October 22, 2002, the Company issued and sold an additional 30,000,000 shares of Gray Common Stock to the public for gross proceeds of $247.5 million. The Company incurred an underwriting fee of $14.9 million and additional costs of approximately $1.0 million in connection with the offering. The net proceeds of the offering were used as a portion of the financing needed to complete the acquisition of Gray MidAmerica Television.

On November 15, 2002, the underwriters for the Company's follow-on offering of Gray Common Stock, which took place on October 22, 2002, exercised their right to purchase an additional 4,500,000 shares of Gray Common Stock at a price of $8.25 per share, before underwriting discounts, to cover over-allotments (the "Greenshoe"). The Company incurred an underwriting fee of $2.2 million in connection with the offering. Net proceeds to Gray approximated $34.9 million after underwriting discounts. The net proceeds of the offering were used as a portion of the financing needed to complete the acquisition of KOLO-TV.

Issuance of Series C Preferred Stock

On April 22, 2002, the Company issued $40 million (4,000 shares) of redeemable and convertible preferred stock to a group of private investors. The preferred stock was designated as Series C Preferred Stock and has a liquidation value of $10,000 per share.

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

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

Net cash proceeds approximated $30.6 million, after transaction fees and expenses and excluding the value of the Series A and Series B Preferred Stock exchanged into the Series C Preferred Stock. The Company used the net cash proceeds to repay outstanding borrowings of $13.5 million under the Company's revolving credit facility and used the remaining net cash proceeds for other general corporate purposes.

Digital Television Conversion

The Company is currently broadcasting a digital signal at 13 of its 29 stations. The Company currently intends to have all such required installations completed as soon as practicable. The Federal Communications Commission (the "FCC") required that all commercial stations be operational by May of 2002. As necessary, the Company has requested and received approval from the FCC to extend the May 2002 deadline by varying periods of time for all of the Company's remaining stations that are not currently broadcasting in digital. Given the Company's good faith efforts to comply with the existing deadline and the facts specific to each extension request, the Company believes the FCC will grant any further deadline extension requests that become necessary.

The Company currently anticipates an additional $12.0 million and $10.5 million of cash payments for equipment and services to be paid in 2003 and 2004, respectively.

For the full year of 2003, the Company currently anticipates that the aggregate cash payments with respect to capital expenditures, including digital television broadcast systems, will range between $15 million and $16 million.

Internal Revenue Service Audit

In October 2001, the Company received a notice of deficiency from the Internal Revenue Service (the “IRS”) with respect to its 1996 and 1998 federal income tax returns. The notice of deficiency alleges that the Company recognized a significant amount of taxable gain from the sale of certain assets in 1996 in connection with a business acquisition from First American Media, Inc. The notice of deficiency also alleges that the Company’s 1996 acquisition of certain assets from First American Media, Inc. should be characterized for tax purposes as an acquisition of stock. If both of these claims were successful, the Company would owe approximately $12.1 million of additional federal income tax with respect to its 1996 and 1998 taxable years, plus related interest and penalties and, the tax basis of the acquired assets would be significantly reduced. On January 18, 2002, the Company filed a petition to contest the matter in the United States Tax Court.

On February 19, 2003 the IRS and the Company filed a stipulation with the Tax Court acknowledging that the IRS has withdrawn its claim relating to the taxable gain alleged to have been recognized by the Company from the sale of certain assets in 1996. This withdrawn claim accounted for virtually all of the $12.1 million tax liability in dispute before the Tax Court.

The remaining matter pending before the Tax Court is the IRS assertion that the Company’s purchase of certain assets from First American Media, Inc. in 1996 should be treated as a purchase of stock. If successful, the tax basis of such assets acquired in 1996 would be reduced by approximately $166 million and the reduction in tax basis would significantly reduce the Company’s tax deductions for depreciation and amortization with respect to the acquired assets. Nevertheless, because of the Company’s available federal net operating losses, the Company would not owe any additional cash income tax payments for the tax years ending at least through December 31, 2002 in the event of an adverse ruling from the Tax Court. The Company believes it has a meritorious position with respect to this issue and intends to defend the IRS claim vigorously. However, the Company cannot be certain when, and if, this matter will be resolved in its favor, and if it is not, the Company might incur additional cash taxes in future years.

Commitments

The Company has future minimum annual commitments under bank and other debt agreements, noncancelable operating leases, various television film exhibition rights and for digital television (“DTV”) equipment. Future minimum payments under bank and other debt agreements, operating leases with initial or remaining noncancelable lease terms in excess of one year, obligations under film exhibition rights for which the license period had not yet commenced and commitments for DTV equipment that had been ordered but not yet been received are as follows (in thousands):

Year	Bank and Other Debt Agreements	DTV Equipment	Lease	Film	Total
2003	$ 887	$3,088	$ 1,761	$ 6,745	$ 12,481
2004	678	4,676	1,993	9,997	17,344
2005	501	-0-	1,647	6,336	8,484
2006	268	-0-	1,027	1,671	2,966
2007	233	-0-	634	472	1,339
Thereafter	655,653	-0-	6,644	16	662,313
	$658,220	$7,764	$13,706	$25,237	$704,927

The DTV Equipment, Lease and Film amounts in the table above are estimates of commitments that are in addition to liabilities accrued for on the Company’s balance sheet as of December 31, 2002.

Through a partnership agreement with Host Communications, Inc. (“Host”), a wholly owned subsidiary of Bull Run, the Company has also acquired certain collegiate broadcast rights for sporting events through a five-year marketing agreement that commenced April 1, 2000. The Company’s annual obligation will be determined, in part, by the number of events broadcast under the agreement; however, the Company’s obligation will not exceed $2.2 million annually. For each of the years ended December 31, 2002 and 2001, the Company paid Host approximately $125,000 under the agreement. The Company received approximately $336,000 under this same rights sharing agreement in the year ended December 31, 2000.

Certain relationships

J. Mack Robinson, Chairman, Chief Executive Officer and a director of Gray, is Chairman of the Board of Bull Run Corporation, a principal stockholder, and a beneficial owner of Bull Run’s common stock. Robert S. Prather, Jr., President, Chief Operating Officer and a director of Gray, is President, Chief Executive Officer and a director of Bull Run and a beneficial owner Bull Run’s common stock. Hilton H. Howell, Jr., Vice Chairman and a director of Gray, is Vice President, Secretary and a director of Bull Run.

J. Mack Robinson, Chairman, Chief Executive Officer and a director of Gray and certain of his affiliates are the holders of approximately $8.6 million liquidation value of Gray’s currently outstanding Series C Preferred Stock.

Critical Accounting Policies

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

Intangible Assets

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141, “Business Combinations” and No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, goodwill and intangible assets deemed to have an indefinite useful life are subject to an annual review for impairment. The new standards were effective for the Company on January 1, 2002. Upon adoption of SFAS 142, the Company recorded a one-time, non-cash charge of approximately $39.5 million ($30.6 million after income taxes) to reduce the carrying value of its goodwill and broadcast licenses. Such charge is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations for the year ended December 31, 2002. For additional discussion on the impact of adopting SFAS 142, see Note J of the notes to the Company’s consolidated financial statement included herein.

Income Taxes

The Company has deferred tax assets related to (a) approximately $191 million in federal operating loss carryforwards which expire during the years 2012 through 2022 and (b) a portion of approximately $173 million of various state operating loss carryforwards. Recoverability of these deferred tax assets requires at least in part, generation of sufficient taxable income prior to expiration of the loss

carryforwards. The calculation of the Company's deferred tax assets and deferred tax liabilities are based, in part, upon certain assumptions and estimations by the Company's management.

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

This annual report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this annual report, the words "believes," "expects," "anticipates," "estimates" and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe the Company's future strategic plans, goals, or objectives are also forward-looking statements. Readers of this annual report are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of the Company or management, are not guarantees of future performance, results or events and involve risks and uncertainties, and that actual results and events may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to, (i) general economic conditions in the markets in which the Company operates, (ii) competitive pressures in the markets in which the Company operates, (iii) the effect of future legislation or regulatory changes on the Company's operations, (iv) high debt levels, (v) certain other risks relating to our business, including, among others, our dependence on advertising revenues, our need to acquire non-networking television programming, the impact of a loss of any of our FCC broadcast licenses, increased competition and capital costs relating to digital advanced television, pending litigation, our significant level of intangible assets, any potential write downs with respect to our intangible assets that may be required as a result of new accounting standards, and our ability to identify and integrate acquisitions successfully or on commercially acceptable terms, (vi) other factors described from time to time in the Company's filings with the Securities and Exchange Commission. The forward-looking statements included in this annual report are made only as of the date hereof. The Company undertakes no obligation to update such forward-looking statements to reflect subsequent events or circumstances.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Based on the Company's floating rate debt outstanding at December 31, 2002, a 100 basis point increase in market interest rates would increase the Company's interest expense and decrease the Company's income before income taxes for the year by approximately $3.8 million.

The fair market value of long-term fixed interest rate debt is also subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company's total long-term fixed rate debt at December 31, 2002 was approximately $306.7 million, which was approximately $23.5 million more than its carrying value. A hypothetical 100 basis point decrease in the prevailing interest rates at December 31, 2002 would result in an increase in fair value of total long-term debt by approximately $10.3 million. Fair market values are determined from quoted market prices where available or based on estimates made by investment bankers.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors and Stockholders of
Gray Television, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Gray Television, Inc. and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Atlanta, Georgia
February 4, 2003

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Gray Television, Inc.

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2000 of Gray Television, Inc. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Gray Television, Inc. for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Atlanta, Georgia
January 29, 2001

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GRAY TELEVISION, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31,	
	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	$ 12,915	$ 558
Restricted cash for redemption of long-term debt	-0-	168,558
Trade accounts receivable, less allowance for doubtful accounts of $1,339 and $743, respectively	54,770	29,722
Inventories	1,178	763
Current portion of program broadcast rights, net	8,082	3,809
Other current assets	1,925	1,294
Total current assets	78,870	204,704
Property and equipment:		
Land	16,758	4,905
Buildings and improvements	32,767	16,905
Equipment	164,834	113,019
	214,359	134,829
Allowance for depreciation	(86,127)	(71,412)
	128,232	63,417
Deferred loan costs, net	13,756	14,305
Broadcast licenses	878,631	424,385
Goodwill	173,341	72,025
Other intangible assets, net	8,900	901
Other	14,994	14,600
	$1,296,724	$794,337

GRAY TELEVISION, INC.
CONSOLIDATED BALANCE SHEETS (Continued)
(in thousands)

	December 31,	
	2002	2001
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	$ 6,044	$ 7,633
Employee compensation and benefits	13,454	6,003
Accrued interest	1,119	7,873
Other accrued expenses	3,276	1,588
Current portion of program broadcast obligations	9,472	3,656
Acquisition related liabilities	8,051	-0-
Deferred revenue	3,791	2,783
Unrealized loss on derivatives	-0-	1,581
Current portion of long-term debt	887	155,262
Total current liabilities	46,094	186,379
Long-term debt, less current portion	657,333	396,182
Program broadcast obligations, less current portion	1,126	619
Deferred income taxes	174,765	66,791
Other	8,796	2,170
	888,114	652,141
Commitments and contingencies		
Redeemable Serial Preferred Stock, no par value; cumulative; convertible; designated 5 shares, issued and outstanding 4 shares ($40,000 aggregate liquidation value)	39,190	-0-
Stockholders' equity:		
Serial Preferred Stock, no par value; authorized 20,000 shares; undesignated 19,995 shares issued and outstanding 9 shares ($8,606 aggregate liquidation value)	-0-	4,637
Common Stock, no par value; authorized 50,000 and 15,000 shares, respectively; issued 43,436 and 8,792 shares, respectively	385,762	117,635
Class A Common Stock, no par value; authorized 15,000 shares; issued 7,962 shares, respectively	20,173	20,173
Retained earnings (deficit)	(28,176)	8,090
	377,759	150,535
Treasury Stock at cost, Class A Common, 1,113 shares, respectively	(8,339)	(8,339)
	369,420	142,196
	$1,296,724	$794,337

See accompanying notes.

GRAY TELEVISION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except for per share data)

	Year Ended December 31,		
	2002	2001	2000
Operating revenues:			
Broadcasting (less agency commissions)	$146,714	$106,430	$120,640
Publishing	43,657	41,189	41,499
Paging	8,269	8,725	9,074
	198,640	156,344	171,213
Expenses:			
Broadcasting	81,996	66,233	67,770
Publishing	31,583	31,915	31,408
Paging	5,798	5,877	6,136
Corporate and administrative	5,607	3,615	3,594
Depreciation	15,564	16,512	16,889
Amortization of intangible assets	2,164	14,312	14,318
	142,712	138,464	140,115
Operating income	55,928	17,880	31,098
Appreciation (depreciation) in value of derivatives, net	1,581	(1,581)	-0-
Miscellaneous income (expense), net	(396)	194	781
Interest expense	35,674	35,783	39,957
Income (loss) before income taxes, extraordinary charge and cumulative effect of accounting change	21,439	(19,290)	(8,078)
Federal and state income tax expense (benefit)	7,801	(5,972)	(1,866)
Net income (loss) before extraordinary charge and cumulative effect of accounting change	13,638	(13,318)	(6,212)
Extraordinary charge on extinguishment of debt, net of income tax benefit of $5,905	(10,933)	-0-	-0-
Net income (loss) before and cumulative effect of accounting change	2,705	(13,318)	(6,212)
Cumulative effect of accounting change, net of income tax benefit of $8,873	(30,592)	-0-	-0-
Net loss	(27,887)	(13,318)	(6,212)
Preferred dividends (includes $58 accretion of issuance cost for 2002)	2,461	616	1,012
Preferred dividends associated with the redemption of preferred stock	3,969	-0-	2,160
Net loss available to common stockholders	$ (34,317)	$ (13,934)	$ (9,384)
Basic per share information:			
Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$ 0.32	$ (0.89)	$ (0.61)
Extraordinary charge on extinguishment of debt, net of income taxes	(0.49)	-0-	-0-
Cumulative effect of accounting change, net of income taxes	(1.38)	-0-	-0-
Net income (loss) available to common stockholders	$ (1.55)	$ (0.89)	$ (0.61)
Weighted average shares outstanding	22,127	15,605	15,497
Diluted per share information:			
Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$ 0.32	$ (0.89)	$ (0.61)
Extraordinary charge on extinguishment of debt, net of income taxes	(0.48)	-0-	-0-
Cumulative effect of accounting change, net of income taxes	(1.37)	-0-	-0-
Net income (loss) available to common stockholders	$ (1.53)	$ (0.89)	$ (0.61)
Weighted average shares outstanding	22,377	15,605	15,497

See accompanying notes.

GRAY TELEVISION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands except for number of shares)

	Series A and Series B Preferred Stock		Class A Common Stock		Common Stock		Retained Earnings (Deficit)	Class A Treasury Stock		Common Treasury Stock		Total
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	Shares	Amount	
Balance at December 31, 1999	1,350	$ 7,371	7,961,574	$20,173	8,708,820	$116,379	$ 34,013	(1,127,282)	$(8,546)	(110,365)	$(1,202)	$168,188
Net loss	-0-	-0-	-0-	-0-	-0-	-0-	(6,212)	-0-	-0-	-0-	-0-	(6,212)
Common Stock cash dividends ($0.08) per share	-0-	-0-	-0-	-0-	-0-	-0-	(1,240)	-0-	-0-	-0-	-0-	(1,240)
Preferred Stock dividends	-0-	-0-	-0-	-0-	-0-	-0-	(1,012)	-0-	-0-	-0-	-0-	(1,012)
Issuance of Common Stock:												
401(k) plan	-0-	-0-	-0-	-0-	-0-	53	(34)	-0-	-0-	59,969	666	685
Non-qualified stock plan	-0-	-0-	-0-	-0-	-0-	55	(82)	14,175	207	37,500	409	589
Purchase of Common Stock	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(11,361)	(143)	(143)
Issuance of Series B Preferred Stock	11	106	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	106
Redemption of Series A Preferred Stock	(500)	(2,840)	-0-	-0-	-0-	-0-	(2,160)	-0-	-0-	-0-	-0-	(5,000)
Balance at December 31, 2000	861	4,637	7,961,574	20,173	8,708,820	116,487	23,273	(1,113,107)	(8,339)	(24,257)	(270)	155,961
Net loss	-0-	-0-	-0-	-0-	-0-	-0-	(13,318)	-0-	-0-	-0-	-0-	(13,318)
Common Stock cash dividends ($0.08) per share	-0-	-0-	-0-	-0-	-0-	-0-	(1,249)	-0-	-0-	-0-	-0-	(1,249)
Preferred Stock dividends	-0-	-0-	-0-	-0-	-0-	-0-	(616)	-0-	-0-	-0-	-0-	(616)
Issuance of Common Stock:												
401(k) plan	-0-	-0-	-0-	-0-	41,207	585	-0-	-0-	-0-	9,257	103	688
Non-qualified stock plan	-0-	-0-	-0-	-0-	42,200	557	-0-	-0-	-0-	15,000	167	724
Income tax benefits relating to stock plans	-0-	-0-	-0-	-0-	-0-	6	-0-	-0-	-0-	-0-	-0-	6
Balance at December 31, 2001	861	4,637	7,961,574	20,173	8,792,227	117,635	8,090	(1,113,107)	(8,339)	-0-	-0-	142,196
Net loss	-0-	-0-	-0-	-0-	-0-	-0-	(27,887)	-0-	-0-	-0-	-0-	(27,887)
Common Stock cash dividends ($0.08) per share	-0-	-0-	-0-	-0-	-0-	-0-	(1,949)	-0-	-0-	-0-	-0-	(1,949)
Preferred Stock dividends	-0-	-0-	-0-	-0-	-0-	-0-	(2,461)	-0-	-0-	-0-	-0-	(2,461)
Issuance of Common Stock:												
Public offering	-0-	-0-	-0-	-0-	34,500,000	266,473	-0-	-0-	-0-	-0-	-0-	266,473
401(k) plan	-0-	-0-	-0-	-0-	65,472	753	-0-	-0-	-0-	-0-	-0-	753
Non-qualified stock plan	-0-	-0-	-0-	-0-	78,005	792	-0-	-0-	-0-	-0-	-0-	792
Income tax benefits relating to stock plans	-0-	-0-	-0-	-0-	-0-	109	-0-	-0-	-0-	-0-	-0-	109
Redemption of series A and series B preferred stock	(861)	(4,637)	-0-	-0-	-0-	-0-	(3,969)	-0-	-0-	-0-	-0-	(8,606)
Balance at December 31, 2002	-0-	$ -0-	7,961,574	$20,173	43,435,704	$385,762	$(28,176)	(1,113,107)	$(8,339)	-0-	$ -0-	$369,420

See accompanying notes.

GRAY TELEVISION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2002	2001	2000
Operating activities			
Net loss	$ (27,887)	$ (13,318)	$ (6,212)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	15,564	16,512	16,889
Amortization of intangible assets	2,164	14,312	14,318
Amortization of deferred loan costs	1,526	1,536	1,537
Amortization of program broadcast rights	6,324	5,519	5,307
Write off loan acquisition costs from early extinguishment of debt	8,593	-0-	-0-
Payments for program broadcast rights	(6,421)	(5,423)	(5,614)
Supplemental employee benefits	(89)	(184)	(243)
Common Stock contributed to 401(K) Plan	753	688	685
Deferred income taxes	1,201	(6,145)	(2,454)
Depreciation in value of derivatives, net	(1,581)	1,581	-0-
Intangible adjustment, net	30,592	-0-	-0-
(Gain) loss on asset sales	699	157	(391)
Other	144	99	-0-
Changes in operating assets and liabilities, net of business acquisitions:			
Trade accounts receivable	(1,732)	599	17
Recoverable income taxes	5	562	857
Inventories	(415)	709	(139)
Other current assets	288	(71)	139
Trade accounts payable	890	(462)	186
Employee compensation and benefits	3,446	(627)	1,361
Accrued expenses	(282)	14	(921)
Accrued interest	(6,753)	997	(2,359)
Deferred revenue	144	(232)	(198)
Net cash provided by operating activities	27,173	16,823	22,765
Investing activities			
Restricted cash for redemption of long-term debt	168,557	(168,557)	-0-
Acquisition of television businesses	(554,205)	-0-	-0-
Acquisition of investment in television business	-0-	(9,752)	-0-
Purchases of property and equipment	(14,970)	(7,593)	(5,702)
Proceeds from asset sales	272	105	635
Payments on purchase liabilities	(558)	(444)	(593)
Other	(32)	76	(2,616)
Net cash used in investing activities	(400,936)	(186,165)	(8,276)
Financing activities			
Proceeds from borrowings on long-term debt	481,272	239,008	49,700
Repayments of borrowings on long-term debt	(379,131)	(62,451)	(56,515)
Deferred loan costs	(9,570)	(7,737)	(84)
Dividends paid	(4,351)	(1,865)	(2,146)
Income tax benefit relating to stock plans	109	6	-0-
Proceeds from issuance of Common Stock	267,265	724	126
Proceeds from issuance of Serial Redeemable Preferred Stock	30,532	-0-	-0-
Purchase of Common Stock	-0-	-0-	(142)
Redemption of Preferred Stock	(6)	-0-	(5,000)
Net cash provided by (used in) financing activities	386,120	167,685	(14,061)
Increase (decrease) in cash and cash equivalents	12,357	(1,657)	428
Cash and cash equivalents at beginning of year	558	2,215	1,787
Cash and cash equivalents at end of year	$ 12,915	$ 558	$ 2,215

See accompanying notes.

GRAY TELEVISION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

Description of Business

The Company's operations are divided into three segments: broadcasting, publishing and paging. The broadcasting segment contains 29 television stations serving 25 markets in 19 states. The publishing segment contains four daily newspapers. Three of the four newspapers are located in Georgia and the fourth newspaper is located in Indiana. The paging segment is comprised of a wireless messaging and paging business operating in Georgia, Florida and Alabama. The Company's executive offices are located in Atlanta, Georgia.

Principles of Consolidation

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

Revenue Recognition

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

Barter Transactions

The Company accounts for trade barter transactions involving the exchange of tangible goods or services with its customers. The revenue is recorded at the time the advertisement is broadcast and the expense is recorded at the time the goods or services are used. The revenue and expense associated with these transactions are based on the fair value of the assets or services received.

Management of the Company believes that barter revenue and related expense generated from syndicated and network programming is immaterial. Furthermore, any barter revenue recognized would then require the recognition of barter expense. Barter revenue would then be equal to barter expense and the recognition of these amounts would not have an effect upon net income. Therefore, the Company does not recognize barter revenue or barter expense generated by transactions between the Company and the providers of syndicated programming.

Use of Estimates

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

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have a maturity of three months or less when purchased. At times, cash and cash equivalent

A. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

balances exceed federally insurable limits. The Company believes it mitigates its risk by depositing cash or investing in cash equivalents with major financial institutions.

Inventories

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

Program Broadcast Rights

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

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. Buildings, improvements and equipment are generally depreciated over estimated useful lives of approximately 35 years, 10 years and 5 years, respectively.

Deferred Loan Costs

Loan acquisition costs are amortized over the life of the applicable indebtedness. As of December 31, 2002, the life of the senior credit facility is 8 years and the life of the 9 1/4% Senior Subordinated Notes Due 2011 is 10 years. The final maturity dates of the senior credit facility and the senior subordinated notes are December 2010 and December 2011, respectively.

Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS 109"). Under SFAS 109, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 reverse. 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 and its subsidiaries file a consolidated federal income tax return. Consolidated state income tax returns are filed when appropriate and separate state tax returns are filed when consolidation is not available. Local tax returns are filed separately.

A. Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

The Company follows the provisions of FASB Statement No. 123, “Accounting for Stock-Based Compensation” (“SFAS No. 123”). The provisions of SFAS No. 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees”, (“APB25”), but disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to apply APB 25 in accounting for its stock option incentive plans as discussed further in Note F Long-term Incentive Plan and Stock Purchase Plan.

In accordance with APB 25 and related interpretations, compensation expense for stock options is recognized in income based on the excess, if any, of the quoted market price of the stock at the grant date of the award or other measurement date over the amount an employee must pay to acquire the stock. Generally, the exercise price for stock options granted to employees equals the fair market value of the Company’s common stock at the date of grant, thereby resulting in no recognition of compensation expense by the Company. For awards that generate compensation expense as defined under APB 25, the Company calculates the amount of compensation expense and recognized the expense over the vesting period of the award.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, “Accounting for Stock-Based Compensation, Transition and Disclosure” (“SFAS No. 148”). SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The transition and annual disclosure requirements of SFAS No. 148 are effective for fiscal years ended after December 15, 2002. The interim disclosure requirements of SFAS No. 148 are effective for interim periods ending after December 15, 2002. The adoption of the provisions of SFAS No. 148 did not have a material impact on the Company’s consolidated financial statements. However, the Company has modified its disclosures as required.

The fair value for the options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2002, 2001 and 2000 respectively: risk-free interest rates of 2.07%, 3.52% and 6.55%; dividend yields of 0.81% 0.78% and 0.78%; volatility factors of the expected market price of the Company’s Common Stock of 0.37, 0.32 and 0.27; and a weighted-average expected life of the options of 4.5, 3.4 and 4.9 years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options’ vesting period. The Company’s pro forma information follows (in thousands, except per common share data):

A. Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation (Continued)

	Year Ended December 31,		
	2002	2001	2000
Net income (loss) available to common stockholders, as reported	$(34,317)	$(13,934)	$ (9,384)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	-0-	-0-	-0-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(877)	(1,143)	(1,020)
Income (loss) available to common stockholders, pro forma	$(35,194)	$(15,077)	$(10,404)
Income (loss) per common share:			
Basic, as reported	$ (1.55)	$ (0.89)	$ (0.61)
Basic, pro forma	$ (1.59)	$ (0.97)	$ (0.67)
Diluted, as reported	$ (1.53)	$ (0.89)	$ (0.61)
Diluted, pro forma	$ (1.56)	$ (0.97)	$ (0.67)

Accounting for Derivatives

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and for Hedging Activities,” as amended (“SFAS 133”). The effect as of January 1, 2001, of adopting SFAS 133 was not material and, accordingly, it is not presented as a cumulative effect adjustment. SFAS 133 provides a comprehensive standard for the recognition and measurement of derivatives and hedging activities. SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes “special accounting” for those that qualify as hedges. Changes in the fair value of derivatives that do not meet the hedged criteria are included in earnings in the same period of the change.

In 1999, the Company entered into an interest rate swap agreement to hedge against fluctuations in interest expense resulting from a portion of its variable rate debt. Due to the terms of the interest rate swap agreement, it did not qualify for hedge accounting under SFAS 133.

Concentration of Credit Risk

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

Fair Value of Financial Instruments

The estimated fair value of the Company’s long-term debt at December 31, 2002 and 2001 was $681.7 million and $551.5 million, respectively. Currently, the Company does not anticipate settlement of long-term debt at other than book value. The fair value of other financial instruments classified as current assets or liabilities approximates their carrying value.

A. Summary of Significant Accounting Policies (Continued)

Earnings Per Share

The Company computes earnings per share in accordance with Statement of Financial Accounting Standards No. 128, “Earnings Per Share” (“EPS”). The following table reconciles net income (loss) before extraordinary charge and cumulative effect of accounting change to net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Net income (loss) before extraordinary charge and cumulative effect of accounting change	$13,638	$(13,318)	$ (6,212)
Preferred dividends	2,461	616	1,012
Preferred dividends associated with exchange of preferred stock	3,969	-0-	2,160
Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$ 7,208	$(13,934)	$ (9,384)
Weighted average shares outstanding — basic	22,127	15,605	15,497
Stock options and warrants	250	-0-	-0-
Weighted average shares outstanding — diluted	22,377	15,605	15,497

For the years ended December 31, 2001 and 2000, the Company incurred a net loss before extraordinary charge and cumulative effect of accounting change available to common stockholders. As a result common stock equivalents related to employee stock-based compensation plans and warrants that could potentially dilute basic earnings per share in the future were not included in the computation of diluted earnings per share as they would have an antidilutive effect for the periods. The number of antidilutive common stock equivalents excluded from diluted earnings per share for the respective periods are as follows (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Antidilutive common stock equivalents excluded from diluted earnings per share	-0-	512	140

Implementation of New Accounting Principles

In June 2002, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 146, “Accounting for Costs Associated with Exit of Disposal Activities” (“SFAS 146”), effective for exit or disposal activities that are initiated after December 31, 2002. The Company’s adoption of this new standard is not expected to have a material impact on the results of operating and financial position.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, “Rescission of FASB Statements No. 4, 44, and 62, Amendment of FASB Statement No. 13, and Technical Corrections” (“SFAS 145”), effective for fiscal years beginning after May 15, 2002. For most companies, SFAS 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under Statement 4.

A. Summary of Significant Accounting Policies (Continued)

Implementation of New Accounting Principles (Continued)

In the first quarter of 2002, the Company redeemed its then outstanding 10.625% senior subordinated notes and recorded an extraordinary charge of approximately $11.3 million ($7.3 million after income tax) in connection with this early extinguishment of debt. Also in the fourth quarter of 2002, the Company amended its senior credit facility and recorded an extraordinary charge of approximately $5.6 million (approximately $3.6 million after income tax) in connection with this early extinguishment of debt. The Company will adopt SFAS 145 in the first quarter of 2003. Accordingly in the first quarter of 2003, the Company will be required to reclassify as interest expense in income from continuing operations the $16.9 million (before effect of income tax benefit) it had recorded in 2002 as an extraordinary loss on extinguishment of debt. The related income tax benefit of $5.9 million that is deducted from the extraordinary charge in 2002 will be reclassified to the income tax expense (benefit) line item.

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141, “Business Combinations” and No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, goodwill and intangible assets deemed to have an indefinite useful life are subject to an annual review for impairment. The new standards were effective for the Company on January 1, 2002. Upon adoption of SFAS 142, the Company recorded a one-time, non-cash charge of approximately $39.5 million ($30.6 million after income taxes) to reduce the carrying value of its goodwill and broadcast licenses. Such charge is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations for the year ended December 31, 2002. For additional discussion on the impact of adopting SFAS 142, see Note J.

Reclassifications

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

B. Business Acquisitions

2002 Acquisitions

On October 25, 2002 the Company completed its acquisition of Stations Holding Company, Inc. ("Stations Holding") by acquiring all of Stations Holding's outstanding capital stock in a merger transaction. Effective with the completion of the transaction, Stations Holding changed its name to Gray MidAmerica Television, Inc. ("Gray MidAmerica Television"). With this transaction the Company acquired 15 network affiliated television stations serving 13 television markets. On December 18, 2002 the Company completed its acquisition of the assets of KOLO-TV, the ABC affiliate serving Reno, Nevada. With these completed acquisitions, the Company owns 29 television stations serving 25 television markets. The stations include 15 CBS affiliates, seven NBC affiliates and seven ABC affiliates.

B. Business Acquisitions (Continued)

2002 Acquisitions (Continued)

The Company paid approximately $515.7 million in aggregate cash consideration for Gray MidAmerica Television. This amount included a base purchase price of $502.5 million plus certain net working capital adjustments of approximately $5.7 million and fees of $7.5 million associated with the transaction. The Company funded the acquisition and related fees and expenses by issuing 30,000,000 shares of Gray Common Stock (GTN) to the public for net proceeds of $232.7 million, issuing additional debt totaling $275.0 million and using cash on hand.

For advisory services rendered by Bull Run Corporation, Inc., a principal investor, in connection with the merger, the Company paid to Bull Run an advisory fee of $5.0 million. This amount is included in the fees described above. The Company does not intend to compensate Bull Run for any such advisory or similar services in the future.

The Company paid approximately $41.8 million in cash consideration for KOLO-TV. This purchase price included a base purchase price of $41.5 million and related fees of approximately $325,000. The Company financed this transaction by utilizing cash on hand and net proceeds of $34.9 million from the issuance of an additional 4,500,000 shares of Gray Common Stock (GTN).

The acquisitions of Gray MidAmerica Television and KOLO-TV have been accounted for under the purchase method of accounting. Under the purchase method of accounting, the results of operations of the acquired businesses are included in the accompanying consolidated financial statements as of their respective acquisition dates. The identifiable assets and liabilities of acquired businesses are recorded at their estimated fair values with the excess of the purchase price over such identifiable net assets allocated to goodwill.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the respective dates of the acquisitions. The Company has obtained preliminary drafts of third party valuations of certain non-current assets; thus, the allocation of the purchase price is subject to refinement. The amounts in the following table are in thousands.

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B. Business Acquisitions (Continued)

2002 Acquisitions (Continued)

Description	Gray MidAmerica Television as of October 25, 2002	KOLO-TV as of December 18, 2002
Cash	$ 1,254	$ -0-
Accounts receivable	21,284	2,032
Current portion of program broadcast rights	4,288	490
Other current assets	1,249	30
Property and equipment	60,425	9,186
Other long-term assets	966	10
Intangibles	571,760	33,427
Trade payables and accrued expenses	(7,377)	(760)
Current portion of program broadcast obligations	(5,841)	(561)
Deferred revenue	(695)	(169)
Current portion of notes payable	(819)	-0-
Deferred tax liabilities	(115,647)	-0-
Other acquisition liabilities	(10,752)	(1,860)
Long-term portion of program broadcast obligations	(712)	-0-
Long-term portion of notes payable	(3,672)	-0-
Total purchase price including expenses	$ 515,711	$41,825
Detail of intangible assets:		
Intangible assets not subject to amortization:		
Broadcast licenses	$ 443,283	$31,554
Goodwill	118,788	1,402
Intangible assets subject to amortization	9,689	471
	$ 571,760	$33,427

Of the total goodwill recorded in association with the acquisitions of Gray MidAmerica Television and KOLO-TV, $7.6 million is expected to be deductible for income tax purposes. The weighted average useful life for all intangible assets subject to amortization that were acquired in the current year is 5.4 years.

Pro Forma Operating Results (Unaudited)

This unaudited pro forma operating data does not purport to represent what the Company’s actual results of operations would have been had the Company acquired Gray MidAmerica Television and KOLO-TV on January 1, 2001, and should not serve as a forecast of the Company’s operating results for any future periods. The pro forma adjustments are based solely upon certain assumptions that management believes are reasonable under the circumstances at this time. Unaudited pro forma operating data for the years ended December 31, 2002 and 2001, are as follows (in thousands, except per common share data):

B. Business Acquisitions (Continued)

Pro Forma Operating Results (Unaudited)

	Pro Forma Year Ended December 31,	
	2002	2001
	(Unaudited)	
Operating revenues	$305,750	$274,513
Operating income	90,559	49,305
Net income (loss) before extraordinary charge and cumulative effect of accounting change	26,393	(5,952)
Extraordinary charge on extinguishment of debt, net of income tax benefit of $5,905	(10,933)	-0-
Cumulative effect of accounting change, net of income tax benefit of $8,873	(30,592)	-0-
Net loss	(15,132)	(5,952)
Preferred dividends	2,461	616
Preferred dividends associated with the redemption of preferred stock	3,969	-0-
Net loss available to common stockholders	$ (21,562)	$ (6,568)
Basic per share information:		
Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$ 0.40	$ (0.13)
Extraordinary charge on extinguishment of debt, net of income taxes	(0.22)	-0-
Cumulative effect of accounting change, net of income taxes	(0.61)	-0-
Loss available to common stockholders	$ (0.43)	$ (0.13)
Weighted average shares outstanding	50,212	50,105
Diluted per share information:		
Net income (loss) before extraordinary charge and cumulative effect of accounting change available to common stockholders	$ 0.40	$ (0.13)
Extraordinary charge on extinguishment of debt, net of income taxes	(0.22)	-0-
Cumulative effect of accounting change, net of income taxes	(0.61)	-0-
Loss available to common stockholders	$ (0.43)	$ (0.13)
Weighted average shares outstanding	50,462	50,105

The pro forma results presented above include adjustments to reflect (i) additional interest expense associated with debt to finance the respective acquisitions, (ii) depreciation and amortization of assets acquired, (iii) the elimination of certain redundant corporate expenses and (iv) the income tax effect of such pro forma adjustments. Average outstanding shares used to calculate pro forma earnings per share data for 2002 and 2001 include the 34,500,000 shares of Common Stock issued in connection with the acquisitions.

Acquisition of Investment in Sarkes Tarzian, Inc.

On December 3, 2001, the Company exercised its option to acquire 301,119 shares of the outstanding common stock, $4.00 par value, of Sarkes Tarzian, Inc. (“Tarzian”) from Bull Run Corporation (“Bull Run”), a principal shareholder of the Company. Bull Run had purchased these same shares from U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate of Mary Tarzian (the “Estate”) in January 1999.

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

Tarzian is a closely held private company that owns and operates two television stations and four radio stations: WRCB-TV Channel 3 in Chattanooga, Tennessee, an NBC affiliate; KTVN-TV Channel 2 in Reno, Nevada, a CBS affiliate; WGCL-AM and WTTS-FM in Bloomington, Indiana; and WAJI-FM and WLDE-FM in Fort Wayne, Indiana.

Gray paid $10 million to Bull Run to complete the acquisition of the 301,119 shares of Tarzian. The Company has previously capitalized and paid to Bull Run $3.2 million of costs associated with the Company’s option to acquire these shares. This investment has been accounted for under the cost method of accounting and reflected as a non-current other asset. The Company believes the cost method is appropriate to account for this investment given the existence of a single voting majority shareholder. The Company’s ownership of these shares is subject to certain litigation; see Note I of these notes to consolidated financial statements of the Company.

C. Long-term Debt

Long-term debt consists of the following (in thousands):

	December 31,	
	2002	2001
Senior credit facility	$375,000	$ 217,500
91/4 % Senior Subordinated Notes due 2011	280,000	180,000
105/8 % Senior Subordinated Notes due 2006 (retired on January 22, 2002)	-0-	155,200
Other	4,518	186
	659,518	552,886
Less unamortized discount	(1,298)	(1,442)
	658,220	551,444
Less current portion	(887)	(155,262)
	$657,333	$ 396,182

The Company amended and restated its senior credit facility on October 25, 2002. The revised facility provides the Company with a $375.0 million term facility and a $75.0 million reducing revolving credit facility. In addition, the agreement provides the Company with the ability to access up to $300.0 million of incremental senior secured term loans upon the consent of the lenders. The Company may request this incremental senior secured term loan on any business day on or before December 31, 2005. Prior to the amendment on October 25, 2002, the senior credit facility consisted of a $50.0 million revolving commitment and a $200.0 million term loan commitment.

Proceeds from the amended and restated facility were used in the acquisition of Gray MidAmerica Television, Inc. and to refinance existing senior secured indebtedness, to pay transaction fees and for other general corporate purposes. The Company incurred $5.5 million in lender fees and other costs to amend and restate the facility.

Under the amended revolving and term facilities, the Company, at its option, can borrow funds at an interest rate equal to the London Interbank Offered Rate (“LIBOR”) plus a margin or at the lenders’ base rate plus a margin. The base rate will generally be equal to the lenders’ prime rate. Interest rates under the amended revolving facility are base rate plus a margin ranging from 0.50% to 1.75% or LIBOR plus a margin ranging from 1.75% to 3.0%. Interest rates under the amended term facility are base plus a margin ranging from 1.25% to 1.75% or LIBOR plus a margin ranging from 2.5% to 3.0%. The applicable margin payable by the Company will be determined by the Company’s operating leverage ratio that is calculated quarterly.

At December 31, 2002, the Company had $375.0 million of term loans outstanding under the senior credit facility with $75.0 million available to borrow under the revolving credit agreement. Also as of December 31, 2002, interest rates were at a rate of base plus 1.75% and/or LIBOR plus 3.0% for funds borrowed under the term facility. No amounts were outstanding under the revolving facility as of December 31, 2002. The effective interest rate on the balance outstanding under the senior credit facility at December 31, 2002 and 2001 was 4.42% and 5.8%, respectively. The Company is charged a commitment fee on the excess of the aggregate average daily available credit limit less the amount outstanding. At December 31, 2001, the commitment fee was 0.50% per annum.

The lenders’ commitments for the revolving facility will reduce quarterly, as specified in the credit agreement, beginning March 31, 2004 and final repayment of any outstanding amounts under the

C. Long-term Debt (Continued)

revolving facility is due December 31, 2009. The term facility commences amortization in quarterly installments beginning March 31, 2004 through December 31, 2010 with the remaining outstanding balance payable in four equal quarterly installments beginning March 31, 2010. The final maturity date for any outstanding amounts under the term facility is December 31, 2010.

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

On December 21, 2001, the Company completed its sale of $180 million aggregate principal amount of its senior subordinated notes. The net proceeds from the sale of these notes were approximately $173.6 million. These senior subordinated notes have a coupon of 9 1/4% and were priced at a discount to yield 9.375 %. On September 10, 2002, the Company completed the sale of an additional $100 million principal amount of senior subordinated notes. The coupon on these additional notes was 9 1/4% and they were issued at par. These additional notes were issued under the same indenture and have the same terms as the Company’s previously existing senior subordinated notes. The additional senior subordinated notes form a single series with Gray’s existing senior subordinated notes and are collectively referred to as the 9 1/4% Notes.

Interest on the 9 1/4% Notes is payable semi-annually on December 15 and June 15, commencing June 15, 2002. The 9 1/4% Notes mature on December 15, 2011 and are redeemable, in whole or in part, at the Company’s option after December 15, 2006. If the 9 1/4% Notes are redeemed during the twelve-month period beginning on December 15 of the years indicated below, they will be redeemed at the redemption prices set forth below, plus accrued and unpaid interest to the date fixed for redemption.

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

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

In October of 2001, the Company purchased $4.8 million of its existing 10 5/8% Senior Subordinated Notes due 2006 (the “10 5/8% Notes”). On December 21, 2001, Gray instructed the trustee for the 10 5/8% Notes to commence the redemption, in full, of the remaining 10 5/8% Notes outstanding. Gray deposited cash of approximately $168.6 million with the 10 5/8% Notes’ trustee, to redeem the aggregate principal

C. Long-term Debt (Continued)

amount of the 10 5/8% Notes outstanding of $155.2 million and to fund associated premium costs of $8.2 million, accrued interest of $3.7 million and certain other related expenses of $1.5 million. This cash was funded from the net proceeds of the 9 1/4% Notes and is included in consolidated balance sheet at December 31, 2001 as “restricted cash for redemption of long-term debt”. The redemption was completed on January 22, 2002 and all obligations associated with the 10 5/8% Notes as well as the rights associated with the restricted cash were extinguished on that date. The Company recorded an extraordinary charge of approximately 11.3 million ($7.3 million after income tax) in January 2002 in connection with this early extinguishment of debt.

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

The Company is a holding company with no material independent assets or operations, other than its investment in its subsidiaries. The aggregate assets, liabilities, earnings and equity of the Subsidiary Guarantors are substantially equivalent to the assets, liabilities, earnings and equity of the Company on a consolidated basis. The Subsidiary Guarantors are, directly or indirectly, wholly owned subsidiaries of the Company and the Subsidiary Guarantees are full, unconditional and joint and several. All of the current and future direct and indirect subsidiaries of the Company are guarantors of the senior subordinated notes. Accordingly, separate financial statements and other disclosures of each of the Subsidiary Guarantors are not presented because the Company has no independent assets or operations, the guarantees are full and unconditional and joint and several and any subsidiaries of the parent company other than the Subsidiary Guarantors are minor. The senior credit facility is collateralized by substantially all of the Company’s existing and hereafter acquired assets except real estate.

In 1999, the Company entered into an interest rate swap agreement to modify the interest characteristics of a portion of its outstanding debt. The agreement involved the exchange of an amount based on a variable interest rate for an amount based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based.

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

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

In January of 2003, the Company entered into three interest rate swap agreements. These agreements convert a combined notional amount of $50.0 million of floating rate debt under the senior

C. Long-term Debt (Continued)

credit facility to fixed rate debt with a weighted average fixed rate of 1.909% that will be measured against the three month LIBOR rate. The Company has elected to account for these agreements using hedge accounting under SFAS 133.

Aggregate minimum principal maturities on long-term debt as of December 31, 2002, were as follows (in thousands):

Year	Minimum Principal Maturities
2003	$ 887
2004	678
2005	501
2006	268
2007	233
Thereafter	655,653
	$658,220

The Company assumes that as amounts become due under the term notes, the amounts needed for the payments will be obtained from borrowings under the revolving facility. Since the term notes and the revolving facility are both components of the senior credit facility, these borrowings and payments are netted until the capacity to borrow under the revolving credit facility is exhausted.

The Company made interest payments of approximately $36.6 million, $36.8 million and $40.8 million during 2002, 2001 and 2000, respectively.

D. Stockholders' Equity

On January 16, 2002, the shareholders of the Company voted to amend the Company's articles of incorporation to allow for an increase in the authorized number of Class B Common Stock from 15,000,000 to 50,000,000 and to rename the Class B Common Stock as Common Stock.

The Company is authorized to issue 85,000,000 shares of all classes of stock, of which, 15,000,000 shares are designated Class A Common Stock, 50,000,000 shares are designated Common Stock, and 20,000,000 shares are designated "blank check" preferred stock for which the Board of Directors has the authority to determine the rights, powers, limitations and restrictions. The rights of the Company's Common Stock and Class A Common Stock are identical, except that the Class A Common Stock has 10 votes per share and the Common Stock has one vote per share. The Common Stock and Class A Common Stock receive cash dividends on an equal per share basis.

The Series A Preferred Stock included detachable warrants issued to purchase 731,250 shares of Class A Common Stock for $11.92 per share. The Series B Preferred Stock included warrants to purchase an aggregate of 750,000 shares of Class A Common Stock at an exercise price of $16.00 per share. These warrants are fully vested and remain outstanding. See Note E. below for a further discussion of the Company's preferred stock.

In addition to the $13.2 million paid for the Tarzian shares, the Company granted warrants to Bull Run to purchase up to 100,000 shares of the Company's Common Stock at $13.625 per share. These warrants are fully vested and will expire in December 2011 if not exercised.

D. Stockholders' Equity (Continued)

The Company is authorized by its Board of Directors to purchase up to two million shares of the Company's Common Stock and Class A Common Stock or to either be retired or reissued in connection with the Company's benefit plans, including the Capital Accumulation Plan and the Incentive Plan. During 2000, the Company purchased 11,361 shares of its Common Stock under this authorization. The treasury shares were purchased at prevailing market prices with an average effective price of $12.55 per share, respectively, and were funded from the Company's operating cash flow.

E. Redeemable Preferred Stocks

In April of 2002, the Company issued $40 million of a redeemable and convertible preferred stock to a group of private investors. The preferred stock was designated as Series C Preferred Stock and has a liquidation value of $10,000 per share.

The issuance of the Series C Preferred Stock generated net cash proceeds of approximately $30.5 million, after transaction fees and expenses and excluding the value of the Series A and Series B preferred stock exchanged into the Series C Preferred Stock. The Company used the net cash proceeds to repay current outstanding borrowings under the Company's revolving credit facility and for other general corporate purposes.

The Series C Preferred Stock is convertible into the Company's Common Stock at a conversion price of $14.39 per share. The Series C Preferred Stock will be redeemable at the Company's option on or after April 22, 2007 and will be subject to mandatory redemption on April 22, 2012 at a value of $10,000 per share. Therefore, the Company does not have any Series C Preferred Stock redemption requirements for the five years subsequent to December 31, 2002. Dividends on the Series C Preferred Stock will accrue at 8% per annum until April 22, 2009 after which the dividend rate shall be 8.5% per annum. Dividends, when declared by the Company's Board of Directors may be paid at the Company's option in cash or additional shares of Series C Preferred Stock.

As part of the transaction, holders of the Company's Series A and Series B Preferred Stock have exchanged all of the outstanding shares of each respective series, an aggregate liquidation value of approximately $8.6 million, for an equal number of shares of the Series C Preferred Stock. Upon closing this transaction, the Series C Preferred Stock is the only currently outstanding preferred stock of the Company.

As of December 31, 2002, the carrying value and the liquidation value of the Series C Preferred Stock was $39.2 million and $40.0 million, respectively. The difference between these two values is the unaccreted portion of the original issuance cost. The original issuance cost, prior to accretion, was $868,000 and it is being accreted over the estimated ten year life of the Series C Preferred Stock.

F. Long-term Incentive Plan and Stock Purchase Plan

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

The shareholders of the Company approved a new incentive plan in the current year, the 2002 Incentive Plan, which replaced the prior long-term incentive plan, the 1992 Incentive Plan. The 2002

F. Long-term Incentive Plan and Stock Purchase Plan (Continued)

Incentive Plan has 2.8 million shares of the Company's Common Stock reserved for grants to key personnel for (i) incentive stock options, (ii) non-qualified stock options, (iii) stock appreciation rights, (iv) restricted stock awards and (v) performance awards, as defined by the Incentive Plan. Shares of Common Stock underlying outstanding options or performance awards are counted against the Incentive Plan's maximum shares while such options or awards are outstanding. Under the Incentive Plan, the options granted typically vest after a two-year period and expire three years after full vesting. However, options will vest immediately upon a "change in control" of the Company as such term is defined in the 2002 Incentive Plan. Options granted through December 31, 2002, have been granted at a price which approximates fair market value on the date of the grant.

The Company also has a non-employee director stock option plan, which grants non-employee directors options to purchase up to 11,250 shares of the Company's Common Stock. Under this plan, the options granted vest at the beginning of the upcoming calendar year and expire at the end of January following that calendar year.

Effective January 1, 2003, the Company implemented a restricted stock plan for its directors which is referred to as the Directors Restricted Stock Plan. This plan was established primarily to further align the directors' interest with those of the Company's other shareholders through compensation that is based on the Company's Common Stock. The directors can be awarded up to 10,000 shares of restricted stock each calendar year with such share awards vesting pro-rata over the following five years.

A summary of the Company's stock option activity for Class A Common Stock, and related information for the years ended December 31, 2002, 2001 and 2000 is as follows (in thousands, except weighted average data):

	Year Ended December 31,					
	2002		2001		2000	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Stock options outstanding – beginning of year	19	$ 17.81	19	$ 17.81	34	$ 14.04
Options granted	-0-		-0-		-0-	
Options exercised	-0-		-0-		(15)	8.89
Options forfeited	-0-		-0-		-0-	
Options expired	-0-		-0-		-0-	
Stock options outstanding – end of year	19	$ 17.81	19	$ 17.81	19	$ 17.81
Exercisable at end of year	19	$ 17.81	19	$ 17.81	19	$ 17.81

The exercise price for Class A Common Stock options outstanding as of December 31, 2002 is $17.81. The weighted-average remaining contractual life of the Class A Common Stock options outstanding is 0.9 years.

A summary of the Company's stock option activity for Common Stock, and related information for the years ended December 31, 2002, 2001 and 2000 is as follows (in thousands, except weighted average data):

F. Long-term Incentive Plan and Stock Purchase Plan (Continued)

	Year Ended December 31,					
	2002		2001		2000	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Stock options outstanding – beginning of year	1,634	$11.81	1,697	$11.86	820	$13.78
Options granted	1,520	10.02	60	10.23	965	10.37
Options exercised	(78)	10.16	(57)	12.65	-0-	
Options forfeited	(96)	11.96	(47)	11.21	(36)	12.52
Options expired	(348)	14.44	(19)	10.58	(52)	14.00
Stock options outstanding – end of year	2,632	$10.47	1,634	$11.81	1,697	$11.86
Exercisable at end of year	1,078	$11.10	699	$13.89	569	$14.05
Weighted-average fair value of options granted during the year		$ 3.35		$ 2.58		$ 3.40

Exercise prices for Common Stock options outstanding as of December 31, 2002, ranged from $8.89 to $14.50. The weighted-average remaining contractual life of the Common Stock options outstanding is 3.6 years.

G. Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS 109"). Under SFAS 109, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 reverse. 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.

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

	Year Ended December 31,		
	2002	2001	2000
Current			
Federal	$ -0-	$ -0-	$ -0-
State and local	559	173	587
Deferred	(7,536)	(6,145)	(2,454)
	$(6,977)	$(5,972)	$(1,867)

G. Income Taxes (Continued)

The reconciliation of aggregate tax expense (benefit) from the statement of operations is as follows (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Income tax expense (benefit) related to continuing operations	$ 7,801	$(5,972)	$(1,867)
Income tax expense (benefit) related to extraordinary items	(14,778)	-0-	-0-
Total income tax expense (benefit)	$ (6,977)	$(5,972)	$(1,867)

The components of income (loss) from continuing operations and extraordinary items before income tax expense (benefit) are as follows (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Continuing operations	$ 21,439	$(19,290)	$(8,078)
Extraordinary items	(56,303)	-0-	-0-
	$(34,864)	$(19,290)	$(8,078)

Significant components of the Company’s deferred tax liabilities and assets are as follows (in thousands):

	December 31,	
	2002	2001
Deferred tax liabilities:		
Net book value of property and equipment	$ 13,732	$ 9,059
Goodwill and other intangibles	238,437	82,330
Other	-0-	122
Total deferred tax liabilities	252,169	91,511
Deferred tax assets:		
Liability under supplemental retirement plan	154	188
Allowance for doubtful accounts	508	286
Liability under severance and leases	2,129	-0-
Liability under health and welfare plan	2,046	-0-
Federal operating loss carryforwards	65,131	20,048
State and local operating loss carryforwards	5,533	3,734
Alternative minimum tax carryforward	535	-0-
Other	1,368	804
Total deferred tax assets	77,404	25,060
Valuation allowance for deferred tax assets	-0-	(340)
Net deferred tax assets	77,404	24,720
Deferred tax liabilities, net	$174,765	$66,791

G. Income Taxes (Continued)

The Company has approximately $191 million in federal operating loss carryforwards which expire during the years 2012 through 2022. Additionally, the Company has an aggregate of approximately $173 million of various state operating loss carryforwards. The utilization of a significant portion of the net operating losses is limited on an annual basis due to a change in ownership of both the Company and Gray Midamerica Television. Management does not believe that these limitations will significantly impact the Company's ability to utilize the net operating losses before they expire. Furthermore, the Company believes that, more likely than not, it will realize the full benefit of its deferred tax assets. Accordingly, the Company has not recorded a valuation allowance against those assets.

A reconciliation of income tax expense (benefit) from continuing operations at the statutory federal income tax rate and income taxes as reflected in the consolidated financial statements is as follows (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Statutory rate applied to loss	$7,289	$(6,559)	$(2,746)
State and local taxes, net of federal tax benefits	208	(37)	368
Other items, net	304	624	511
	$7,801	$(5,972)	$(1,867)

The Company received income tax refunds (net of payments) of $307,000 and $269,000 in 2001 and 2000, respectively, and the Company made income tax payments (net of refunds) of approximately $639,000 in 2002. At December 31, 2002 and 2001, the Company had current recoverable income taxes of approximately $234,000 and $552,000 respectively.

In October 2001, the Company received a notice of deficiency from the Internal Revenue Service (the "IRS") with respect to its 1996 and 1998 federal income tax returns. The notice of deficiency alleges that the Company recognized a significant amount of taxable gain from the sale of certain assets in 1996 in connection with a business acquisition from First American Media, Inc. The notice of deficiency also alleges that the Company's 1996 acquisition of certain assets from First American Media, Inc. should be characterized for tax purposes as an acquisition of stock. If both of these claims were successful, the Company would owe approximately $12.1 million of additional federal income tax with respect to its 1996 and 1998 taxable years, plus related interest and penalties and, the tax basis of the acquired assets would be significantly reduced. On January 18, 2002, the Company filed a petition to contest the matter in the United States Tax Court.

On February 19, 2003 the IRS and the Company filed a stipulation with the Tax Court acknowledging that the IRS has withdrawn its claim relating to the taxable gain alleged to have been recognized by the Company from the sale of certain assets in 1996. This withdrawn claim accounted for virtually all of the $12.1 million tax liability in dispute before the Tax Court.

The remaining matter pending before the Tax Court is the IRS assertion that the Company's purchase of certain assets from First American Media, Inc. in 1996 should be treated as a purchase of stock. If successful, the tax basis of such assets acquired in 1996 would be reduced by approximately $166 million and the reduction in tax basis would significantly reduce the Company's tax deductions for depreciation and amortization with respect to the acquired assets. Nevertheless, because of the Company's available federal net operating losses, the Company would not owe any additional cash income tax payments for the

G. Income Taxes (Continued)

tax years ending at least through December 31, 2002 in the event of an adverse ruling from the Tax Court. The Company believes it has a meritorious position with respect to this issue and intends to defend the IRS claim vigorously. However, the Company cannot be certain when, and if, this matter will be resolved in its favor, and if it is not, the Company might incur additional cash taxes in future years.

H. Retirement Plans

Pension Plan

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

The following summarizes the plan's funded status and related assumptions (dollars in thousands):

	December 31,	
	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year	$11,802	$10,208
Service cost	1,267	1,161
Interest cost	763	685
Actuarial (gains) losses	(248)	160
Benefits paid	(431)	(412)
Benefit obligation at end of year	$13,153	$11,802
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 8,770	$ 8,203
Actual return on plan assets	(116)	96
Company contributions	1,243	883
Benefits paid	(431)	(412)
Fair value of plan assets at end of year	$ 9,466	$ 8,770
Components of accrued benefit costs:		
Underfunded status of the plan	$ (3,685)	$ (3,032)
Unrecognized net actuarial loss	1,588	1,097
Unrecognized net transition amount	-0-	(27)
Unrecognized prior service cost	-0-	0
Accrued benefit cost	$ (2,097)	$ (1,962)
Weighted-average assumptions as of December 31:		
Discount rate	6.75%	6.75%
Expected long-term rate of return on plan assets	7.00%	7.00%
Estimated rate of increase in compensation levels	5.00%	5.00%

H. Retirement Plans (Continued)

Pension Plan (Continued)

The net periodic pension cost includes the following components (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Components of net periodic pension cost:			
Service cost	$1,267	$1,161	$ 931
Interest cost	763	685	598
Expected return on plan assets	(624)	(577)	(553)
Amortization of prior service cost	-0-	(1)	(1)
Amortization of transition (asset) or obligation	(27)	(54)	(54)
Pension cost	$1,379	$1,214	$ 921

Capital Accumulation Plan

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

The Capital Accumulation Plan allows an investment option in the Company's Common Stock and allows for the Company's percentage match to be made by a contribution of the Company's Common Stock. The Company reserved 300,000 shares of the Company's Common Stock for issuance under the Capital Accumulation Plan.

Employee contributions to the Capital Accumulation Plan, not to exceed 6% of the employees' gross pay, are matched by Company contributions. The Company's percentage match amount is declared by the Company's Board of Directors before the beginning of each plan year and is made by a contribution of the Company's Common Stock. The Company's percentage match was 50% for the three years ended December 31, 2002. The Company contributions vest, based upon each employee's number of years of service, over a period not to exceed five years.

Company matching contributions aggregating $753,250, $688,343 and $685,223 were charged to expense for 2002, 2001 and 2000, respectively, for the issuance of 65,472, 50,464 and 59,969 shares of Common Stock, respectively.

I. Commitments and Contingencies

The Company has various operating lease commitments for equipment, land and office space. The Company also has commitments for various television film exhibition rights and for digital television ("DTV") equipment. The license periods for the film exhibition rights had not yet commenced nor had a portion of the DTV equipment been delivered as of December 31, 2002. Rent expense resulting from operating leases for the years ended December 31, 2002, 2001 and 2000 were $1.6 million, $1.6 million and $1.5 million, respectively. Future minimum payments under operating leases with initial or remaining noncancelable lease terms in excess of one year, obligations under film exhibition rights for which the license period had not yet commenced and commitments for DTV equipment that had ordered but not yet been received are as follows (in thousands):

I. Commitments and Contingencies (Continued)

Year	DTV Equipment	Lease	Film	Total
2003	$3,088	$ 1,761	$ 6,745	$11,594
2004	4,676	1,993	9,997	16,666
2005	-0-	1,647	6,336	7,983
2006	-0-	1,027	1,671	2,698
2007	-0-	634	472	1,106
Thereafter	-0-	6,644	16	6,660
	$7,764	$13,706	$25,237	$46,707

The DTV Equipment, Lease and Film amounts in the table above are estimates of commitments that are in addition to liabilities accrued for on the Company's balance sheet as of December 31, 2002.

Through a partnership agreement with Host Communications, Inc. ("Host"), a wholly owned subsidiary of Bull Run, the Company has also acquired certain collegiate broadcast rights for sporting events through a five-year marketing agreement that commenced April 1, 2000. The Company's annual obligation will be determined, in part, by the number of events broadcast under the agreement; however, the Company's obligation will not exceed $2.2 million annually. For each of the years ended December 31, 2002 and 2001, the Company paid Host approximately $125,000 under the agreement. The Company received approximately $336,000 under this same rights sharing agreement in the year ended December 31, 2000.

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

As previously discussed in Note B. Business Acquisitions, the Company has an equity investment in Sarkes Tarzian, Inc. ("Tarzian") representing shares in Tarzian which were originally held by the estate of Mary Tarzian (the "Estate"). As described more fully below, our ownership of the Tarzian shares is subject to certain litigation.

On February 12, 1999, Tarzian filed suit in the United States District Court for the Southern District of Indiana against U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate, claiming that Tarzian had a binding and enforceable contract to purchase the Tarzian shares from the Estate. On February 3, 2003, the Court entered judgment on a jury verdict in favor of Tarzian for breach of contract and awarding Tarzian $4.0 million in damages. The Estate has filed a renewed motion for judgment as a matter of law, and alternatively, for a new trial on the issue of liability. Tarzian has filed a motion to amend the judgment, requesting that the court award Tarzian specific performance of the contract and title to the Tarzian shares, or, in the alternative, award pre-judgment interest on the $4.0 million damage award. The Company cannot predict when the final resolution of this litigation will occur.

On March 7, 2003, Tarzian filed suit in the United States District Court for the Northern District of Georgia against Bull Run and the Company for tortious interference with contract and conversion. The lawsuit alleges that Bull Run and Gray purchased the Tarzian shares with actual knowledge that Tarzian had a binding agreement to purchase the stock from the Estate. The lawsuit seeks damages in an amount equal to the liquidation value of the interest in Tarzian that the stock represents, which Tarzian claims to be as much as $75 million, as well as attorney's fees, expenses, and punitive damages. The lawsuit also seeks an order requiring the Company and Bull Run to turn over the stock certificates to Tarzian and relinquish all claims to the stock. The stock purchase agreement with the Estate would permit the Company to make a claim against the Estate in the event that title to the Tarzian Shares is ultimately awarded to Tarzian. The Company has not filed an answer or other responsive pleading in the lawsuit; however, the Company believes it has meritorious defenses and intends to vigorously defend the lawsuit. The Company cannot predict when the final resolution of this litigation will occur.

J. Goodwill and Intangible Assets

In January 2002, the Company adopted SFAS 142, which requires companies to discontinue amortizing goodwill and certain intangible assets with indefinite useful lives. Instead, SFAS 142 requires that goodwill and intangible assets deemed to have indefinite useful lives be reviewed for impairment upon adoption of SFAS 142 and annually thereafter. The Company will perform its annual impairment review during the fourth quarter of each year, commencing in the fourth quarter of 2002 or whenever events or changes in circumstances indicate that such assets might be impaired. Other intangible assets will continue to be amortized over their useful lives.

The Company has relatively few intangible assets aside from its broadcast licenses and goodwill, each of which is an indefinite lived asset. (SFAS 142 specifically identified broadcast licenses as being an indefinite lived asset.) The Company expects to receive future benefits from previously acquired goodwill and broadcast licenses over an indefinite period of time. Accordingly, upon adoption of SFAS 142 on January 1, 2002, the Company stopped amortizing these assets. Other separately identified definite lived intangible assets are generally comprised of certain consulting and or non-compete agreements, income leases, advertising contracts, employment agreements and trademarks.

Under SFAS 142, goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. As of January 1, 2002, the Company performed the first of the required impairment tests of goodwill and indefinite lived intangible assets. Under SFAS 142, the annual impairment tests are performed at the lowest level for which there are identifiable cash flows. As a result of implementing SFAS 142 and the required impairment tests at January 1, 2002, the Company

J. Goodwill and Intangible Assets (Continued)

recognized a non-cash impairment of goodwill and other intangible assets of $39.5 million ($30.6 million net of income taxes). Such charge is reflected as a cumulative effect of an accounting change in the accompanying condensed consolidated statement of operations. Impairment was recognized in the Company’s paging business and certain reporting units within the broadcast segment. The impairment adjustment, before tax effect, for the paging business was $10.3 million to broadcast licenses reflecting the increasing technological competition offered by cellular phone services. The broadcasting segment recognized impairments, before tax effects, to goodwill of $18.9 million of which $7.0 million related to the Company’s satellite transmission uplink business reflecting, among other factors, industry over capacity and technological competition from increasing utilization of fiber optics to deliver broadcast signals. Certain of the Company’s television stations recognized impairment, before tax effects, to goodwill approximating $11.9 million and impairment, before tax effects, to broadcast licenses of $10.3 million reflecting various competitive pressures at those reporting units. No additional impairments were noted during the Company’s impairment testing conducted as of December 31, 2002.

The Company conducted its impairment testing for its indefinite lived intangible assets using the procedures outlined below.

1. For purposes of testing impairment of indefinite lived intangible assets, the Company determined that each of its individual television stations constituted a reporting unit. It also determined that its publishing and paging segments each qualified for aggregation as a separate reporting unit.

2. The Company initially reviewed each television station and the publishing operations for possible impairment charges by comparing the estimated market value of each respective reporting unit to the carrying value of that reporting unit’s net assets. The estimated market values were determined by reviewing established selling prices of similar businesses. As discussed further below, if the estimated market values substantially exceeded the net assets, no impairment of indefinite lived intangible assets was deemed to exist. In instances where the initially estimated market values did not exceed the net assets, the Company then performed a detailed discounted cash flow analysis for the respective reporting unit(s). The impairment testing of the Company’s paging business was performed using a discounted cash flow analysis.

3. Where the discounted cash flow analysis indicated that the net present value of the future cash flows of the reporting unit did not exceed the carrying value of that reporting unit’s net assets, impairment of indefinite lived intangible assets was deemed to exist. The Company then determined which indefinite lived intangible assets were impaired by performing, on a notational basis, a purchase price allocation using the reporting unit’s fair value as determined by the discounted cash flow analysis.

J. Goodwill and Intangible Assets (Continued)

A summary of changes in the Company's goodwill and other intangible assets for the year ended December 31, 2002, by business segment is as follows (in thousands):

	Net Balance at December 31, 2001	Acquisitions And Adjustments	Impairments	Amortization	Net Balance at December 31, 2002
Goodwill:					
Broadcasting	$ 55,241	$120,190	$(18,874)	$ -0-	$ 156,557
Publishing	16,779	-0-	-0-	-0-	16,779
Paging	5	-0-	-0-	-0-	5
	$ 72,025	$120,190	$(18,874)	$ -0-	$ 173,341
Broadcast licenses Broadcasting	$407,592	$474,837	$(10,291)	$ -0-	$ 872,138
Paging	16,793	-0-	(10,300)	-0-	6,493
	$424,385	$474,837	$(20,591)	$ -0-	$ 878,631
Definite Lived Intangible Assets					
Broadcasting	$ -0-	$ 10,160	-0-	(1,735)	8,425
Publishing	901	-0-	-0-	(426)	475
	$ 901	$ 10,160	$ -0-	$(2,161)	$ 8,900
Total intangible assets net of accumulated amortization	$497,311	$605,187	$(39,465)	$(2,161)	$1,060,872

As of December 31, 2002 and 2001, the Company's intangible assets and related accumulated amortization consisted of the following (in thousands):

	As of December 31, 2002			As of December 31, 2001		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible assets not subject to amortization:						
Broadcast licenses	$ 929,082	$(50,451)	$ 878,631	$474,836	$(50,451)	$424,385
Goodwill	179,631	(6,290)	173,341	78,315	(6,290)	72,025
	$1,108,713	$(56,741)	$1,051,972	$553,151	$(56,741)	$496,410
Intangible assets subject to amortization:						
Other definite lived intangible assets	$ 13,265	$ (4,365)	$ 8,900	$ 3,105	$ (2,204)	$ 901
Total intangibles	$1,121,978	$(61,106)	$1,060,872	$556,256	$(58,945)	$497,311

The Company recorded amortization expense for the years ended December 31, 2002, 2001 and 2000 of $2.2 million ($1.4 million after income taxes), $14.3 million ($11.4 million after income taxes) and $14.3 million ($11.3 million after income tax), respectively. If the Company had adopted SFAS 142 on January 1, 2000 rather than January 1, 2002, the Company would have recorded amortization expense for the years ended December 31, 2001 and 2000 of $480,000 and $488,000, respectively. Based on the

J. Goodwill and Intangible Assets (Continued)

current amount of intangible assets subject to amortization, the estimated amortization expense for the succeeding 5 years are as follows: 2003: $5.4 million; 2004: $814,000; 2005: $594,000; 2006: $299,000; and 2007: $242,000. As acquisitions and dispositions occur in the future, these amounts may vary.

The results for the years ended December 31, 2001 and 2000 on a historical basis do not reflect the provisions of SFAS 142. Had the Company adopted SFAS 142 on January 1, 2001, the historical amounts would have been changed to the adjusted amounts as indicated in the table below (in thousands except per share data):

	Year Ended December 31,	
	2001	2000
Reported net income (loss) available to common stockholders	$(13,934)	$ (9,384)
Elimination of amortization of goodwill, net of income tax	1,747	1,748
Elimination of amortization of broadcast licenses, net of income tax	9,289	9,274
Adjusted net income (loss) available to common stockholders	$ (2,898)	$ 1,638
Basic and diluted per share information:		
Net income (loss) available to common stockholders	$ (0.89)	$ (0.61)
Elimination of amortization of goodwill, net of income tax	0.11	0.12
Elimination of amortization of broadcast licenses, net of income tax	0.59	0.60
Adjusted net income (loss) available to common stockholders	$ (0.19)	$ 0.11
Basic and diluted weighted average shares outstanding	15,605	15,497

K. Information on Business Segments

The Company operates in three business segments: broadcasting, publishing and paging. The broadcasting segment operates 29 television stations located in the United States. The publishing segment operates four daily newspapers in four different markets located in Georgia and Indiana. The paging operations are located in Florida, Georgia, and Alabama. The following tables present certain financial information concerning the Company’s three operating segments (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Operating revenues:			
Broadcasting	$146,714	$106,430	$120,640
Publishing	43,657	41,189	41,499
Paging	8,269	8,725	9,074
	$198,640	$156,344	$171,213

K. Information on Business Segments (Continued)

Corporate and administrative expenses are allocated to operating income based on net segment revenues. The amounts in the table below are in thousands.

	Year Ended December 31,		
	2002	2001	2000
Operating income:			
Broadcasting	$ 45,591	$ 11,365	$ 23,719
Publishing	9,186	5,929	6,726
Paging	1,151	586	653
Total operating income	55,928	17,880	31,098
Appreciation (depreciation) in value of derivatives, net	1,581	(1,581)	-0-
Miscellaneous income (expense), net	(396)	194	781
Interest expense	(35,674)	(35,783)	(39,957)
Income (loss) before income taxes	$ 21,439	$(19,290)	$ (8,078)
Depreciation and amortization expense:			
Broadcasting	$ 14,737	$ 26,226	$ 26,490
Publishing	1,583	2,336	2,451
Paging	1,073	2,048	2,083
	17,393	30,610	31,024
Corporate	335	214	183
Total depreciation and amortization expense	$ 17,728	$ 30,824	$ 31,207
Capital expenditures:			
Broadcasting	$ 12,833	$ 6,141	$ 3,981
Publishing	491	461	625
Paging	822	877	902
	14,146	7,479	5,508
Corporate	824	114	194
Total capital expenditures	$ 14,970	$ 7,593	$ 5,702

	December 31,		
	2002	2001	2000
Identifiable assets:			
Broadcasting	$1,213,815	$544,947	$564,323
Publishing	28,717	29,448	33,260
Paging	10,359	20,632	22,404
	1,252,891	595,027	619,987
Corporate(1)	43,833	199,310	16,785
Total identifiable assets	$1,296,724	$794,337	$636,772

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

L. Selected Quarterly Financial Data (Unaudited)

	Fiscal Quarters			
	First	Second	Third	Fourth
	(In thousands, except for per share data)			
Year Ended December 31, 2002:				
Operating revenues	$ 37,605	$42,700	$42,508	$75,826
Operating income	8,357	12,250	11,911	23,410
Net income (loss)	(38,044)	3,087	3,117	3,955
Net income (loss) available to common stockholders	(38,199)	(1,532)	2,317	3,097
Basic income (loss) available to common stockholders per share	$ (2.44)	$ (0.10)	$ 0.15	$ (0.08)
Diluted income (loss) available to common stockholders per share	$ (2.44)	$ (0.10)	$ 0.14	$ (0.08)
Year Ended December 31, 2001:				
Operating revenues	$ 36,929	$39,978	$36,766	$42,671
Operating income	2,488	6,048	2,208	7,136
Net income (loss)	(5,028)	(2,234)	(4,637)	(1,419)
Net loss available to common stockholders	(5,182)	(2,388)	(4,791)	(1,573)
Basic and diluted loss available to common stockholders per share	$ (0.33)	$ (0.15)	$ (0.31)	$ (0.10)

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

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

In January 2002, the Company announced that the Board of Directors, upon the recommendation of its Audit Committee, ended the engagement of Ernst & Young LLP as the Company's independent auditors, and engaged PricewaterhouseCoopers LLP to serve as the Company's independent accountants. For more information, see the Company's Current Report on Form 8-K, filed with the SEC on January 8, 2002.

PART III

Item 10. Directors and Executive Officers

The information set forth in "Proposal No. One: Election of Directors" under the headings "Nominees" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Company's definitive Proxy Statement for the 2003 Annual Meeting of Shareholders is incorporated herein by reference. In addition, the information set forth under "Executive Officers of the Registrant" in Part I of this Report is incorporated herein by reference.

Item 11. Executive Compensation

The information set forth in "Proposal No. One: Election of Directors" under the headings "Executive Compensation," "Compensation of Directors," "Employment Agreements" and "Compensation Committee Interlocks and Insider Participation" in the Company's definitive Proxy Statement for the 2003 Annual Meeting of Shareholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth in "Proposal No. One: Election of Directors" under the heading "Share Ownership" in the Company's definitive Proxy Statement for the 2003 Annual Meeting of Shareholders is incorporated herein by reference.

Equity Compensation Plan Information

The following table gives information about the Common Stock and Class A Common Stock that may be issued upon the exercise of options, warrants and rights under all existing equity compensation plans as of December 31, 2002.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in 1st column)
Common			
Equity compensation plans approved by security holders(1)	2,552,015	$10.46	2,130,885
Equity compensation plans not approved by security holders(2)	80,000	$10.75	-0-
Total	2,632,015	N/A	2,130,885
Class A Common			
Equity compensation plans approved by security holders(3)	19,337	$17.81	1,350
Equity compensation plans not approved by security holders	-0-	$ -0-	-0-
Total	19,337	N/A	1,350

(1) Includes securities available for future issuance under the 1992 Long-Term Incentive Plan, the 2002 Long-Term Incentive Plan and the Non-Employee Directors' Stock Option Plan.

(2) On September 21, 2000, we issued to Hilton H. Howell, Jr., a director and Vice Chairman of Gray, an option to purchase 80,000 shares of Gray Common Stock at an exercise price of $10.75, which represented the fair market value of the Gray Common Stock on the date of grant. The option became exercisable in equal 50% annual increments on the first and second anniversaries of date of grant. The option expires on September 20, 2005.

(3) Includes securities available for future issuance under the 1992 Long-Term Incentive Plan.

Item 13. Certain Relationships and Related Transactions

The information set forth in "Proposal No. One: Election of Directors" under the headings "Certain Relationships and Related Transactions" and "Compensation Committee Interlocks and Insider Participation" in the Company's definitive Proxy Statement for the 2003 Annual Meeting of Shareholders is incorporated herein by reference.

Item 14. Controls and Procedures.

Within the 90-day period prior to the filing of this Annual Report on Form 10-K, an evaluation was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and

procedures. Based on that evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to this evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect the disclosure controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) (1) and (2) List of Financial Statements and Financial Statement Schedules.

(1) Financial Statements.

The following consolidated financial statements of Gray Television, Inc. are included in Item 8:

Reports of Independent Auditors

Consolidated Balance Sheets at December 31, 2002 and 2001

Consolidated Statements of Operations for the years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

(2) Financial statement schedules.

The following financial statement schedule of Gray Television, Inc. and subsidiaries is included in Item 15(d):

Schedule II — Valuation and qualifying accounts.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(b) Reports on Form 8-K.

Form 8-K, filed on October 17, 2002, to file certain exhibits in connection with the Company's public offering of common stock.

Form 8-K, filed on November 8, 2002, under Item 2, to report the consummation of the Company's acquisition of Stations Holding Company, Inc.

(c) Exhibits.

3.1	Restated Articles of Incorporation of Gray Television, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, File No. 0-13796)
3.2	Amendment to the Restated Articles of Incorporation, dated April 15, 2002 (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002, File No. 0-13796)

3.3	Amendment to the Restated Articles of Incorporation of Gray Television, Inc., dated July 24, 2002 (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002, File No. 0-13796)
3.4	Amendment to the Restated Articles of Gray Television, Inc., dated September 16, 2002
3.5	Bylaws of Gray Television, Inc., as amended (incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 0-13796)
4.1	See Exhibits 3.1 and 3.2 for provisions of the Articles of Incorporation and Bylaws defining rights of holders of the Common Stock
4.2	Indenture, for the Company's 9 1/4% Senior Subordinated Notes due 2011, dated as of September 15, 2001 (incorporated by reference to Exhibit 4.13 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, File No. 0-13796)
4.3	Supplemental Indenture, for the Company's 9 1/4% Senior Subordinated Notes due 2011, dated as of September 10, 2002 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K, filed on September 9, 2002, File No. 0-13796)
4.4	Warrant, dated January 4, 1996, to purchase 487,500 shares of Class A Common Stock (incorporated by reference to Exhibit 10.13 of the Company's Registration Statement on Form S-1, Registration No. 333-04340)
4.5	Form of Warrant, to purchase 500,000 shares of Class A Common Stock (incorporated by reference to Exhibit 10.18 of the Company's Registration Statement on Form S-1, Registration No. 333-04338)
4.6	Registration Rights Agreement, dated as of December 21, 2001, by and among Gray Television, Inc., First Union Securities, Inc., Banc of America Securities, LLC, and Allen & Company, Incorporated (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-4, Registration No. 333-86068)
4.7	Registration Rights Agreement, dated as of April 22, 2002, by and among Gray Television, Inc. and Certain Investors (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3, Registration No. 333-88694)
10.1	Fourth Amended and Restated Loan Agreement, dated October 25, 2002, by and among Gray Television, Inc., as Borrower, Wachovia Bank, National Association, as Administrative Agent, Bank of America, N.A., as Syndication Agent, and Deutsche Bank Trust Company Americas, as Documentation Agent (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K, filed on November 8, 2002, File No. 1-13796)
10.2	Preferred Stock Purchase Agreement, dated as of April 22, 2002, by and among Gray Television, Inc. and Certain Investors (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-3, Registration No. 333-88694).

10.3	Exchange Agreement, dated as of April 22, 2002, by and among Gray Television, Inc. and certain holders of the Company's preferred stock (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-3, Registration No. 333-88694)
10.4	Agreement and Plan of Merger, dated as of June 4, 2002, by and among the Company, Gray MidAmerica Television, Inc. and Stations Holding Company, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Registration Statement on Form S-3, Registration No. 333-88694)
10.5	Asset Purchase Agreement, dated as of June 4, 2002, by and among Chelsey Broadcasting Company, LLC, Benedek Broadcasting Corporation and Benedek License, Inc. (incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-3, Registration No. 333-88694)
10.6	Form of Preferred Stock Exchange and Purchase Agreement, between the Company and Bull Run Corporation (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1, Registration No. 333-04338)
10.7	Supplemental Pension Plan (incorporated by reference to Exhibit 10(a) of the Company's Registration Statement on Form 10, File No. 0-13796)*
10.8	1992 Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-4, Registration No. 333-85331)*
10.9	2002 Long-Term Incentive Plan (incorporated by reference to the Company's definitive Proxy Statement on Schedule 14A, filed on August 15, 2002)*
10.10	Reserved
10.11	Capital Accumulation Plan (incorporated by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, File No. 0-13796)*
10.12	Directors' Restricted Stock Plan*
10.13	Employment Agreement, dated February 12, 1996, between the Company and Robert A. Beizer (incorporated by reference to Exhibit 10.28 of the Company's Registration Statement on Form S-1, Registration No. 333-04340)*
10.14	Form of Amendment to Employment Agreement, dated December 12, 1996, between the Company and Robert A. Beizer (incorporated by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, File No. 0-13796)*
10.15	Asset Purchase Agreement, dated as of September 3, 2002, by and among Smith Television Group, Inc., Smith Television Holdings, Inc. and Gray Television, Inc.
16.1	Letter re: Change in Certifying Accountant (incorporated by reference to the Company's Current Report on Form 8-K, filed on January 8, 2002, File No. 0-13796)

21.1	Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Ernst & Young LLP
24.1	Power of Attorney (contained in the signature page of this Report)
99.1	Section 906 Certification of the Chief Executive Officer
99.2	Section 906 Certification of the Chief Financial Officer

* Compensation Plan or Arrangement

(d) Financial Statement Schedules – The response to this section is submitted as a part of (a)(1) and (2).

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Gray Television, Inc.
Date: March 27, 2003	By:	/s/ J. Mack Robinson
		J. Mack Robinson, *Chairman and Chief Executive Officer*

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints J. Mack Robinson, Robert S. Prather, Jr. and James C. Ryan, and each of them, as his true and lawful attorneys-in-fact and agents, with full powers of substitution and resubstitution for him, in his name place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 27, 2003	By:	/s/ William E. Mayher, III
		William E. Mayher, III, *Chairman of the Board*
Date: March 27, 2003	By:	/s/ J. Mack Robinson
		J. Mack Robinson, *Director*
Date: March 27, 2003	By:	/s/ Richard L. Boger
		Richard L. Boger, *Director*
Date: March 27, 2003	By:	/s/ Ray M. Deaver
		Ray M. Deaver, *Director*
Date: March 27, 2003	By:	/s/ Hilton H. Howell, Jr.
		Hilton H. Howell, Jr., *Director*
Date: March 27, 2003	By:	/s/ Howell W. Newton
		Howell W. Newton, *Director*
Date: March 27, 2003	By:	/s/ Hugh Norton
		Hugh Norton, *Director*

Date: March 27, 2003	By:	/s/ Robert S. Prather, Jr.
		Robert S. Prather, Jr., *Director*
Date: March 27, 2003	By:	/s/ Harriett J. Robinson
		Harriett J. Robinson, *Director*
Date: March 27, 2003	By:	/s/ James C. Ryan
		James C. Ryan, *Sr.Vice President & Chief Financial Officer*
Date: March 27, 2003	By:	/s/ Jackson S. Cowart, IV
		Jackson S. Cowart, IV, *Chief Accounting Officer*

CERTIFICATIONS

I, J. Mack Robinson, certify that:

1. I have reviewed this annual report on Form 10-K of Gray Television, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report my conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003 By: /s/ J. Mack Robinson

J. Mack Robinson
Chief Executive Officer
(principal executive officer)

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CERTIFICATIONS

I, James C. Ryan, certify that:

1. I have reviewed this annual report on Form 10-K of Gray Television, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

By: /s/ James C. Ryan

James C. Ryan
Chief Financial Officer
(principal financial officer)

**REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE**

To the Board of Directors and Stockholders of
Gray Television, Inc.:

Our audits of the consolidated financial statements of Gray Television, Inc. referred to in our report dated February 4, 2003 appearing elsewhere in this Form 10-K also included an audit of the financial statement schedule listed in Item 15(a)(2) for the years ended December 31, 2002 and 2001. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Atlanta, Georgia
February 4, 2003

REPORT OF INDEPENDENT AUDITORS

We have audited the consolidated statements of operations, stockholders' equity and cash flow of Gray Television, Inc. for the year ended December 31, 2000, and have issued our report thereon dated January 29, 2001. Our audit also included the financial statement schedule listed in Item 15(a) for the year ended December 31, 2000. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Atlanta, Georgia
January 29, 2001

GRAY TELEVISION, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
Description	Balance at Beginning Of Period	Charged to Costs and Expenses	Charged to Other Accounts (2)	Deductions (1)	Balance at End of Period
Year Ended December 31, 2002					
Allowance for doubtful accounts	$ 743,000	$872,000	$686,000	$962,000	$1,339,000
Year Ended December 31, 2001					
Allowance for doubtful accounts	$ 845,000	$726,000	-0-	$828,000	$ 743,000
Year Ended December 31, 2000					
Allowance for doubtful accounts	$1,008,000	$577,000	-0-	$740,000	$ 845,000

(1) Deductions are write-offs of amounts not considered collectible.

(2) Represents amounts recorded in connection with acquisitions.

EXHIBIT INDEX

Exhibit Number	Description
3.4	Amendment to the Restated Articles of Incorporation of Gray Television, Inc., dated September 16, 2002
10.12	Directors’ Restricted Stock Plan
10.15	Asset Purchase Agreement, dated as of September 3, 2002, by and among Smith Television Group, Inc., Smith Television Holdings, Inc. and Gray Television, Inc.
21.1	Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Ernst & Young LLP
99.1	Section 906 Certification of the Chief Executive Officer
99.2	Section 906 Certification of the Chief Financial Officer

EXHIBIT 3.4

ARTICLES OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
GRAY TELEVISION, INC.

I.

The name of the corporation is Gray Television, Inc.

II.

The first paragraph of Article 4 of the Restated Articles of Incorporation of the corporation is hereby deleted in its entirety and replaced with the following text:

> "The total number of shares of all classes which the Corporation shall have authority to issue is 85,000,000 shares, consisting of 15,000,000 shares of Class A Common Stock, no par value ("Class A Common Stock"); 50,000,000 shares of Common Stock, no par value per share ("Common Stock"); and 20,000,000 shares of Preferred Stock "Preferred Stock")."

III.

Section 2(i) of the section of Article 4 of the Restated Articles of Incorporation of the corporation entitled "Series C Convertible Preferred Stock" is hereby deleted in its entirety and replaced with the following text:

> "(i) senior to (A) all classes or series of common stock of the Corporation, whether voting or non-voting, including, without limitation , the Class A Common Stock, no par value (the "Class A Common Stock"), and the Common Stock, no par value (the "Common Stock"), whether now or hereafter issued (collectively, the "Gray Common Stock") and (B) all other shares, interests, participations or other equivalents (however designated) of capital stock of the Corporation which does not constitute Parity Stock or Senior Stock (as each such term is defined below) (all of the foregoing collectively referred to as "Junior Stock");"

IV.

The term "Common Stock" used in the first paragraph of Section 3 of the section of Article 4 of the Restated Articles of Incorporation of the corporation entitled "Series C

Convertible Preferred Stock" is hereby replaced with the term "Gray Common Stock".

V.

Section 6 of the section of Article 4 of the Restated Articles of Incorporation of the corporation entitled "Series C Convertible Preferred Stock" is hereby deleted in its entirety and replaced with the text set forth on Exhibit A attached hereto.

VI.

The section of Article 4 of the Restated Articles of Incorporation of the corporation entitled "Common Stock" is hereby deleted in its entirety and replaced with the section entitled "Gray Common Stock" as set forth on Exhibit B attached hereto.

VII.

These Amendments were duly adopted on July 23, 2002 by the Board of Directors and approved by the Shareholders in accordance with the provisions of Section 14-2-1003 of the Georgia Business Corporation Code on September 16, 2002.

(signature on the following page)

IN WITNESS WHEREOF, the corporation has caused these Articles of Amendment to be executed by its duly authorized officer on this the 16th day of September, 2002.

GRAY TELEVISION, INC.

/s/ JAMES C. RYAN

Name: James C. Ryan
Title: Vice President and Chief Financial Officer
By: Neal H. Ray, Power of Attorney

APPENDIX A

Section 6. Conversion Rights. The Series C Preferred Stock will be convertible into Common Stock as follows:

(a) Conversion. Subject to and upon compliance with the provisions of this Section 6 hereof, the holder of any shares of Series C Preferred Stock will have the right at such holder's option, at any time or from time to time, to convert any of such shares of Series C Preferred Stock into fully paid and nonassessable shares of Common Stock at the Conversion Price in effect on the Conversion Date without the payment of any additional consideration by the holder thereof (as such terms are defined below); provided, however, that none of the person (as defined below) specified in New York Stock Exchange Rule 312.03(b) may convert shares of Series C Preferred Stock unless and until the issuance of such shares to such persons has been approved by the requisite vote of the shareholders of the Corporation, or unless otherwise permitted by the New York Stock Exchange or the rules thereof.

(b) Conversion Price. Each share of Series C Preferred Stock will be converted into a number of shares of Common Stock determined by dividing (i) the Liquidation Preference by (ii) the Conversion Price in effect on the Conversion Date. The Conversion Price at which shares of Common Stock will initially be issuable upon conversion of the shares of Series C Preferred Stock will be $14.39. The Conversion Price will be subject to adjustment as set forth in Section 6(e) hereof. Subject to Section 6(g) hereof, no dividends will accrue or be paid on any share of Series C Preferred Stock subsequent to the conversion of such share.

(c) Mechanics of Conversion. The holder of any shares of Series C Preferred Stock may exercise the conversion right specified in Section 6(a) hereof by surrendering to the Corporation or the transfer agent of the Corporation the certificate or certificates for the shares to be converted, accompanied by written notice specifying the number of shares to be converted and stating herein such holder's name or the names of such holder's nominees in which such holder wishes the certificate or certificates evidencing the shares of Common Stock issuable upon such conversion to be issued; provided, however, that the Corporation will not be obligated to issue to any such holder or such holder's nominees the certificate or certificates evidencing shares of Common Stock issuable upon such conversion, unless (i) (A) the certificate or certificates evidencing the shares of Series C Preferred Stock are either delivered to the Corporation or the transfer agent of the Corporation or (B) such holder delivers an affidavit to the Corporation stating that the certificate or certificates representing its shares of Series C Preferred Stock have been lost, stolen or destroyed and executes an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such lost, stolen or destroyed certificates and (ii) if shares of Common Stock are to be

issued in the name of any person other than the holder, the holder establishes to the satisfaction of the Corporation that any transfer or other applicable taxes have been paid or are not payable. Conversion will be deemed to have been effected on the date when delivery is made of notice of an election to convert and the certificate or certificates evidencing the Series C Preferred Stock shares to be converted and any other documents required by the immediately preceding sentence (the "Conversion Date"). Subject to the provisions of Section 6(e)(vi) hereof, as promptly as practicable thereafter, the Corporation will issue and deliver to or upon the written order of such holder a certificate or certificates for the number of full shares of Common Stock to which such holder or such holder's nominees is entitled and a check or cash with respect to any fractional interest in a share of Common Stock as provided in Section 6(d). Subject to any provisions of Section 6(e)(vi) hereof, the person (which term, when used herein, shall include any corporation, individual, limited liability company, joint stock company, joint venture, partnership, unincorporated association, governmental regulatory entity, country, state or political subdivision thereof, trust, municipality or other entity as well as a natural person) in whose name the certificate or certificates for shares of Common Stock are to be issued will be deemed to have become a holder of record of such Common Stock on the applicable Conversion Date. Upon conversion of only a portion of the number of shares covered by a certificate representing shares of Series C Preferred Stock surrendered for conversion, the Corporation will issue and deliver to or upon the written order of the holder of the certificate so surrendered for conversion, at the expense of the Corporation, a new certificate covering the number of shares of Series C Preferred Stock representing the unconverted portion of the certificate so surrendered.

(d) Fractional Shares. No fractional shares of Common Stock or scrip will be issued upon conversion of shares of Series C Preferred Stock. If more than one share of Series C Preferred Stock is surrendered for conversion at any one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof will be computed on the basis of the aggregate number of shares of Series C Preferred Stock so surrendered by such holder. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of any shares of Series C Preferred Stock, the Corporation will pay a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest based on the Market Price of the Common Stock.

(e) Adjustments. The Conversion Price and conversion rights relating to the Series C Preferred Stock will be subject to adjustment from time to time as follows; provided, however, that none of the provisions in this Section 6(e) shall apply in the case of a Liquidation Event, as to which the provisions of Section 4 will apply:

(i) Definitions. For purposed of this Section 6(e) and certain other sections herein, the following definitions apply.

(1) "Business Day" means any day other than a Saturday, Sunday, or any day on which banks in New York City are authorized or obligated by applicable law to close.

(2) "Market Price" of any security as of any given time means the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed, or, if there has been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar organization, in each such case averaged over a period of the 30 consecutive Business Days prior to the day as of which "Market Price" is being determined. If at any time such security is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the "Market Price" shall be the fair value thereof determined in good faith by the Board of Directors.

(ii) Reorganization, Reclassification or Recapitalization of the Corporation. In the case of (a) a capital reorganization, reclassification or recapitalization of the Common Stock (other than any Liquidation Event or in the cases referred to in Sections 6(e)(iii) through 6(e)(iv) hereof), (b) the Corporation's consolidation or merger with or into another corporation in which the Corporation is not the surviving entity, or any such transaction if the Corporation is the surviving entity but the shares of the Common Stock outstanding immediately prior to the transaction are converted, by virtue of the transaction, into other property, whether in the form of securities, cash or otherwise (other than a Liquidation Event), or (c) the sale or transfer of the Corporation's property as an entirety or substantially as an entirety (other than a Liquidation Event), then, as part of such reorganization, reclassification, recapitalization, merger, consolidation, sale or transfer, lawful provision shall be made so that there shall thereafter be deliverable upon conversion of a share of Series C Preferred Stock, and without payment of any additional consideration, the number of shares of Gray Common Stock or other securities or property to which the holder of the number of shares of Common Stock which would otherwise have been deliverable upon the conversion of the Series C Preferred Stock immediately prior to such reorganization, reclassification, recapitalization, consolidation, merger, sale or transfer would have been entitled to receive in such reorganization, reclassification, recapitalization, consolidation, merger, sale or transfer, all subject to further adjustment as provided in this Section 6(e). This Section 6(e)(ii) shall apply to successive reorganizations, reclassifications, recapitalizations, consolidations, mergers, sales and transfers and to the conversion of the Series C Preferred Stock into the stock or securities of any

other corporation into which the Series C Preferred Stock shall become convertible. Concurrently with the consummation of such transaction, the corporation formed by or surviving any such transaction (if other than the Corporation), or the person to which such sale or conveyance shall have been made, shall enter into an agreement assuming the obligation (but only if such obligation is not assumed by operation of law) to deliver to each holder of Series C Preferred Stock such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire.

(iii) Reclassifications. If the Corporation changes any of the securities into which the Series C Preferred Stock is convertible into the same or a different number of securities of any other class or classes, each share of Series C Preferred Stock shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities into which the Series C Preferred Stock was convertible immediately prior to such reclassification or other change and the Conversion Price therefore shall be appropriately adjusted.

(iv) Splits and Combinations. If the Corporation at any time subdivides (by way of stock split, stock dividend or otherwise) any of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and, conversely, if the outstanding shares of Common Stock are combined (by way of stock split or otherwise) into a smaller number of shares, the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

(v) Rounding of Calculations; Minimum Adjustment; Successive Adjustments. All calculations under this Section (e) will be made to the nearest cent or to the nearest one hundredth (1/100h) of a share, as the case may be. Any provision of this Section 6 to the contrary notwithstanding, no adjustment in the Conversion Price will be made if the amount of such adjustment would be less than $0.05, but any such amount will be carried forward and an adjustment with respect thereto will be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, will aggregate $0.05 or more. In the event that, as a result of the provisions of any subparagraph of this Section 6(e), the holder of this Series C Preferred Stock upon subsequent conversion shall become entitled to receive any shares of capital stock of the Corporation other than Common Stock, the number of such other shares so receivable upon conversion of this Series C Preferred Stock shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained herein.

(vi) Timing of Issuance of Additional Common Stock Upon Certain Adjustments. In any case in which the provisions of this Section 6(e)

require that upon the occurrence of an event of adjustment be made, such adjustment will become effective immediately after a record date for such event (or, if no record date is set, immediately after such event). The Corporation may defer, until the occurrence of such event, (A) issuing to the holder of any share of Series C Preferred Stock converted after any such record date and before the occurrence of such event any additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount of cash in lieu of a fractional share of Common Stock pursuant to Section 6(d) hereof; provided, however, that the Corporation will deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares and such cash, upon the occurrence of the event requiring such adjustment.

(f) Statement Regarding Adjustments. Whenever the Conversion Price is adjusted as provided in Section 6(e) hereof, the Corporation will file, at the office of any transfer agent for the Series C Preferred Stock and at the principal office of the Corporation, a statement showing in detail the facts requiring such adjustment and the Conversion Price in effect after such adjustment and the Corporation will also cause a copy of such statement to be sent by a nationally recognized overnight courier and sent by facsimile transmission with receipt confirmed, to each holder of shares of Series C Preferred Stock at such holder's address appearing on the Corporation's records. Where appropriate, such copy may be given in advance and may be included as part of a notice required to mailed under the provisions of Section 6(h) hereof.

(g) Conditional Conversion. If it is proposed that a registration of Common Stock is intended to be filed, except on Form S-4 or S-8 (or any successor forms), which includes the secondary registration on behalf of holders of Common Stock, the Corporation will notify the holders of Series C Preferred Stock of such proposed registration and such holders may conditionally exercise their right to convert any or all of such shares of Series C Preferred Stock so held in accordance with this Section 6 and participate in such proposed registration in accordance with the registration rights granted to such holders by the Corporation, if any. Only the number of shares of Series C Preferred Stock conditionally converted pursuant to this Section 6(g) to shares of Common Stock that are actually sold under an effective registration statement will be deemed converted pursuant to Section 6(a) hereof. If such registration is not declared effective or is withdrawn, any conditional exercise pursuant to this Section 6(g) will be null and void ab initio. The number of shares of Series C Preferred Stock conditionally converted pursuant to this Section 6(g) to shares of Common Stock that are not actually sold under an effective registration statement will be deemed not to converted pursuant to Section 6(a) hereof and the conditional conversion of such shares will be null and void ab initio upon the termination of the offering under such registration statement and such shares will be deemed to have been

outstanding (including, without limitation, for purposes of accruing dividends) during the period such shares were conditionally converted pursuant to this Section 6(g). The foregoing right of conditional conversion of Series C Preferred Stock shall also apply in the case of any proposed transaction described in subparagraph (ii) of Section 6(e) and, if such transaction does not occur, such conditional exercise will be null and void ab initio and such Series C Preferred Stock will be deemed to have been outstanding during such period of conditional exercise.

(h) Notice to Holders. If the Corporation proposes to take any action of the type described in Sections 6(e)(ii), (iii) or (iv) hereof, the Corporation will give notice to each holder of shares of Series C Preferred Stock, in the manner set forth in Section 6(f), which notice will specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice will also set forth such facts with respect thereto as will be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Price and the number, kind, or class of shares or other securities or property which will be deliverable upon conversion of shares of Series C Preferred Stock (if any). In the case of any action which would require the fixing of a record date, such notice will be given at least ten days prior to the date so fixed, and in case of all other action, such notice will be given at least 10 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, will not affect the legality or validity of such action.

(i) Costs. The Corporation will pay all documentary, stamp, transfer, or other transactional taxes attributable to the issuance or delivery of shares of Common Stock upon conversion of any shares of Series C Preferred Stock; provided, however, that the Corporation will not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder of the shares of Series C Preferred Stock in respect of which such shares are being issued.

(j) Reservation of Shares. The Corporation will reserve at all times so long as any shares of Series C Preferred Stock remain outstanding, free from preemptive rights, out of its treasury stock (if applicable) or its authorized but unissued shares of Common Stock, or both, solely for the purpose of effecting the conversion of the shares of Series C Preferred Stock, sufficient shares of Common Stock to provide for the conversion of all outstanding shares of Series C Preferred Stock.

(k) Valid Issuance. All shares of Common Stock or any other security which may be issued upon conversion of the shares of Series C Preferred Stock will, upon issuance by the Corporation in accordance with the terms hereof, be duly and validly issued, fully paid and nonassessable and free from all liens and

charges with respect to the issuance thereof, and the Corporation will take no action which will cause a contrary result (including, without limitation, any action which would cause the Conversion Price to be less than the par value, if any, of the Common Stock or any such other security)."

APPENDIX B

GRAY COMMON STOCK

The powers, preferences and rights of the Class A Common Stock and the Common Stock, and the qualifications, limitations and restrictions thereof, shall be as follows:

(a) Voting. Holders of Class A Common Stock are entitled to ten (10) votes per share. Holders of Common Stock are entitled to one (1) vote per share. All actions submitted to a vote of shareholders are voted on by holders of Class A Common Stock and Common Stock voting together as a single class, except as otherwise provided herein or by law.

(b) Dividends and Other Distributions. Holders of Class A Common Stock and holders of Common Stock are entitled to receive dividends and other distributions in cash, stock or property of the Corporation as may be declared thereon by the Board of Directors out of funds legally available therefore. Each share of Class A Common Stock and each share of Common Stock shall have identical rights with respect to dividends and distributions (including distributions in connection with any recapitalization, and upon liquidation, dissolution or winding up, either partial or complete, of the Corporation).

(c) Common Stock Rights.

(1) If, after the date the Articles of Amendment adding this provision to the Articles are filed with the Secretary of State of Georgia (the "Effective Date"), any person or group acquires beneficial ownership of 100% of the then issued and outstanding shares of Class A Common Stock (such acquisition making such person or group a "Significant Shareholder"), and such person or group does not immediately after such acquisition beneficially own an equal percentage of the then issued and outstanding Common Stock, such Significant Shareholder must, within a 90-day period beginning the day after becoming a Significant Shareholder, commence a public tender offer in compliance with all applicable laws and regulations to acquire additional shares of Common Stock (a "Common Stock Protection Transaction") as provided in this subsection (c) of the section entitled "Gray Common Stock" of this Article 4.

(2) In a Common Stock Protection Transaction, the Significant Shareholder must offer to acquire from all other holders of the Common Stock all of the issued and outstanding shares of Common Stock beneficially owned by them. The Significant Shareholder must acquire all shares validly tendered.

(3) The offer price for any shares of Common Stock required to be purchased by a Significant Shareholder pursuant to a Common Stock Protection Transaction shall be the greater of (i) the highest price per share paid by the Significant Shareholder for any share of Class A Common Stock or Common Stock (whichever is

higher) in the six month period ending on the date such person or group became a Significant Shareholder and (ii) the highest closing price of a share of Class A Common Stock or Common Stock (whichever is higher) on The New York Stock Exchange (or such other quotation system or securities exchange constituting the principal trading market for either class of Gray Common Stock) during the 30 calendar days preceding the date such person or group became a Significant Shareholder. If the Significant Shareholder has acquired Class A Common Stock or Common Stock in the six-month period ending on the date such person or group becomes a Significant Shareholder for consideration other than cash, the value of such consideration per share of Class A Common Stock or Common Stock shall be as determined in good faith by the Board of Directors.

(4) The requirement to engage in a Common Stock Protection Transaction is satisfied by making the requisite offer and purchasing validly tendered shares, even if the number of shares tendered is less than the number of shares for which tender was sought in the required offer.

(5) If a Significant Shareholder fails to make an offer required by this such section (c) of the section entitled "Gray Common Stock" of this Article 4, or to purchase shares validly tendered and not withdrawn, such Significant Shareholder shall not be entitled to vote any shares of Class A Common Stock beneficially owned by such Significant Shareholder and acquired by such Significant Shareholder after the Effective Date that exceeded such Significant Shareholder's comparable percentage of Common Stock unless and until such requirements are complied with or unless and until all shares of Class A Common Stock which would require an offer to be made are no longer owned by such Significant Shareholder. To the extent that the voting power of any shares of Class A Common Stock is so suspended, such shares will not be included in the determination of aggregate voting shares for any purpose under these Articles of Incorporation or the Georgia Business Corporation Code.

(6) All calculations with respect to percentage ownership of issued and outstanding shares of either class of "Gray Common Stock" will be based upon the numbers of issued and outstanding shares reported by the Corporation on the last filed of (i) the Corporation's most recent Annual Report on Form 10-K, (ii) its most recent definitive proxy statement, (iii) its most recent Quarterly Report on Form 10-Q, or (iv) if any, its most recent Current Report on Form 8-K.

(7) For purposes of this subsection (c) of the section entitled "Gray Common Stock" of this Article 4, the term "person" means a natural person, company, government, or political subdivision, agency or instrumentality of a government, or other entity. The terms "beneficial ownership" and "group" have the same meanings as used in Regulation 13D promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subject to the following qualifications: (i) relationships by blood or marriage between or among any persons will not constitute any of such persons a member of a group with any other such persons, absent affirmative attributes of concerted action; (ii) any person acting in his official capacity as a director or officer of

the Corporation shall not be deemed to beneficially own shares of Gray Common Stock where such beneficial ownership exists solely by virtue of such person's status as a trustee (or similar position) with respect to shares of Gray Common Stock held by plans or trusts for the general benefit of employees or retirees of the Corporation, and actions taken or agreed to be taken by him in such official capacity or in any other official capacity will not be deemed to constitute such a person a member of a group with any other person; and (iii) formation of a group will not be deemed to be an acquisition by the group (or any member thereof) of beneficial ownership of any shares of Class A Common Stock then owned by a group member and acquired by such member from the Corporation, by operation of law, by will or the laws of descent or distribution, by charitable contribution or gift, or by foreclosure of a bona fide loan. Furthermore, for the purposes of calculating the number of shares of Common Stock beneficially owned by such shareholder or member of such group only if such gift is made in good faith and not for the purpose of circumventing the Common Stock Rights; (b) only shares of Common Stock owned of record by such shareholder or member of such group, or held by others as nominees of such shareholder or member and identified as such to the Corporation, shall be deemed to be beneficially owned by such shareholder or group (provided that shares with respect to which such shareholder or member has sole investment and voting power shall be deemed to be beneficially owned thereby); and (c) only shares of Common Stock acquired by such shareholder or member of such group for an "equitable price" shall be treated as being beneficially owned by such shareholder or group. An "equitable price" will be deemed to have been paid only when shares of Common Stock have been acquired at a price at least equal to the great of (i) the highest price per share paid by the Significant Shareholder in cash or in non-cash consideration for any shares of Class A Common Stock or Common Stock (whichever is higher) in the six-month period ending on the date such person or group became a Significant Shareholder and (ii) the highest closing price of a share of Class A Common Stock or Common Stock (whichever is higher) on The New York Stock Exchange (or such other quotation system or securities exchange constituting the principal trading market for either class of Common Stock) during the 30 calendar days preceding the date such person or group became a Significant Shareholder with the value of any non-cash consideration in either case being determined by the Board of Directors acting in good faith.

(d) Preemptive Rights. The holders of the Class A Common Stock and Common Stock do not have preemptive rights enabling them to subscribe for or receive shares of any class of stock of the Corporation or any other securities convertible into shares of any class of stock of the Corporation.

(e) Merger and Consolidation. In the event of a merger or consolidation of the Corporation with or into another entity (whether or not the Corporation is the surviving entity), or a statutory share exchange involving the Common Stock, the holders of Common Stock shall be entitled to receive the same amount and form of consideration per share as the per share consideration, if any, received by any holder of the Class A Common Stock in such merger or consolidation.

(f) Subdivision of Shares. If the Corporation shall in any manner split,

subdivide or combine the outstanding shares of Class A Common Stock or Common Stock, the outstanding shares of the other such class of Gray Common Stock shall be proportionally split, subdivided or combined in the same manner and on the same basis as the outstanding shares of the other class of Gray Common Stock have been split, subdivided, or combined.

(g) Power to Sell and Purchase Shares. The Board of Directors shall have the power to cause the Corporation to issue and sell all or any part of any class of stock herein or hereafter authorized to such persons, firms, associations, or corporations, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine whether or not greater consideration could be received upon the issue or sale of the same number of shares of another class, and as otherwise permitted by law. The Board of Directors shall have the power to cause the Corporation to purchase any class of stock herein or hereafter authorized from such persons, firms, associations, or corporations, and for such consideration, as the Board of Directors shall from time to time, in its discretion, determine, whether or not less consideration could be paid upon the purchase of the same number of shares of another class, and as otherwise permitted by law.

(h) Amendments. In addition to any other vote provided for by law, by these Articles or by the By-Laws of the Corporation or by the Board of Directors, the affirmative vote of at least a majority of the vote cast by the holder of shares of Common Stock, voting as a separate group, at any meeting of shareholders shall be required to amend, alter, or repeal any provision of Article 4(c).

EXHIBIT 10.12

GRAY TELEVISION, INC.
DIRECTOR RESTRICTED STOCK PLAN

GRAY TELEVISION, INC.

CERTIFICATE

I, _______________________ , Secretary of Gray Television, Inc. having in my custody and possession the corporate records of said corporation, do hereby certify that attached hereto is a true and correct copy of the Gray Television, Inc. Director Restricted Stock Plan as in effect as of _______________________. WITNESS my hand this _______ day of ___________________ , ____________.

GRAY TELEVISION, INC.
DIRECTOR RESTRICTED STOCK PLAN

ARTICLE 1
GENERAL

1.1 PURPOSE. The Gray Television, Inc. Director Restricted Stock Plan (the "Plan") has been established by Gray Television, Inc. (the "Company") to (a) attract and retain persons eligible to participate in the Plan; (b) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (c) provide incentive compensation opportunities that are competitive with those of other similar companies; and (d) further identify Participants' interests with those of the Company's other shareholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interest of the Company and the Subsidiaries, including the growth in value of the Company's equity and enhancement of long-term shareholder return.

1.2 PARTICIPATION. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Individuals, those persons who will be granted Awards under the Plan, and thereby become "Participants" in the Plan. Awards may be granted as alternatives to or replacement of awards outstanding under the Plan, or any other plan or arrangement of the Company or a Subsidiary (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary).

1.3 OPERATION, ADMINISTRATION, AND DEFINITIONS. The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Article 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Article 2 of the Plan).

ARTICLE 2
DEFINED TERMS

In addition to the other definitions contained herein, the following definitions shall apply:

2.1 ACT. The term "Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.2 AWARD. The term "Award" shall mean an award of Restricted Stock granted under the Plan.

2.3 BOARD. The term "Board" shall mean the Board of Directors of the Company.

2.4 CHANGE IN CONTROL. The term "Change in Control" shall occur if (i) any Person (other than the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company which represent 45% or more of the combined voting power of the Company's then outstanding securities; (ii) during any period of

two (2) consecutive years individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election, by the Company's shareholders, of each new director is approved by a vote of at least two-thirds (2/3) of the directors then still in office who were directors at the beginning of the period but excluding any individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; (iii) there is consummated any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Stock are converted into cash, securities, or other property, other than a merger of the Company in which the holders of the Company's Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger; (iv) there is consummated any consolidation or merger of the Company in which the Company is the continuing or surviving corporation in which the holders of the Company's Stock immediately prior to the merger do not own fifty-one percent (51%) or more of the combined voting power of the surviving corporation immediately after the merger ; (v) there is consummated any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, or (vi) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company.

2.5 CODE. The term "Code" shall mean the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

2.6 COMPANY. The term "Company" shall mean Gray Television, Inc., a Georgia Corporation.

2.7 ELIGIBLE INDIVIDUAL. The term "Eligible Individual" shall mean any Board member.

2.8 FAIR MARKET VALUE. The term "Fair Market Value" shall mean for any particular date, (i) for any period during which the Stock shall not be listed for trading on a national securities exchange, but when prices for the Stock shall be reported by the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), the last transaction price per share as quoted by National Market System of NASDAQ, (ii) for any period during which the Stock shall not be listed for trading on a national securities exchange or its price reported by the National Market System of NASDAQ, but when prices for the Stock shall be reported by NASDAQ, the closing bid price as reported by the NASDAQ, (iii) for any period during which the Stock shall be listed for trading on a national securities exchange, the closing price per share of stock on such exchange as of the close of such trading day or (iv) the market price per share of Stock as determined by a nationally recognized investment banking firm selected by the Board in the event neither (i), (ii) or (iii) above shall be applicable. If Market Price is to be determined as of a day when the securities markets are not open, the Market Price on that day shall be the Market Price on the preceding day when the markets were open.

2.9 REPORTING PERSON. The term "Reporting Person" shall mean a person subject to Section 16 of the Act.

2.10 PERIOD OF RESTRICTION. The term "Period of Restriction" shall mean the period during which the transfer of the shares of Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the shares of Stock are subject to a substantial risk of forfeiture.

2.11 RESTRICTED STOCK. The term "Restricted Stock" shall mean a grant of shares of Stock, with such shares of Stock restricted in transferability in some way and subject to a risk of forfeiture.

2.12 SUBSIDIARY. The term "Subsidiary" shall mean a subsidiary corporation as defined in Section 425 of the Code.

2.13 STOCK. The term "Stock" shall mean the authorized and unissued shares of the Company's common stock.

ARTICLE 3
RESTRICTED STOCK AWARDS

3.1 TERMS. Restricted Stock may be awarded as a bonus with no purchase price or may be sold to a Participant with a purchase price less than the Fair Market Value thereof on the date of issuance. In the case of any Award:

(a) The purchase price, if any, will be determined by the Committee.

(b) The Period of Restriction will be determined by the Committee.

(c) Unless determined otherwise by the Committee and set forth in the Award Agreement, the Participant shall be entitled to all dividends paid with respect to Restricted Stock during the Period of Restriction and shall not be required to return any such dividends to the Company in the event of the forfeiture of the Restricted Stock.

(d) Unless determined otherwise by the Committee and set forth in the Award Agreement, the Participant shall be entitled to vote the Restricted Stock during the Period of Restriction.

(e) During the applicable Period of Restriction, the Restricted Stock shall be held by the Company and shall not be delivered to Participants until the applicable Period of Restriction expires. Alternatively, the Committee may, in its sole discretion, choose to deliver the Restricted Stock to the Participant with an appropriate legend imprinted on the certificate setting forth the applicable restrictions.

3.2 MAXIMUM ANNUAL AWARD. A Participant shall not be awarded more than 10,000 shares of Restricted Stock each calendar year.

3.3 RESTRICTIONS ON STOCK AWARDS.

(a) In the Committee's discretion, Restricted Stock may be subject to (i) restrictions on the sale or other disposition or transfer thereof, provided, however, that Restricted Stock granted to a Reporting Person shall, in addition to any other restrictions thereon, not be sold or disposed of for not less than six (6) months following the date of grant; (ii) forfeiture of the stock upon termination of the Participant's membership on the Board or upon nonperformance of performance goals established by the Committee; (iii) rights of the Company to reacquire such Restricted Stock at the purchase price, if any, originally paid therefore upon termination of the Participant's membership on the Board within specified periods or upon nonperformance of performance goals established by the Committee, and (iv) representation by the Participant that he or she intends to acquire Restricted Stock for investment and not for resale.

(b) Each Award shall also be subject to other conditions, restrictions and contingencies as the Committee shall determine, as set forth in the Award Agreement.

ARTICLE 4
OPERATION AND ADMINISTRATION

4.1 EFFECTIVE DATE. The Plan shall be effective as of January 1, 2003 (the "Effective Date.") The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding.

4.2 SHARES SUBJECT TO PLAN. The shares of Stock for which Awards may be granted under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, in no event shall the number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan exceed the lesser of (i) to one percent (1%) of the number of shares of authorized common stock of the Company immediately prior to such delivery or (ii) shares of Stock representing one percent (1%) of the total voting power of the Company immediately prior to such delivery. Pursuant to the Plan, no single officer or director may acquire under the Plan more than 1% of the shares of the Company's Common Stock outstanding at the time the Plan is adopted.

(b) To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash or used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(c) In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee may adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include: (i) adjustment of the number and kind of shares which may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to

outstanding Awards; and (iii) any other adjustments that the Committee determines to be equitable.

4.3 GENERAL RESTRICTIONS. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provisions of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan, remove any restrictions from the shares of Stock or make any other distribution of benefits under the Plan unless such delivery, removal or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4 TAX WITHHOLDING. All distributions under the Plan are subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Participant or through the surrender of shares of Stock.

4.5 USE OF SHARES. Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary, including the plans and arrangements of the Company or a Subsidiary assumed in business combinations.

4.6 PAYMENTS. Awards may be settled through cash payments, the delivery of shares of Stock, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish. Each Subsidiary shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such benefits are attributable to the services rendered for that Subsidiary by the Participant. Any disputes relating to liability of a Subsidiary for cash payments shall be resolved by the Committee.

4.7 TRANSFERABILITY. Except as otherwise provided by the Committee in the Award Agreement, Awards under the Plan are not transferable.

4.8 FORM AND TIME OF ELECTIONS. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

4.9 AGREEMENT WITH COMPANY. An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in such form of written document as is determined by the Committee. A copy of such document shall be provided to the Participant, and the Committee may, but need not require that the Participant shall sign a copy of such document. Such document is referred to in the Plan as an "Award Agreement" regardless of whether any Participant signature is required.

4.10 ACTION BY COMPANY OR SUBSIDIARY. Any action required or permitted to be taken by the Company or any Subsidiary shall be by resolution of its board of directors, or by action of one or more members of the Board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of such company.

4.11 GENDER AND NUMBER. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

4.12 LIMITATION OF IMPLIED RIGHTS.

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company or any Subsidiary whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Subsidiary, nor any right to be rehired as Board member, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any Eligible Individual the right to be retained in the employ of the Company or any Subsidiary, nor any right to be retained as a Board member, nor any right to claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any rights as a shareholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

ARTICLE 5
CHANGE IN CONTROL

Subject to the provisions of Section 4.2(c) (relating to the adjustment of shares), and except as otherwise provided in the Plan or the Award Agreement reflecting the applicable Award, upon the occurrence of a Change in Control each Award shall become immediately and fully transferable, and all Periods of Restrictions shall expire and the Committee shall be deemed to have exercised its discretion to waive any automatic forfeitures provided with respect to such Award. Any shares held by the Company under an Award shall be delivered to the Participant,

and the share certificates shall not contain the legend specified by Section 3.1(e). Reporting Persons shall not dispose of any Award until six (6) months following the date of grant of such Award.

ARTICLE 6
COMMITTEE

6.1 ADMINISTRATION.

(a) The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the "Committee") in accordance with this Article 6. The members of the Committee shall be selected by the Board.

(b) If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

(c) A majority of members of the Committee shall constitute a quorum, and all determinations of the Committee shall be made by a majority of its members.

(d) Any determination of the Committee under the Plan may be made without notice or meeting of the Committee, by a writing signed by a majority of the Committee members.

6.2 POWERS OF COMMITTEE. The Committee's administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Individuals those persons who shall receive Awards, to determine the time or times or receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Article 7) to cancel or suspend Awards.

(b) To the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, the Committee will have the authority and discretion to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(c) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award Agreement made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(d) The determinations of the Committee shall be made in accordance with their judgment as to the best interests of the Company and its stockholders and in accordance with the purpose of the Plan. Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(e) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the articles and by-laws of the Company, and applicable state corporate law.

6.3 DELEGATION BY COMMITTEE. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

6.4 INFORMATION TO BE FURNISHED TO COMMITTEE. The Company and Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Subsidiaries as to an employee's or Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

ARTICLE 7
AMENDMENT AND TERMINATION

The Board may, at any time, amend or terminate the Plan, provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board; provided that adjustments pursuant to Section 4.2(c) shall not be subject to the foregoing limitations of this Article 7.

ARTICLE 8
GOVERNING LAW

Except to the extent preempted by an applicable federal law, the Plan will be construed and administered in accordance with the laws of the State of Georgia, without reference to the principles of conflicts of law.

EXHIBIT 10.15

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "AGREEMENT") is entered into as of September 3, 2002, by and between SMITH TELEVISION GROUP, INC. ("STG"), a Nevada corporation, SMITH TELEVISION LICENSE HOLDINGS, INC., a Nevada corporation ("STLH" and together with STG, "SELLER") and GRAY TELEVISION, INC., a Georgia corporation ("BUYER").

WHEREAS, STLH is the licensee of television broadcast station KOLO-TV, Channel 8, Reno, Nevada (the "STATION"), pursuant to certain authorizations issued by the FCC, and Seller operates the Station and owns and leases certain assets used in connection with the operation of the Station; and

WHEREAS, Seller desires to sell, assign and transfer the assets and business of the Station as described below, and Buyer desires to acquire the assets and business of the Station as described below, and to assume certain liabilities of Seller and the Station as described below, all on the terms described in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1.
DEFINITIONS AND REFERENCES

Capitalized terms used herein without definition shall have the respective meanings assigned thereto in Annex I attached hereto and incorporated herein for all purposes of this Agreement (such definitions to be equally applicable to both the singular and plural forms of the terms defined). Unless otherwise specified, all references herein to "Articles" or "Sections" are to Articles or Sections of this Agreement. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

ARTICLE 2.
SALE AND PURCHASE OF ASSETS;
PURCHASE PRICE; ASSUMPTION OF LIABILITIES

2.1. ASSET SALE AND PURCHASE OF ASSETS.

Subject to the terms and conditions hereof and in reliance upon the representations, warranties and agreements contained herein, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase, acquire, pay for and accept from Seller, all right, title and interest of Seller in, to and under all real, personal and mixed assets, rights,

benefits and privileges, both tangible and intangible, wheresoever located, owned, leased, used or held for use by Seller in connection with the business or operations of the Station (collectively, the "ASSETS"); but excluding the Excluded Assets described in Section 2.2.

The Assets shall include, without limitation, all right, title and t 12 12 0 interest of Seller in, to and under the following:

2.1.1. FCC LICENSES.

All licenses, permits and other authorizations issued by the FCC to Seller for the operation of the Station (the "FCC LICENSES"), including without limitation those listed in Schedule 2.1.1, and all applications therefor, together with any renewals, extensions or modifications thereof and additions thereto.

2.1.2. REAL AND LEASED PROPERTY INTERESTS.

(a) All the real property which is used or held for use in connection with the business and operations of the Station including all land, fee interests, easements and other interests of every kind and description in real property, buildings, structures, fixtures, appurtenances, towers and antennae, and other improvements thereon owned by Seller which are used or held for use in connection with the business and operations of the Station ("REAL PROPERTY"), including all of those items listed or described in Schedule 2.1.2.

(b) All the real property leasehold interests which are used or held for use in connection with the business and operations of the Station including leases and subleases of any land, easements and other real property leasehold interests of every kind and description in real property, buildings, structures, fixtures, appurtenances, towers and antennae, and other improvements thereon leased by Seller in connection with the business and operations of the Station ("LEASED PROPERTY"), including all of those items listed or described in Schedule 2.1.2.

2.1.3. TANGIBLE PERSONAL PROPERTY.

All of the furniture, fixtures, furnishings, machinery, computers, equipment, inventory, spare parts, supplies, office materials and other tangible property of every kind and description maintained, owned, leased, used or held for use by Seller in connection with the business and operations of the Station, including those items which are set forth and identified in Schedule 2.1.3 (which identifies those having a book value in excess of Ten Thousand Dollars ($10,000)), together with any replacements thereof and additions thereto made before the Closing Date, and less any retirements or dispositions thereof made before the Closing Date in the ordinary course of business consistent with past practice.

2.1.4. INTELLECTUAL PROPERTY.

All of the service marks, copyrights, franchises, trademarks, trade names, domain names, jingles, slogans, logotypes, trade secrets, confidential information,

technical and computer data, documentation and software (including any "off the shelf" or "shrink wrapped" computer software, programs or licenses), business and marketing plans and all other intangible assets maintained, owned, used or held for use by Seller in connection with the business and operations of the Station (including any and all applications, registrations, extensions and renewals relating thereto) (collectively, the "INTELLECTUAL PROPERTY"), and all of the rights, benefits and privileges associated therewith, including those set forth and identified in Schedule 2.1.4 and the right to use the "KOLO" call letters for the Station.

2.1.5. PROGRAM CONTRACTS.

Except for the Excluded Contracts, the program licenses and contracts under which Seller is authorized to broadcast programs on the Station (collectively the "PROGRAM CONTRACTS"), including, (a) all program (cash and non-cash) licenses and contracts listed on Schedule 2.1.5, and (b) any other such program contracts that are entered into between the date of this Agreement and the Closing Date in accordance with the terms of this Agreement.

2.1.6. TRADE-OUT AGREEMENTS.

Except for the Excluded Contracts, all contracts and agreements (excluding Program Contracts) pursuant to which Seller has sold, traded or bartered commercial air time on the Station in consideration for any property or services in lieu of or in addition to cash (collectively, the "TRADE-OUT AGREEMENTS"), including those set forth and identified in Schedule 2.1.6.

2.1.7. BROADCAST TIME SALES AGREEMENT.

Except for the Excluded Contracts, all contracts and agreements pursuant to which Seller has sold commercial air time on the Station for cash (collectively the "TIME SALES AGREEMENTS").

2.1.8. OPERATING CONTRACTS.

Except for the Excluded Contracts, the other contracts and agreements entered into by Seller in connection with the business and operations of the Station, including those listed on Schedule 2.1.8 (including employment agreements and talent contracts, collective bargaining agreements, the Network Affiliation Agreement and any national and local advertising representation agreements for the Station), together with all contracts and agreements that will be entered into between the date of this Agreement and the Closing Date in accordance with the terms of this Agreement (collectively, the "OPERATING CONTRACTS" and together with the Program Contracts, and the Trade-out Agreements and the Time Sales Agreements, the "STATION CONTRACTS"); provided, that, in each case, unless Buyer otherwise accepts such contract or agreement in writing, neither the Program Contracts, the Trade-Out Agreements, the Time Sales Agreements or the Operating Contracts will include (a) any contract or agreement that is required by Section 3.14.1 to be, but which is not, described on any of Schedules 2.1.5, 2.1.6 or 2.1.8, or (b) any contract or agreement that is entered into in breach of any of Sections 6.1.3, 6.1.4, 6.1.5

or 6.1.6 (collectively, such contracts and agreements described in clauses (a) and (b), together with the contracts listed on Schedules 2.2.10, the "EXCLUDED CONTRACTS").

2.1.9. VEHICLES.

All automotive equipment and motor vehicles maintained, owned, leased, used or held for use by Seller in connection with the business and operations of the Station, including those set forth and described in Schedule 2.1.9.

2.1.10. FILES AND RECORDS.

All engineering, business and other books, papers, logs, files, and accounting, financial and other records pertaining to the business and operations of the Station, but not the documents, books and records described in Section 2.2.6.

2.1.11. AUXILIARY FACILITIES.

All translators, earth stations, and other auxiliary facilities, and all applications therefor, owned, leased, used or held for use by Seller in connection with the business and operations of the Station.

2.1.12. PERMITS AND LICENSES.

All permits, approvals, orders, authorizations, consents, licenses, certificates, franchises, exemptions of, or filings or registrations with, any court or Governmental Authority (other than the FCC) in any jurisdiction, which have been issued or granted to or are owned, used or held for use by Seller in connection with the business and operations of the Station and all pending applications therefor.

2.1.13. GOODWILL.

The business of the Station as a "going concern," customer relationships and goodwill.

2.1.14 ACCOUNTS RECEIVABLE.

All Accounts Receivable of the Station, except for any intercompany receivable reflected on the Current Balance Sheet and any additional intercompany receivables incurred after the date hereof and prior to the Closing in the ordinary course of business consistent with past practice of the Station.

2.1.15 DEPOSITS AND PREPAID EXPENSES.

All deposits and prepaid expenses of the Station.

2.2. EXCLUDED ASSETS.

Notwithstanding anything to the contrary in this Agreement, there shall be excluded from the Assets and retained by Seller, the following assets (collectively, the "EXCLUDED ASSETS"):

2.2.1. CASH.

All cash and cash equivalents owned by Seller and on hand on the day immediately preceding the Closing Date.

2.2.2. PERSONAL PROPERTY DISPOSED OF.

All tangible personal property disposed of or consumed in the ordinary course of business consistent with past practice of the Station as permitted by this Agreement.

2.2.3. INSURANCE.

All contracts of insurance and all insurance plans and the assets thereof.

2.2.4. EMPLOYEE PLANS AND ASSETS.

All Plans, Benefit Arrangements, Qualified Plans and Welfare Plans and the assets thereof.

2.2.5. RIGHT TO TAX REFUNDS.

Any and all claims of Seller with respect to any Tax refunds.

2.2.6. CERTAIN BOOKS AND RECORDS.

All of (a) Seller's organizational documents and other corporate records, and originals of account books of original entry, (b) duplicated copies of any books, records, accounts, checks, payment records, Tax records (including payroll, unemployment, real estate and other Tax records) and other similar books, records and information of Seller relating to the business or operations of the Station prior to the Closing Date, (c) all records prepared by or on behalf of Seller in connection with the sale of the Station, and (d) all records and documents to the extent relating to any Excluded Assets.

2.2.7. RIGHTS UNDER THIS AGREEMENT.

All of the rights of Seller under or pursuant to this Agreement or any other rights in favor of Seller pursuant to the other agreements contemplated hereby or thereby.

2.2.8. NAME.

All rights to the name "Smith", "Smith Television", and any logo or variation thereof and the goodwill associated therewith.

2.2.9. SECURITIES.

All capital stock or other securities of any direct or indirect subsidiary of Seller.

2.2.10. EXCLUDED CONTRACTS AND UNRELATED ASSETS.

The contracts, agreements and any other assets listed on Schedule 2.2.10, and the rights of Seller under the Excluded Contracts.

2.3 DEPOSIT.

For and in partial consideration of the execution and delivery of this Agreement, simultaneously with the execution and delivery of this Agreement, Buyer is depositing with the Seller the amount of One Million Five Hundred Thousand Dollars ($1,500,000) in cash, such amount to be held as an earnest money deposit (the "DEPOSIT"), in accordance with the terms and conditions of this Agreement.

2.4. PURCHASE PRICE.

For and in consideration of the conveyances and assignments described herein and in addition to the assumption of Liabilities as set forth in Section 2.7, Buyer agrees to pay to Seller, and Seller agrees to accept from Buyer, an amount equal to Forty-One Million Five Hundred Thousand Dollars ($41,500,000) (the "PURCHASE PRICE").

2.5. PAYMENT OF PURCHASE PRICE.

The Purchase Price, less the amount of any Deposit paid to Seller on the date hereof, shall be paid by Buyer to Seller at the Closing by wire transfer of immediately available funds to an account or accounts which will be identified by Seller not less than two (2) business days prior to the Closing Date.

2.6. ALLOCATION OF PURCHASE PRICE.

As promptly as reasonably practicable following execution of this Agreement, Seller and Buyer agree to retain a mutually acceptable appraisal firm experienced in appraisals of television broadcast assets (the "APPRAISAL FIRM") to appraise the classes of Assets of the Station based on the Purchase Price for the Station. The Appraisal Firm shall be instructed to perform such appraisal and deliver a written report thereof to Seller and Buyer as soon as

reasonably practicable (the "APPRAISAL REPORT"). Seller, on the one hand, and Buyer, on the other hand, shall each pay one-half (1/2) of the fees, costs and expenses of the Appraisal Firm whether or not the transactions contemplated hereby are consummated. Seller and Buyer each represent, warrant, covenant and agree with each other that the Purchase Price shall be allocated among the classes of Assets for the Station as set forth in the Appraisal Report. Seller and Buyer agree, pursuant to Section 1060 of the Code, that the Purchase Price shall be allocated in accordance with this Section 2.6, and that all Tax returns and reports shall be filed consistent with such allocation. Notwithstanding any other provision of this Agreement, the provisions of this Section 2.6 shall survive the Closing Date without limitation.

2.7. ASSUMPTION OF LIABILITIES.

2.7.1. ASSUMED LIABILITIES

At the Closing, Buyer shall assume, and shall agree to pay, perform and discharge as and when the same become due and payable or are required to be performed only the following Liabilities of Seller (the "ASSUMED LIABILITIES"): (a) all Liabilities arising on or after, and relating to the period from and after, the Closing Date under the Station Contracts and the FCC Licenses, (b) all Liabilities for accrued payroll for the current pay period (excluding any obligations to pay any bonuses) and accrued vacation or accrued sick leave for Transferred Employees as of the Closing Date which were incurred (i) in the ordinary course of business consistent with past practice of the Station and (ii) as permitted in accordance with the terms of this Agreement, and (c) any trade accounts payable of the Station as of the Closing Date (other than a trade account payable to any Affiliate of Seller) which remain unpaid and are not over thirty (30) days past due, and which were incurred (i) in the ordinary course of business consistent with past practice of the Station and (ii) as permitted in accordance with the terms of this Agreement. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, the Assumed Liabilities shall not include any Excluded Liabilities or any Liability under any Excluded Contract.

2.7.2. EXCLUDED LIABILITIES

"Excluded Liabilities" shall mean every Liability of Seller other than the Assumed Liabilities. The Excluded Liabilities shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by Seller. Excluded Liabilities shall include:

(a) any Liability under any Station Contract assumed by Buyer pursuant to Section 2.7.1 which arises after the Closing Date but which arises out of or relates to any breach of such Station Contract that occurred prior to the Closing Date;

(b) any Liability for Income Taxes, including (i) any Income Taxes arising as a result of Seller's operation of its business or ownership of the Station prior to the Closing Date;

(c) any Liability under any Station Contract not assumed by Buyer under Section 2.7.1, including any Liability arising out of or relating to Seller's credit facilities or any security interest related thereto;

(d) any Environmental Claim arising out of or relating to the operation of Seller's business or Seller's leasing, ownership or operation of real property;

(e) except for the accrued payroll, accrued vacation and accrued sick leave of Transferred Employees as of the Closing Date which is assumed by Buyer as set forth in Section 2.7.1(b), any Liability under the Benefit Plans or relating to payroll, bonus, vacation, sick, leave, worker's compensation, unemployment benefits, pension benefits, employee stock option or profit-sharing plans, health care plans or benefits, or any other employee plans or benefits of any kind for Seller's employees or former employees, or both;

(f) except for any Station Contracts, any Liability under any employment, severance, retention or termination agreement with any employee of Seller or any of its Affiliates;

(g) any Liability arising out of or relating to any employee grievance whether or not the affected employees are hired by Buyer;

(h) any Liability of Seller to any shareholder of Seller or Affiliate of Seller;

(i) any Liability to indemnify, reimburse or advance amounts to any officer, director, employee or agent of Seller;

(j) any Liability to distribute to any of Seller's shareholders or otherwise apply all or any part of the consideration received hereunder;

(k) any Liability arising out of any Proceeding pending as of the Closing Date, whether or not set forth in the Schedules;

(l) any Liability arising out of any Proceeding commenced after the Closing Date and arising out of, or relating to, any occurrence or event happening prior to the Closing Date;

(m) any Liability arising out of or resulting from Seller's non-compliance with any legal requirement or order, injunction, decree, ruling, assessment or arbitration award of any Governmental Authority or arbitrator;

(n) any Liability of Seller under this Agreement or any other Seller Document; and

(o) any Liability of Seller based upon Seller's acts or omissions occurring after the Closing Date.

(p) any Liability under Section 7 of that certain Employment Agreement for the Vice-President and General Manager of the Station dated December 21, 2000 and identified as containing this Excluded Liability on Schedule 2.1.8.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES BY SELLER

Seller represents and warrants to Buyer as follows:

3.1. ORGANIZATION AND STANDING.

Each Seller is duly organized, validly existing and in good standing under the laws of the State of Nevada and is duly qualified to do business and is in good standing in any jurisdiction where such qualification is necessary, except for those jurisdictions where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Each Seller has the corporate power and authority to own, lease and otherwise to hold and operate the Assets, to carry on the business of the Station as now conducted, and to enter into and perform the terms of this Agreement, the other Seller Documents and the transactions contemplated hereby and thereby.

3.2. AUTHORIZATION.

The execution, delivery and performance of this Agreement and of the other Seller Documents, and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate actions of each Seller (none of which actions has been modified or rescinded and all of which actions are in full force and effect). This Agreement constitutes, and upon execution and delivery each other Seller Document will constitute, a valid and binding agreement and obligation of each Seller, enforceable against each Seller in accordance with its respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity.

3.3. COMPLIANCE WITH LAWS.

Each Seller is in compliance in all material respects with all Laws applicable to such Seller's business or operation of the Station, the Assets, or the Station. Each Seller has obtained and holds all material permits, licenses and approvals (none of which has been modified or rescinded and all of which are in full force and effect) from all Governmental Authorities necessary in order to conduct the operations of the Station as presently conducted.

3.4. CONSENTS AND APPROVALS; NO CONFLICTS.

3.4.1. The execution and delivery of this Agreement, and the performance of the transactions contemplated herein by each Seller, will not require any consent, approval, authorization or other action by, or filing with or notification to, any Person in connection with any Station Contract, except that certain of the Station Contracts may be assigned only with the consent of third parties, as specified in Schedule 3.4.1.

3.4.2 The execution and delivery of this Agreement, and the performance of the transactions contemplated herein by each Seller, will not require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Authority, except as follows: (a) consents to the assignment of the FCC Licenses to Buyer by the FCC, and (b) filings, if any, with respect to real estate transfers and real estate transfer taxes.

3.4.3. Assuming all consents, approvals, authorizations and other actions described in Section 3.4.1 and Section 3.4.2 have been obtained and all filings and notifications described in Section 3.4.1 and Section 3.4.2 have been made, the execution, delivery and performance of this Agreement and the other Seller Documents by each Seller do not and will not (a) conflict with or violate any material Law applicable to each Seller, the Assets or the Station or by which any of the Assets or the Station is subject or affected, (b) conflict with or result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under any material contract or agreement to which Seller is a party or by which each Seller is bound or to which any of the Assets or the Station is subject or affected, (c) result in the creation of any Encumbrance upon the Assets, or (d) conflict with or violate the organizational documents of each Seller.

3.5. FINANCIAL STATEMENTS; UNDISCLOSED LIABILITIES.

3.5.1. Seller has provided to Buyer the unaudited balance sheet of the Station as of June 30, 2002 (the "CURRENT BALANCE SHEET") and as of December 31, 2001 and the unaudited statement of operations of the Station for the six (6) month period ended June 30, 2002 and the ten (10) month period ended December 31, 2001. The financial statements referred to in this Section 3.5.1 (a) present fairly the financial position of the Station as of the respective dates and the results of operations for the respective periods indicated, and (b) have been prepared in accordance with GAAP (except that the financial statements referred to in this Section 3.5.1 do not contain all footnotes required under GAAP and do not include statements of cash flows).

3.5.2. There exist no Liabilities of the Station relating to, or arising out of, the business or operations of the Station, contingent or absolute, matured or unmatured, known or unknown, except (a) as reflected on the Current Balance Sheet, (b) obligations under executory contracts or commitments described on Schedules 2.1.5, 2.1.6 and 2.1.8 or under executory contracts or commitments not required to be disclosed thereon (but not liabilities for breaches thereof), and (c) for Liabilities that were incurred after June 30, 2002, in the ordinary course of business consistent with past practice or otherwise in accordance with the terms and conditions of

this Agreement (none of which is a material liability for breach of contract, breach of warranty, tort or infringement or a claim or lawsuit).

3.6. ABSENCE OF CERTAIN CHANGES OR EVENTS.

Since June 30, 2002, there has been no Material Adverse Effect. Since June 30, 2002, Seller has conducted the business of the Station in the ordinary course of business consistent with past practice, and Seller has not (a) incurred loss of, or injury to, any of the Assets as the result of any fire, explosion, flood, windstorm, earthquake, labor trouble, riot, accident, act of God or public enemy or armed forces, or other casualty, except for such losses or injuries which have been cured in accordance with Section 8.2; (b) incurred, or become subject to, any Liability with respect to the Station, except current Liabilities incurred in the ordinary course of business consistent with past practice; (c) mortgaged, pledged or subjected to any Encumbrance any of the Assets other than Encumbrances in connection with Liabilities arising under any credit or loan agreement between Seller and its lenders; (d) sold, exchanged, transferred or otherwise disposed of any Assets, or canceled any debts or claims; (e) entered into any transactions with respect to the Station other than in the ordinary course of business consistent with past practice; (f) made any material change in any method of accounting or accounting practice with respect to the Station; (g) made or committed to make any payments or other transfers in connection with, or in contemplation of, the transactions contemplated by this Agreement or the other Seller Documents, or (h) made any agreement to do any of the foregoing with respect to the Station.

3.7. ABSENCE OF LITIGATION.

Except as set forth on Schedule 3.7, there is no action, suit, investigation, claim, arbitration or litigation pending or, to the knowledge of Seller, threatened against Seller with respect to the Station.

3.8. ASSETS.

Except as set forth on Schedule 3.8, the Assets include all of the assets or property owned, leased, used or held for use in the business or operations of the Station as presently conducted. Seller is the owner of, and has good title to, or has a good and valid leasehold or license interest in and to, the Assets free and clear of any Encumbrances, except for and subject only to (a) the Permitted Encumbrances, (b) those Encumbrances listed in Schedule 3.8, which shall be discharged and removed on or prior to the Closing Date, and (c) as to the Real Property, those Encumbrances listed in Schedule 3.10 which, to the extent so indicated in Schedule 3.10, shall be discharged and removed on or prior to the Closing Date. At the Closing, Buyer shall acquire good title to, and all right, title and interest in and to the Assets, free and clear of all Encumbrances, except for the Permitted Encumbrances.

3.9. FCC MATTERS.

Seller holds the FCC Licenses listed as held by Seller on Schedule 2.1.1. The FCC Licenses constitute all of the licenses, permits and authorizations from the FCC that are necessary or required for and/or used in the business and operations of the Station. The FCC Licenses are valid and in full force and effect through the dates set forth on Schedule 2.1.1. The Station has been operated by Seller in all material respects in accordance with the terms of the FCC Licenses and the Communications Act. Except as set forth on Schedule 3.9, no application, action or proceeding is pending for the renewal or modification of any of the FCC Licenses, and, except for actions or proceedings affecting television broadcast stations generally, no application, complaint, action or proceeding is pending or, to Seller's knowledge, threatened that may result in the (a) the revocation, modification, non-renewal or suspension of any of the FCC Licenses, (b) the issuance of a cease-and-desist order, (c) the imposition of any administrative or judicial sanction with respect to the Station or (d) the denial of an application for renewal. Seller has no knowledge of any facts, conditions or events relating to Seller or the Station including compliance by Seller with the Children's Television Act, that would reasonably be expected to cause the FCC to deny the assignment of the FCC Licenses as provided for in this Agreement. Seller has filed with the FCC all reports, forms and statements required by the FCC to be filed by Seller relating to the Station, including applications for renewal of authority required by applicable Laws.

3.10. REAL PROPERTY.

3.10.1. Seller has good and marketable title to the Real Property listed in Schedule 2.1.2, free and clear of all Encumbrances, except for (a) those items listed in Schedule 3.10 (which, to the extent so indicated on Schedule 3.10, shall be discharged and removed on or prior to the Closing Date), and (b) Permitted Encumbrances. Schedule 2.1.2 sets forth the address and the legal description of each parcel of real property owned by Seller and used or held for use in the operation of the Station.

3.10.2. Seller has a valid leasehold interest in all Leased Property listed as leased by Seller in Schedule 2.1.2. Schedule 2.1.2 lists all leases, subleases and other occupancy agreements (the "LEASES") pursuant to which any of the Leased Property is leased by Seller. Seller is the owner and holder of all the Leased Property purported to be granted by the Leases. Each Lease is in full force and effect and constitutes a legal, valid and binding obligation of, and is legally enforceable against Seller and, to the knowledge of Seller, each other party thereto, and grants the leasehold interest it purports to grant. Seller has complied with all of the material provisions of the Leases and is not in default thereunder in any material respect, and there has not occurred any event which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute such a default by Seller or, to the knowledge of Seller, any other parties to the Leases.

3.10.3. The Real Property and the Leased Property listed in Schedule 2.1.2 constitute all of the real property owned, leased, used or held for use in the business or operations

of the Station. Except as set forth in Schedule 3.10 and except for any Permitted Encumbrances, other than Seller, no Person occupies or has the current or future right to occupy, the Real Property (or the Leased Property in a manner that would infringe Seller's right with respect thereto).

3.10.4. All buildings, structures, fixtures and other improvements on the Real Property are in sufficient operating condition and adequate repair (ordinary wear and tear excepted) for the purposes to which they are currently devoted.

3.10.5. To the knowledge of Seller, no portion of the Real Property or any building, structure, fixture or improvement thereon is the subject of, or affected by, any condemnation, eminent domain or inverse condemnation proceeding currently instituted or pending.

3.10.6. Seller has delivered to Buyer copies of all title policies and surveys with respect to the Real Property which are in the possession of Seller or any Affiliate of Seller.

3.11. CONDITION OF TANGIBLE ASSETS.

Except as set forth on Schedule 3.11, all tangible Assets presently in use are in good operating condition and good repair (ordinary wear and tear excepted) for the purposes to which they are currently devoted.

3.12. INTELLECTUAL PROPERTY.

Schedule 2.1.4 contains a true, correct and complete listing of all registered or applied-for Intellectual Property owned or licensed by or registered in the name of Seller which is used in the business and operations of the Station. Except as set forth in Schedule 3.4.1, all Intellectual Property owned or licensed by Seller and used or held for use in the business and operations of the Station is transferable to Buyer by the sole act and deed of Seller. Except as set forth in Schedule 3.4.1, no consent on the part of, notice to or filing with any other person is necessary in connection with the transfer to Buyer of such Intellectual Property. No royalty is payable to any Person as a result of or with respect to the use of any Intellectual Property. Seller owns or possesses pursuant to a valid and enforceable license, all rights to use all such Intellectual Property material to the conduct of the business of the Station. Seller does not have any knowledge and Seller has not received any notice to the effect that the conduct of the business of the Station may infringe, misappropriate or conflict with any Intellectual Property right or other legally protectable right of another. Seller has the right to the use of the call letters "KOLO-TV" pursuant to the rules and regulations of the FCC. Seller has no knowledge of any claim by another Person contesting the validity, enforceability, use or ownership of any Intellectual Property or any grounds for the same.

3.13. REPORTS AND RECORDS.

All material returns, reports and statements relating to the Station required to be

filed by Seller with the FCC or any other Governmental Authority have been filed and when filed were correct and complete in all material respects. All such reports, returns and statements shall continue to be filed on a current basis until the Closing Date, and will be correct and complete in all material respects when filed. All documents required by the FCC's rules to be placed in the Station's public files by Seller has been placed and are being held in such files. All logs and business records of every type and nature relating to the business and operations of the Station have been maintained in all material respects in accordance with the rules and regulations of the FCC.

3.14. STATION CONTRACTS.

3.14.1. The Station Contracts set forth in Schedules 2.1.5, 2.1.6 and 2.1.8 are all of the contracts and agreements relating to the Assets, to the Station or to the business and operations thereof, other than (a) Time Sales Agreements entered into in the ordinary course of business consistent with past practice; and (b) contracts and agreements which are not Subject Agreements and which do not require payments of more than Ten Thousand Dollars ($10,000) per contract per year or One Hundred Fifty Thousand Dollars ($150,000) per year in the aggregate. Complete and correct copies of all Station Contracts have been made available to Buyer.

3.14.2. Except as set forth on Schedule 3.14.2, Seller represents and warrants to Buyer that (a) each Station Contract is in full force and effect; (b) Seller is not in breach or default of the terms of any Station Contract in any material respect; (c) none of the material rights of Seller under any Station Contract will be subject to termination or modification, nor will a default occur, as a result of the consummation of the transactions contemplated hereby, except to the extent that failure to obtain the prior consent to assignment thereof (to the extent set forth on Schedule 3.4.1) of any party thereto shall or could be interpreted to constitute a termination or modification of or a default under any such Station Contract; and (d) to the knowledge of Seller, no other party to any Station Contract is in material breach or default of the terms thereunder.

3.15. TAXES.

3.15.1. Seller has (or, in the case of returns becoming due after the date hereof and on or before the Closing Date, will have prior to the Closing Date) duly filed all Seller Tax Returns required to be filed by Seller on or before the Closing Date with respect to all applicable Taxes. In the case of any Seller Tax Returns which receive an extension for their date of filing, such Seller Tax Returns will be considered due on, and not considered required to be filed before, the extended due date. All of the Seller Tax Returns are (or, in the case of returns becoming due after the date hereof and on or before the Closing Date, will be) true and complete in all material respects. Seller: (a) has paid all Taxes due to any Governmental Authority in connection with any of the Seller Tax Returns; or (b) has established (or, in the case of amounts becoming due after the date hereof, prior to the Closing Date will have established) adequate reserves (in conformity with GAAP consistently applied) for the payment of such Taxes.

3.15.2. There is no action, suit, proceeding, audit, investigation or claim pending or, to the knowledge of Seller, threatened in respect of any Taxes associated with, or which would become a lien against, the Assets or operations of the Station for which Seller may become liable, nor has any deficiency or claim for any such Taxes been proposed, asserted or, to the knowledge of Seller, threatened. There is no Station Contract, waiver or consent providing for an extension of time with respect to the assessment or collection of any Taxes associated with, or which would become a lien against, the Assets or operations of the Station against Seller, and no power of attorney granted by Seller with respect to any related tax matters is currently in force.

3.16. EMPLOYEE BENEFIT PLANS.

3.16.1. Schedule 3.16 lists all Plans and Benefit Arrangements maintained by or contributed to by Seller, or with respect to which Seller has any liability, for the benefit of the employees of the Station (collectively, the "BENEFIT PLANS"). Each Benefit Plan has been maintained in substantial compliance with its terms and with the requirements prescribed by applicable Law, including ERISA and the Code.

3.16.2. Schedule 3.16 sets forth a list of all Qualified Plans. All Qualified Plans and any related trust agreements or annuity agreements (or any other funding document) have been maintained in compliance with ERISA and the Code (including the requirements for Tax qualification described in Section 401 thereof). The trusts established under such Plans are exempt from federal income taxes under Section 501(a) of the Code.

3.16.3. Schedule 3.16 lists all funded Welfare Plans that provide benefits to current employees of Seller or its beneficiaries. The funding under each Welfare Plan does not exceed and has not exceeded the limitations under Sections 419A(b) and 419A(c) of the Code. Seller is not subject to taxation on the income of any Welfare Plan's welfare benefit fund (as such term is defined in Section 419(e) of the Code) under Section 419A(g) of the Code.

3.16.4. Except as required by applicable Law, Seller has no post-retirement medical, life insurance or other benefits promised, provided or otherwise due now or in the future to current, former or retired employees of the Station.

3.16.5. Except as set forth in Schedule 3.16, Seller has (a) filed or caused to be filed all returns and reports on the Plans that it is required to file and (b) paid or made adequate provision for all fees, interest, penalties, assessments or deficiencies that have become due pursuant to those returns or reports or pursuant to any assessment or adjustment that has been made relating to those returns or reports. All other fees, interest, penalties and assessments that are payable by or for Seller has been timely reported, fully paid and discharged. There are no unpaid fees, penalties, interest or assessments due from Seller or from any other person that are or could become an Encumbrance on any Asset or could otherwise adversely affect the business of the Station or Assets. Seller has collected or withheld all amounts that are required to be collected or withheld by Seller to discharge its obligations, and all of those amounts have been paid to the appropriate Governmental Authority or set aside in appropriate accounts for future

payment when due. Seller has furnished to Buyer true and complete copies of all documents setting forth the terms and funding of each Plan (including copies of each severance benefit arrangement and vacation pay plan).

3.16.6. Seller has not incurred any material Liability to the Pension Benefit Guaranty Corporation (other than premium payments) or otherwise under Title IV of ERISA, including any withdrawal liability, or under the Code, with respect to any employee pension plan covering employees of the Station that either Seller (or any other Person that, together with Seller, is treated as a single employer under Section 414 of the Code) maintain or have maintained or to which either Seller contributes, has contributed or is required to contribute.

3.17. LABOR RELATIONS.

3.17.1. Except as set forth in Schedule 3.17.1, there are no strikes, work stoppages, grievance proceedings, union organization efforts, or other controversies pending or threatened between Seller and any union or collective bargaining unit representing such employees. Seller is in compliance in all material respects with all Laws relating to the employment or the workplace, including provisions relating to wages, hours, collective bargaining, safety and health, work authorization, equal employment opportunity, immigration and the withholding of income taxes, unemployment compensation, worker's compensation, employee privacy and right to know and social security contributions. Except as set forth in Schedule 3.17.1 hereto, there are no collective bargaining agreements relating to the Station or the business and operations thereof and Seller has not agreed to recognize any union or other collective bargaining unit, nor has any union or collective bargaining unit been certified as representing any employees of Seller.

3.17.2. Schedule 3.17.2 sets forth a true and complete list of all employees of the Station and each such employee's position, salary and date of hire.

3.18. ENVIRONMENTAL MATTERS.

3.18.1. Except as disclosed on Schedule 3.18, Seller, with respect to the Station, has materially complied with and is currently in compliance in all material respects with Environmental and Safety Requirements and Seller has not received any oral or written notice, report or information regarding any Environmental Claims or liabilities (whether accrued, absolute, contingent, unliquidated or otherwise) or any corrective, investigatory or remedial obligations arising under Environmental and Safety Requirements which relate to the Station.

3.18.2. Without limiting the generality of Section 3.18.1, Seller, with respect to the Station, has obtained and complied in all material respects with, and is currently in compliance in all material respects with, all permits, licenses and other authorizations that may be required pursuant to any Environmental and Safety Requirements for the occupancy of properties or facilities of the Station or for the operation of the Station.

3.18.3. Neither this Agreement nor the other Seller Documents, nor the consummation of the transactions contemplated hereby or thereby, shall impose any obligations on Seller for (a) site investigation or cleanup, (b) notification to or consent of any government agencies or third parties under any Environmental and Safety Requirements (including any so called "transaction-triggered" or "responsible property transfer" laws and regulations), or (c) to record or deliver to any Person any disclosure document or statement pertaining to material environmental matters.

3.18.4. None of the following exists at any property or facility owned, occupied or operated by Seller with respect to the Station: (a) underground storage tanks or surface impoundments; (b) asbestos-containing material in any form or condition; (c) materials or equipment containing polychlorinated biphenyls; or (d) landfills.

3.18.5. Except as disclosed on Schedule 3.18, Seller, with respect to the Station, has not treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled or Released any Hazardous Materials or owned, occupied or operated any facility or property, so as to give rise to any past or present material Environmental Claims or liabilities of Seller for response costs, natural resource damages or attorneys' fees pursuant to CERCLA or any other Environmental and Safety Requirements.

3.18.6. Without limiting the generality of Section 3.18.5, no facts, events or conditions relating to the past or present properties, facilities or operations of Seller with respect to the Station shall prevent, hinder or limit continued material compliance with Environmental and Safety Requirements, give rise to any material corrective, investigatory or remedial obligations pursuant to Environmental and Safety Requirements or give rise to any other material Environmental Claims or material liabilities (whether accrued, absolute, contingent, unliquidated or otherwise) pursuant to Environmental and Safety Requirements, including those material liabilities relating to onsite or offsite Releases or threatened Releases of Hazardous Materials, substances or wastes, personal injury, property damage or natural resources damage.

3.18.7. Seller, with respect to the Station, has not, either expressly or by operation of law, assumed or undertaken any material liability or corrective investigatory or remedial obligation of any other Person relating to any Environmental and Safety Requirements.

3.18.8. No material Environmental Lien has attached to any property owned, leased or operated by Seller with respect to the Station.

3.18.9. Seller has provided to Buyer true and complete copies of all assessments, reports, data, results of investigations or audits, and all other information that is in the possession of or reasonably available to Seller regarding environmental matters pertaining to, or the environmental condition of, the Station, or the material compliance (or material noncompliance) by Seller with respect to the Station as to any Environmental and Safety Requirements, and all documents prepared related thereto are listed on Schedule 3.18.

3.19. TRANSACTIONS WITH AFFILIATES.

Except as set forth on Schedule 3.19, Seller is not now, and since March 1, 2001 has not been, a party, directly or indirectly, to any contract, lease, arrangement or transaction which is material to the business or operations of the Station, whether for the purchase, lease or sale of property, for the rendition of services or otherwise, with any Affiliate of Seller, or any officer, director, employee, proprietor, partner or shareholder of Seller.

3.20. INSURANCE.

Schedule 3.20 contains a list and brief summary of all policies of title, property, fire, casualty, liability, life, workmen's compensation, libel and slander, and other forms of insurance of any kind relating to the Assets or the business and operations of the Station and held by Seller. All such policies: (a) are in full force and effect; (b) are sufficient for compliance in all material respects by Seller with all requirements of Law and of all material agreements to which Seller is party; and (c) are valid, outstanding, and enforceable policies.

3.21. CABLE SYSTEMS.

Set forth on Schedule 3.21 is information concerning cable carriage with respect to the Station. The information disclosed on Schedule 3.21 is true, correct and complete in all material respects.

(a) Schedule 3.21(a) hereto contains a complete and accurate list of all cable television systems carrying the signal of each of the Station;

(b) Schedule 3.21(b) hereto contains a complete and accurate list of all Market Cable Systems on which the Station made a must-carry election for the current must-carry election period (by default or otherwise) and on which the Station is not currently carried;

(c) Schedule 3.21(c) hereto contains a complete and accurate description of all retransmission consent agreements and/or copyright indemnification agreements, if any, entered into on behalf of the Station;

(d) Schedule 3.21(d) hereto contains a complete and accurate list of all retransmission consent elections made by the Station;

(e) Schedule 3.21(e) hereto contains a complete and accurate list of all Market Cable Systems, if any, which are carrying the Station and which have notified Seller or the Station of such Market Cable System's intention to delete Station from carriage or to change the channel position of the Station on such cable system, other than pursuant to any agreement described in clause (c) above;

(f) Schedule 3.21(f) hereto contains a list (with copies having been delivered to Buyer) of each notice, if any, received by the Station from any Market Cable System alleging that the Station does not deliver an adequate quality signal, as defined in Section 76.55(c)(3) of the FCC Regulations, to such Market Cable System's principal headend

(other than any such notice as to which such failure has been remedied or been determined not to exist), and all further correspondence between the Station and any such Market Cable System relating to such notice;

(g) Schedule 3.21(g) hereto contains a complete and accurate list of all pending petitions for special relief to modify the area in which the Station is entitled to demand must-carriage pursuant to Sections 76.55(c) and (e) of the FCC Regulations; and

(h) Schedule 3.21(h) hereto contains a complete and accurate list of must-carry complaints, if any, filed on behalf of the Station.

3.22. DIGITAL TELEVISION.

On September 5, 2001, the FCC released an order changing the Station's digital television ("DTV") channel from Channel 23 to Channel 9. The FCC Licenses listed in Schedule 2.1.1 include the Station's DTV construction permit and a pending modification application.

3.23. STATEMENTS TRUE AND CORRECT.

To the actual knowledge of Seller (and not involving any constructive knowledge), the representations and warranties made by Seller in this Article 3 do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the representations and warranties contained in this Article 3 not misleading in any material respect.

ARTICLE 4.
REPRESENTATIONS AND WARRANTIES BY BUYER

Buyer represents, warrants and covenants to Seller as follows:

4.1. ORGANIZATION AND STANDING.

Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia and is duly qualified to do business as a foreign corporation where such qualification is necessary, unless the failure to be so qualified would not materially and adversely affect Buyer's ability to consummate the transactions contemplated by this Agreement. Buyer has the full power and authority to enter into and perform the terms of this Agreement and the other Buyer Documents and to carry out the transactions contemplated hereby and thereby.

4.2. AUTHORIZATION.

The execution, delivery and performance of this Agreement and of the other Buyer Documents, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary actions of Buyer (none of which actions has been modified or rescinded and all of which actions are in full force and effect). This Agreement constitutes, and upon execution and delivery each such other Buyer Document will constitute, a valid and binding agreement and obligation of Buyer, enforceable against Buyer in accordance with its respective terms, except as the same may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights generally and by the application of general principles of equity.

4.3. COMPLIANCE WITH LAWS.

Buyer has obtained and holds all material permits, licenses and approvals (none of which will have been modified or rescinded and all of which shall be in full force and effect) from all Governmental Authorities necessary in order to conduct the operations of the Station as presently conducted and to own, use and maintain the Assets.

4.4. CONSENTS AND APPROVALS; NO CONFLICTS.

4.4.1. The execution and delivery of this Agreement, and the performance of the transactions contemplated herein by Buyer, will not require any consent, approval, authorization or other action by, or filing with or notification to, any Person or Governmental Authority where the failure to make such filing or obtain such consent would reasonably be expected to have a material adverse effect on Buyer's ability to consummate the transactions contemplated by this Agreement, except as follows: (a) approvals of the assignment of the FCC Licenses to Buyer by the FCC, and (b) based upon Seller's representations set forth in Section 3.4.1, certain of the Station Contracts may be assigned only with the consent of third parties, as specified in Schedule 3.4.1.

4.4.2. Assuming all consents, approvals, authorizations and other actions described in Section 4.4.1 have been obtained and all filings and notifications described in Section 4.4.1 have been made, the execution, delivery and performance of this Agreement and the other Buyer Documents by Buyer do not and will not (a) conflict with or violate any Law applicable to Buyer, (b) conflict with or result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) of any contract or agreement to which Buyer is a party or by which Buyer is bound, or (c) conflict with or violate the organizational documents of Buyer.

4.5. QUALIFICATION OF BUYER.

Buyer is legally, technically, financially and otherwise qualified under the Communications Act and all rules, regulations and policies of the FCC to acquire and operate the Station. To Buyer's knowledge, there are no facts or proceedings which would reasonably be expected to disqualify Buyer under the Communications Act or otherwise from acquiring or operating the Station or would cause the FCC not to approve the assignment of the FCC Licenses to Buyer. No waiver of any FCC rule or policy is necessary to be obtained for the grant of the applications for the assignment of the FCC Licenses to Buyer.

4.6 AVAILABILITY OF FUNDS.

Buyer will have on the Closing Date sufficient funds to enable Buyer to consummate the transactions contemplated hereby.

4.7. STATEMENTS TRUE AND CORRECT.

To the actual knowledge of Buyer and not involving any constructive knowledge), the representations and warranties made by Buyer in this Article 4 do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the representations and warranties contained in this Article 4 not misleading in any material respect.

ARTICLE 5.
FCC CONSENT

As promptly as practicable and no later than five (5) business days following the execution of this Agreement, Seller and Buyer shall jointly file an application for the Station with the FCC requesting the consent of the FCC to the assignment of the FCC Licenses for the Station to Buyer (the "Assignment Applications"). Seller and Buyer will diligently take, or fully cooperate in the taking of, all necessary and proper steps, and provide any additional information reasonably requested in order to obtain promptly the requested consents and approvals of the Assignment Applications by the FCC; provided, however, that none of the parties hereto shall have any obligation to participate in any evidentiary hearing.

ARTICLE 6.
COVENANTS AND AGREEMENTS OF SELLER

Seller covenants and agrees with Buyer as follows:

6.1. NEGATIVE COVENANTS.

Pending and prior to the Closing Date, Seller will not, without the prior written consent of Buyer, do or agree to do any of the following with respect to the Station or the Assets:

6.1.1. DISPOSITIONS.

Sell, assign, lease, license or otherwise transfer or dispose of any of the Assets other than the disposition in the ordinary course of business consistent with past practice of items that are replaced prior to the Closing Date with items of comparable or superior value and utility in the operation of the Station.

6.1.2. ACCOUNTING PRINCIPLES AND PRACTICES.

Change or modify any of the accounting principles or practices or any method of applying such principles or practices currently employed with respect to the Station, except as required by GAAP.

6.1.3. TRADE-OUT AGREEMENTS.

Enter into any Trade-out Agreement, except in the ordinary course of business consistent with past practice not to exceed Twenty-Five Thousand Dollars ($25,000) in the aggregate.

6.1.4. BROADCAST TIME SALES AGREEMENTS.

Enter into any Time Sales Agreement except in the ordinary course of business consistent with past practice.

6.1.5. NETWORK AFFILIATION AGREEMENTS AND LOCAL MARKETING ARRANGEMENTS.

Acquire or enter into any network affiliation agreements, local marketing arrangements, joint operating agreements, time brokerage agreements or other similar contracts or renew, extend, amend, alter, modify or otherwise change any of such existing contracts.

6.1.6. ADDITIONAL AGREEMENTS.

Acquire or enter into any new Station Contracts not referred to in Sections 6.1.3, 6.1.4 or 6.1.5 above, or renew, extend, amend, alter, modify or otherwise change any existing Station Contract, except, in any such case, for Station Contracts which are not Subject Agreements and which (after any such renewal, extension, amendment, alteration, modification or other change) require payments of less than Twenty-Five Thousand Dollars ($25,000) per contract per year and no greater than Two Hundred Thousand Dollars ($200,000) per year in the aggregate (collectively, "ADDITIONAL AGREEMENTS"), copies of which Additional Agreements shall be provided to Buyer at or prior to the Closing Date.

6.1.7. BREACHES.

Do or omit to do any act which will cause a material breach of any Station Contract.

6.1.8. EMPLOYEE MATTERS.

Except as set forth on Schedule 6.1.8, enter into or become subject to any employment, labor, union, or professional service contract or agreement not terminable at will (or renew, extend, amend, alter, modify or otherwise change any existing contract or

agreement), without cost or obligation other than to pay accrued salary or wages at the normally applicable rate through the time of termination, or any bonus, pension, insurance, profit sharing, incentive, deferred compensation, severance pay, retirement, hospitalization, employee benefit, or other similar plan; or increase the compensation payable or to become payable to any employee, or pay or arrange to pay any bonus payment to any employee.

6.1.9. ACTIONS AFFECTING FCC LICENSES.

Take any action which may jeopardize the validity or enforceability of or rights under the FCC Licenses.

6.1.10. PROGRAMMING.

Program or broadcast any Program Contract or syndicated program, except in the ordinary course of business consistent with past practice.

6.1.11. AFFILIATED TRANSACTIONS.

Except for the transactions described in Schedule 3.19, enter any transaction with any Affiliate of Seller, including any renewal, extension, modification or other change in, any existing contract or agreement to which an Affiliate of Seller is a party or any other transaction involving an Affiliate of Seller which will have continued effectiveness after the Closing Date.

6.1.12. COLLECTION OF ACCOUNTS RECEIVABLE.

Collect any accounts receivable of the Station other than in the ordinary course of business consistent with past practice.

6.2. AFFIRMATIVE COVENANTS.

Pending and prior to the Closing Date, Seller will with respect to the Station and the Assets:

6.2.1. PRESERVE EXISTENCE.

Preserve their respective corporate existences and business organizations intact, maintain their existing franchises and licenses, use commercially reasonable efforts to preserve for Buyer the relationships of the Station with suppliers, customers, employees and others with whom the Station has business relationships, and keep all Assets substantially in their present condition, ordinary wear and tear excepted.

6.2.2. NORMAL OPERATIONS.

Subject to the terms and conditions of this Agreement (including Section 6.1) (a) carry on the business and activities of the Station, including the sale of

advertising time, entering into other contracts and agreements, or purchasing and scheduling of programming, in the ordinary course of business consistent with past practice; (b) pay or otherwise satisfy all obligations (cash and barter) of the Station in the ordinary course of business consistent with past practice; (c) maintain books of account, records, and files with respect to the Station in substantially the same manner as heretofore; and (d) maintain the Assets in customary repair, maintenance and condition, except to the extent of normal wear and tear, and repair or replace, consistently with the ordinary course of business consistent with past practice, any Asset that may be damaged or destroyed; notwithstanding the foregoing, Buyer acknowledges that Seller shall not be obligated to spend any funds on capital expenditures after the date hereof, except for the repair or replacement of Assets that may be damaged or destroyed.

6.2.3. MAINTAIN FCC LICENSES.

Maintain the validity of the FCC Licenses, and comply in all material respects with all requirements of the FCC Licenses and the rules, policies and regulations of the FCC and all other applicable Laws.

6.2.4. NETWORK AFFILIATION.

Use reasonable efforts to maintain in full force and effect the present Network Affiliation Agreement for the Station (and any and all modifications and renewals thereof).

6.2.5. STATION CONTRACTS.

Pay and perform its obligations in the ordinary course of business consistent with past practice under the Station Contracts and under any Additional Agreements that shall be entered into between the date hereof and the Closing Date pursuant to Section 6.1.6, in accordance with the respective terms and conditions of such Station Contracts.

6.2.6. TAXES.

Pay or discharge all Taxes when due and payable in the ordinary course of business consistent with past practice.

6.2.7. CORPORATE ACTION.

Take all corporate action (including all shareholder action) under the Laws of any state having jurisdiction over Seller necessary to effectuate the transactions contemplated by this Agreement and by the other Seller Documents.

6.2.8. ACCESS.

(a) Give to Buyer and its representatives reasonable access during normal business hours to all of the employees, properties, books and records of Seller that relate to the Station and furnish Buyer and its representatives with such information concerning

the Station as Buyer may reasonably require, including such access and cooperation as may be necessary to allow Buyer and its representatives to interview the employees, to examine the books and records of the Station, and to inspect the Real Property and other Assets (which right of access shall not be exercised in any way which would unreasonably interfere with the normal operations, business or activities of the Station); and

(b) From time to time, furnish to Buyer such additional information (financial or otherwise) concerning the Station as Buyer may reasonably request (which right to request information shall not be exercised in any way which would unreasonably interfere with the normal operations, business or activities of the Station).

6.2.9. INSURANCE.

Maintain in full force and effect all of Seller's existing casualty, liability, and other insurance with respect to the Station through the day following the Closing Date in amounts not less than those in effect on the date hereof.

6.2.10. FINANCIAL STATEMENTS.

Provide Buyer with (a) unaudited monthly statements of assets and liabilities of Seller relating to the business and operations of the Station, and statements of revenues and expenses reflecting the results of business and operations of the Station, for September, 2002 and for each month thereafter, within thirty (30) days after the end of each such month; and (b) weekly pacing reports for each week after the date hereof as they become available in the ordinary course of business.

6.3. CONFIDENTIALITY.

Seller shall, at all times, maintain the confidentiality with respect to all documents and information furnished to Seller by or on behalf of Buyer, and documents and information related to the business and operations of the Station during the period prior to the Closing Date to the extent included in the Assets. Nothing shall be deemed to be confidential information that: (a) is known to Seller at the time of its disclosure to Seller; (b) becomes publicly known or available other than through disclosure by Seller; (c) is received by Seller from a third party not actually known by Seller to be bound by a confidentiality agreement with or obligation to Buyer; or (d) is independently developed by Seller. Notwithstanding the foregoing provisions of this Section 6.3, Seller may disclose such confidential information (i) to the extent required or deemed advisable to comply with applicable Laws; and (ii) to its officers, directors, employees, representatives, financing sources, financial advisors, attorneys, accountants, and agents with respect to the transactions contemplated hereby; provided, however, Seller shall be liable for any disclosure by any such Person that such Person would not have been permitted to make if such Person were a Seller hereunder. In the event this Agreement is terminated, Seller will return to Buyer all documents and other material prepared or furnished by Buyer relating to the transactions contemplated hereunder, whether obtained before or after the execution of this

Agreement. In the event that Seller is required by Law (including without limitation by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar legal process) to disclose any confidential information, Seller will promptly notify Buyer of such requirement so that Buyer may, as it may elect, either seek an appropriate protective order or waive Seller's compliance with the provisions of this Section 6.3. In the event that such protection or other remedy is not obtained or that Buyer waives compliance, Seller agrees to furnish only that portion of the confidential information which Seller is advised by counsel is legally required and to exercise Seller's reasonable efforts to obtain assurance that confidential treatment will be accorded such confidential information.

6.4. NO SHOPPING.

From and after the date hereof until the earlier to occur of the Closing Date or the termination of this Agreement, Seller shall not, and shall cause its officers, directors and Affiliates not to, (a) initiate contact with, solicit, encourage or respond to any inquiries or proposals by, or (b) enter into any discussions or negotiations with, or disclose, directly or indirectly, any information concerning the Assets or the Station to, or (c) afford any access to Seller's properties, books and records to any Person other than Buyer or any permitted assignee in connection with any possible proposal for the acquisition (directly or indirectly, whether by purchase, merger, consolidation or otherwise) of all or any material portion of the Assets or the Station.

6.5. NO SOLICITATION OF EMPLOYEES.

From and after the date hereof to the first anniversary of the Closing Date, neither Seller nor any Affiliate of Seller shall solicit or offer employment to or hire or employ or otherwise compensate any employee or former employee (who is an employee of the Station as of the date hereof or as of the Closing Date) of the Station at any other location; provided, however, that the foregoing shall not apply to any employee of the Station who is terminated by Buyer after the Closing Date.

ARTICLE 7.
COVENANTS AND AGREEMENTS OF BUYER

Buyer covenants and agrees with Seller as follows:

7.1. CONFIDENTIALITY.

Buyer shall, at all times prior to the Closing, maintain the confidentiality with respect to all documents and information furnished to Buyer by or on behalf of Seller. Nothing shall be deemed to be confidential information that: (a) is known to Buyer at the time of its disclosure to Buyer; (b) becomes publicly known or available other than through disclosure by Buyer; (c) is received by Buyer from a third party not actually known by Buyer to be bound by a

confidentiality agreement with or obligation to Seller; or (d) is independently developed by Buyer. Notwithstanding the foregoing provisions of this Section 7.1, Buyer may disclose such confidential information (i) to the extent required or deemed advisable to comply with applicable Laws; and (ii) to its officers, directors, partners, employees, representatives, financing sources, financial advisors, attorneys, accountants, agents, underwriters, lenders, investors and any other potential sources of financing with respect to the transactions contemplated hereby; provided, however, Buyer shall be liable for any disclosure by any such Person that such Person would not have been permitted to make if such Person were Buyer hereunder. In the event this Agreement is terminated, Buyer will return to Seller all documents and other material prepared or furnished by Seller relating to the transactions contemplated by this Agreement, whether obtained before or after the execution of this Agreement. In the event that Buyer is required by Law (including without limitation by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar legal process) to disclose any confidential information, Buyer will promptly notify Seller of such requirement so that Seller may, as it may elect, either seek an appropriate protective order or waive Buyer's compliance with the provisions of this Section 7.1. In the event that such protection or other remedy is not obtained or that the Seller waives compliance, Buyer agrees to furnish only that portion of the confidential information which Buyer is advised by counsel is legally required and to exercise Buyer's reasonable efforts to obtain assurance that confidential treatment will be accorded such confidential information.

7.2. CORPORATE ACTION.

Prior to the Closing, Buyer shall take all corporate action under the Laws of any state having jurisdiction over Buyer necessary to effectuate the transactions contemplated by this Agreement and the other Buyer Documents.

7.3. ACCESS.

For a period of seven (7) years from and after the Closing Date, Buyer shall cause to be afforded to representatives of Seller reasonable access during normal business hours to the offices, books and records, contracts and reports of the Station which relate to the operations of the Station during the period during which the Station was owned by Seller and that are included in the Assets (the "PRE-CLOSING DATE RECORDS"), as Seller shall from time to time reasonably request for Seller's reasonable business purposes, and shall provide to Seller copies of any Pre-Closing Date Records reasonably requested by Seller; provided, however, that such investigation shall only be upon reasonable notice and shall not disrupt the personnel or operations of Buyer or the Station. Any costs incurred by Buyer in connection with any such copying during the first nine (9) months after the Closing Date shall be paid by Buyer, and any such costs incurred by Buyer after such nine (9) month period shall be paid by Seller. All requests for access to the Pre-Closing Date Records shall be made to such representatives as Buyer shall designate in writing, who shall be solely responsible for coordinating all such requests and all access permitted hereunder. For a period of seven (7) years from and after the Closing Date, Buyer shall not dispose of any Pre-Closing Date Records; provided, however, that

Buyer may destroy any Pre-Closing Date Records upon providing thirty (30) days' written notice to Seller of an intent to destroy such Pre-Closing Date Records; provided, further, that Buyer, at Buyer's expense, shall transfer to Seller such Pre-Closing Date Records, rather than destroy them, if before the expiration of such thirty (30) day notice period, Seller directs Buyer to transfer such Pre-Closing Date Records to Seller.

ARTICLE 8.
MUTUAL COVENANTS AND UNDERSTANDINGS
OF SELLER AND BUYER

8.1. POSSESSION AND CONTROL.

Between the date hereof and the Closing Date, Buyer shall not directly or indirectly control, supervise or direct, or attempt to control, supervise or direct, the business and operations of the Station, and such operation, including complete control and supervision of all programming, shall be the sole responsibility of the owners of the Station. On and after the Closing Date, Seller shall have no control over, or right to intervene, supervise, direct or participate in, the business and operations of the Station.

8.2. RISK OF LOSS.

The risk of loss or damage by fire or other casualty or cause to the Assets until the Closing Date shall be upon Seller. In the event of any such loss or damage prior to the Closing Date, Seller shall restore, replace or repair the damaged Assets to their previous condition. In the event that as of the Closing Date, any such loss or damage shall not have been restored, replaced, or repaired, Seller shall have the right to defer the Closing Date by written notice to Buyer, for a period of up to sixty (60) days after the date on which such loss or damage occurred. In the event that any such loss or damage shall not be restored, replaced, or repaired by the end of such sixty (60) day period, Buyer shall, at its option, either:

(a) proceed with the Closing and receive at the Closing the insurance proceeds or an assignment of the right to receive such insurance proceeds to which Seller otherwise would be entitled, whereupon Seller shall have no further liability to Buyer for such loss or damage (pursuant to the indemnification provisions of this Agreement or otherwise); or

(b) terminate this Agreement by written notice to Seller.

Buyer and Seller acknowledge and agree that nothing in this Section 8.2 shall be deemed to waive any requirement that the conditions to closing set forth in Section 9.1 be satisfied as of the Closing Date.

8.3. PUBLIC ANNOUNCEMENTS.

Between the date hereof and the Closing Date, Seller and Buyer shall consult

and cooperate with each other before issuing any press release or otherwise making any public statements with respect to this Agreement or the transactions contemplated herein and shall not issue any such press release or make any such public statement without the prior written consent of the other party, which shall not be unreasonably withheld; provided, however, that a party may, without the prior written consent of the other party, issue such press release or make such public statement if it has used all reasonable efforts to consult with the other party and to obtain such party's consent but has been unable to do so in a timely manner.

8.4. EMPLOYEE MATTERS.

8.4.1. TRANSFERRED EMPLOYEES.

(a) Not less than ten (10) days prior to the Closing Date, Seller shall provide a list to Buyer of all employees of the Station. Prior to the Closing Date, Buyer shall offer employment to all such employees of the Station, as of the Closing Date, at the same salary or wage rate (as applicable), and place of employment as held by each such employee immediately prior to the Closing Date, and with benefits no less favorable in the aggregate than those provided by Buyer and Buyer's Affiliates to their similarly situated employees (subject, in all cases, to the provisions of any employment agreements that are Station Contracts).

(b) To the extent such employees accept employment with Buyer (collectively, "TRANSFERRED EMPLOYEES"), such Transferred Employees will be included in Buyer's employee benefit plans and will be subject to Buyer's employment policies, as generally applicable to Buyer's employees who are similarly situated. Subject to any applicable waiting periods and other qualification standards, Buyer agrees that Transferred Employees shall be credited under all of Buyer's applicable employee benefit plans covering such employees for their service at the Station. After the Closing Date, subject to applicable laws, Buyer shall have the right, at any time thereafter, to dismiss any or all Transferred Employees at any time thereafter, with or without cause, and to change the terms and conditions of their employment (including compensation and employee benefit plans, policies or arrangements, provided to them).

8.4.2. COBRA OBLIGATIONS.

Seller shall satisfy and discharge any obligations to provide health care continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 and as described in Section 4980B of the Code and Sections 601 through 608 of ERISA and as required by any applicable state continuation of health coverage provisions (collectively, "COBRA OBLIGATIONS") to any employee of the Station whose employment is terminated prior to the Closing Date to whom Seller has on-going COBRA Obligations (and such employee's covered dependents). Buyer shall satisfy and discharge all other COBRA Obligations with respect to Transferred Employees (and such employees' covered dependents). Seller and Buyer shall reasonably cooperate in good faith to comply with their respective COBRA Obligations hereunder.

8.4.3. SELLER BENEFITS PLANS.

As between Buyer and Seller, Seller agrees to be responsible and liable for any medical, disability or other benefits owed under Seller's benefit plans.

8.4.4. 401(K) PLANS.

Buyer agrees to permit those Transferred Employees, at each such Transferred Employee's option, to transfer as a rollover to Buyer's 401(k) Plan their respective pre-tax account balances under Seller's 401(k) Plan, provided that such plan is a tax qualified plan under Section 401(a) and 401(k) of the Code and that the transfer as a rollover of any such pre-tax account balance will not affect the tax qualified status of Buyer's 401(k) Plan. Seller agrees that if any such Transferred Employee elects to transfer as a rollover its pre-tax account balance to Buyer's 401(k) Plan, Seller will cause the trustees of Seller's 401(k) Plan to transfer each such electing Transferred Employee's account to the trustee of Buyer's 401(k) Plan. Effective as of the Closing Date, Seller shall fully vest Transferred Employees in their account balances under Seller's 401(k) Plan.

8.5. BULK SALES LAWS.

Buyer hereby waives compliance by Seller, in connection with the transactions contemplated hereby, with the provisions of any applicable bulk transfer laws; provided, however, that Seller shall indemnify and hold harmless Buyer from and against any Losses attributable to Seller's non-compliance with any applicable bulk transfer laws, without regard to the provisions of Article 12.

8.6. CONSENTS.

Prior to the Closing, Seller and Buyer shall take all reasonable t
12 12 0 action required to obtain all consents, approvals and agreements of any third parties (the initial requests for which shall be provided by Seller) necessary to authorize, approve or permit the consummation of the transactions contemplated by this Agreement, provided that neither Seller nor Buyer shall be required to make any financial accommodations to any third party in order to obtain such consents and approvals (other than payment of any amount otherwise due such third party); provided, further, that although Seller may request release from any contract as part of a request for any such consent, approval or agreement, Seller shall not require that Seller be released from such contract as a condition to obtaining any such consent, approval or agreement. The parties agree that, notwithstanding Section 9.2 hereof and in the sole discretion of Buyer, Seller may retain, until such time as all required consents, approvals and agreements shall have been obtained by Seller, all rights to and liabilities under any Station Contract to which any required consent or approval pertains if such consent or approval has not been obtained prior to the Closing Date (a "DEFERRED CONTRACT"). Until the assignment of a Deferred Contract, (a) Seller and Buyer shall take all reasonable action to obtain all necessary consents or approvals to remove any other impediments to such assignment, and (b) Seller and Buyer shall cooperate in any

arrangement to provide (to the extent permitted without breach of such Deferred Contract) that Buyer shall receive the benefits of such Deferred Contract after the Closing Date to the same extent as if such Deferred Contract had been assigned to Buyer (such arrangement, an "ALTERNATIVE ARRANGEMENT"). To the extent Buyer receives such benefits, Buyer shall assume Seller's Liabilities thereunder arising on or after the Closing Date with respect to such Alternative Arrangement, and to such extent such obligations and liabilities shall be deemed to constitute Assumed Liabilities, Buyer shall perform any such obligations of Seller arising under such Alternative Arrangement (to the extent permitted without breach of the relevant Deferred Contract). If, subsequent to the Closing Date, Seller shall obtain all necessary consents or approvals required to assign any Deferred Contract, the Deferred Contract for which consent or approval to assign has been obtained shall at that time be deemed to be assigned to Buyer and assumed by Buyer, without need of further action by Seller or of further documentation except for notice from Seller to Buyer that such consent or approval has been obtained; and from and after the effective date such Deferred Contract is assigned to Buyer, (x) no party shall have any further liability under the Alternative Arrangement related thereto, and (y) the Deferred Contract shall be deemed to be an Asset and Assumed Liability.

8.7. TRANSITION SERVICES AGREEMENT.

Prior to Closing, Buyer and Seller shall enter into a transition services agreement with respect to Buyer's use of certain of Seller's computer equipment and accounting systems used in connection with the Station for a period not to exceed ninety (90) days on such commercially reasonable terms as the parties shall mutually agree.

ARTICLE 9.
CONDITIONS PRECEDENT TO
BUYER'S OBLIGATION TO CLOSE

The obligations of Buyer to purchase the Assets and to proceed with the Closing are subject to the satisfaction (or waiver in writing by Buyer) at or prior to the Closing of each of the following conditions:

9.1. REPRESENTATIONS AND COVENANTS.

The representations and warranties of Seller made in this Agreement shall be true and correct when made and on and as of the Closing Date (except for representations and warranties that speak as of a specific date or time, which need only be true and correct in all respects as of such date or time), with only such exceptions as would not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect. The agreements and covenants of Seller required to be performed on or before the Closing Date shall have been performed, with only such exceptions as would not, individually or, in the aggregate, be reasonably expected to have a Material Adverse Effect.

9.2. REQUIRED CONSENTS.

Seller shall have obtained prior to the Closing Date all consents, authorizations and approvals from third parties necessary for the valid assignment and transfer to Buyer of (a) all of the real estate leases or subleases listed on Schedule 9.2; (b) the Network Affiliation Agreement; and (c) all of the Station Contracts listed on Schedule 9.2; provided, that all such consents, authorizations and approvals shall be obtained without any material modifications to the terms of such leases, subleases, Station Contracts or Network Affiliation Agreement; and provided further, that the parties acknowledge and agree that any such consent, authorization or approval shall not be required as a condition to Closing under this Section 9.2 with respect to any such contract if an Alternative Arrangement as contemplated by Section 8.6 has been entered into in lieu of receiving such required consent, authorization or approval with respect to such contract.

9.3. DELIVERY OF DOCUMENTS.

Seller shall have delivered to Buyer all contracts, agreements, instruments and documents required to be delivered by Seller to Buyer pursuant to Section 11.3.

9.4. FCC MATTERS.

(a) The FCC Order shall have been granted.

(b) All of the material FCC Licenses shall be in full force and effect.

9.5. LEGAL PROCEEDINGS.

No injunction, restraining order or decree of any nature of any court or Governmental Authority of competent jurisdiction shall be in effect that restrains or prohibits the transactions contemplated by this Agreement; and no action or proceeding by or before any Governmental Authority (other than an action or proceeding instituted or threatened by Buyer) shall have been instituted or threatened (and not subsequently dismissed, settled or otherwise terminated) which, if determined adversely, would be reasonably likely to (a) restrain, prohibit or invalidate the transactions contemplated by this Agreement or any other Seller Document or Buyer Document, or (b) have a Material Adverse Effect.

9.6. NO MATERIAL ADVERSE EFFECT.

Since the date hereof, there shall not have been any event, change or development which individually or in the aggregate has had or would reasonably be expected to have a Material Adverse Effect.

9.7. PROGRAM CONTRACTS.

Evidence reasonably satisfactory to Buyer shall have been provided by Seller that all Liabilities or obligations due or payable through the Closing Date by the Station pursuant to or under any Program Contract shall have been paid such that the Station is current on such Liabilities or obligations (which, for purposes of clarification, shall mean that such Liabilities or obligations are not more than 30 days past due).

ARTICLE 10.
CONDITIONS PRECEDENT TO
SELLER'S OBLIGATION TO CLOSE

The obligations of Seller to sell, transfer, convey and deliver the Assets and to proceed with the Closing, are subject to the satisfaction (or t 12 12 0 waiver in writing by Seller) at or prior to the Closing, of each of the following conditions:

10.1. REPRESENTATIONS AND COVENANTS.

The representations and warranties of Buyer made in this Agreement shall be true and correct in all material respects (but without regard to any materiality qualifications or references contained in any specific representation or warranty) when made and on and as of the Closing Date (except for representations and warranties that speak as of a specific date or time, which need only be true and correct in all material respects as of such date and time). The agreements and covenants of Buyer required to be performed on or before the Closing Date shall have been performed in all material respects.

10.2. DELIVERY BY BUYER.

Buyer shall have delivered to Seller the Purchase Price in accordance with Section 2.5, and all contracts, agreements, instruments and documents required to be delivered by Buyer to Seller pursuant to Section 11.4.

10.3. FCC ORDER.

The FCC Order shall have been granted.

10.4. LEGAL PROCEEDINGS.

No injunction, restraining order or decree of any nature of any court or Governmental Authority of competent jurisdiction shall be in effect that restrains or prohibits the transactions contemplated by this Agreement; and no action or proceeding by or before any Governmental Authority (other than an action or proceeding instituted or threatened by Seller)

shall have been instituted or threatened (and not subsequently dismissed, settled or otherwise terminated) which would be reasonably likely to restrain, prohibit or invalidate the transactions contemplated by this Agreement or any other Seller Document or Buyer Document.

ARTICLE 11.
CLOSING

11.1. CLOSING.

11.1.1. Provided that the conditions set forth in Article 9 and Article 10 shall have been satisfied, the closing for all of the Assets hereunder (the "CLOSING") shall be held on the date that is the fifth (5th) business day after the date on which the FCC Order is granted (the date on which the Closing shall occur pursuant to this Section 11.1.1 is referred to herein as the "CLOSING DATE"). Notwithstanding the foregoing sentence, Buyer may, on one occasion by written notice to Seller, delay the Closing Date for up to ninety (90) days in the event that there shall have occurred (i) any general suspension of trading in equity securities in the United States securities or financial markets in excess of two (2) consecutive trading days; (ii) a declaration of a banking moratorium or any general suspension of payments in respect of banks by federal or state authorities in the United States; (iii) a commencement of a war, armed hostilities or other national or international calamity directly involving the United States; (iv) any material limitation by any governmental authority outside the ordinary course of business on the extension of credit by banks or other lending institutions in the United States which materially adversely effects Buyer's ability to pay the Purchase Price; or (v) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

11.1.2. At the Closing, Seller shall sell, assign, transfer, convey and deliver to Buyer free and clear of any Encumbrances other than Permitted Encumbrances, and Buyer shall purchase, acquire, pay for and accept from Seller, all right, title and interest of Seller in, to and under the Assets and shall assume the Assumed Liabilities.

11.2. TIME AND PLACE OF CLOSING.

The Closing shall be held at 10:00 A.M. local time on the Closing Date at the offices of Hogan & Hartson L.L.P., 8300 Greensboro Drive, Suite 1100, McLean, Virginia, or at such other time and place as the parties may agree in writing.

11.3. DELIVERY BY SELLER.

At the Closing, Seller shall deliver to Buyer the following:

11.3.1. AGREEMENTS AND INSTRUMENTS

The following bills of sale, assignments and other instruments of

transfer duly executed by Seller:

(a) the Bill of Sale;

(b) the Assignment of FCC Licenses;

(c) the Assignment of Contracts and Leases;

(d) the Assumption Agreement;

(e) certificates of title with respect to the motor vehicles listed on Schedule 2.1.9 or if any such motor vehicles are leased by Seller, an assignment of such lease;

(f) special or limited warranty deeds for all Real Property owned by Seller in a form reasonably acceptable to Seller and Buyer;

(g) real and personal property transfer tax forms; and

(h) all other documents, instruments and certificates required to be delivered by Seller pursuant to this Agreement or otherwise required or reasonably requested by Buyer, including of conveyance and transfer, as Buyer may reasonably request in order to more effectively convey and transfer the Assets of the Station to Buyer and to put Buyer in operational control of the Station, or for aiding, assisting, collecting and reducing to possession any of the Assets of the Station and exercising rights with respect thereto and to otherwise consummate the transaction contemplated herein and as otherwise contemplated by this Agreement.

11.3.2. CONSENTS.

Copies of all consents Seller has been able to obtain to effect the assignment to Buyer of the Station Contracts listed on Schedule 3.4.1.

11.3.3. CERTIFIED RESOLUTIONS.

A copy of the approval of the boards of directors of Seller, certified as being correct and complete and then in full force and effect, authorizing the execution, delivery and performance of this Agreement, and of the other Seller Documents, and the consummation of the transactions contemplated hereby and thereby.

11.3.4. OFFICERS' CERTIFICATES.

(a) A certificate of Seller certifying the matters set forth in

Section 9.1; and

(b) A certificate of Seller as to the incumbency of the representatives of Seller executing this Agreement or any of the other Seller Documents on behalf of Seller.

11.3.5. ORGANIZATIONAL DOCUMENTS.

Copies of the organizational documents of Seller certified by an executive officer of Seller as being correct and complete.

11.3.6. RELEASES.

Duly executed releases, termination statements and mortgage satisfactions to the extent necessary to release any Encumbrances on the Assets required to be removed by Seller pursuant to the terms of this Agreement.

11.3.7. FIRPTA CERTIFICATE.

A certificate of nonforeign status under Section 1445 of the Code.

11.3.8. TITLE INSURANCE DOCUMENTS.

An owner's affidavit, gap indemnity and estoppel certificates executed by Seller and such other customary documents and certificates executed by Seller reasonably acceptable to Seller and as may be reasonably required by Buyer's title insurance company with respect to Buyer's title insurance of the Real Property and Leased Property.

11.3.10.DOMAIN NAME TRANSFER.

Domain name transfer agreements in form and substance reasonably satisfactory to Buyer to perfect the transfer to Buyer of all the domain names of the Station.

11.3.11.GOOD STANDING.

A certificate of the Secretary of State of Nevada certifying the good standing of Seller in the State of Nevada.

11.4. DELIVERY BY BUYER.

At the Closing, Buyer shall deliver to Seller the following:

11.4.1. PURCHASE PRICE PAYMENT.

The Purchase Price in the amount and manner set forth in Section 2.5.

11.4.2. AGREEMENTS AND INSTRUMENTS.

The following agreements, documents and instruments duly executed by Buyer:

(a) the Assumption Agreement;

(b) all other documents, instruments and certificates required to be delivered by Buyer pursuant to this Agreement or otherwise required, or reasonably requested by Seller in order to effectively make Buyer responsible for all Assumed Liabilities and to otherwise consummate the transaction contemplated herein and as otherwise contemplated by this Agreement.

11.4.3. CERTIFIED RESOLUTIONS.

Copies of the resolutions of the directors of Buyer, certified as being correct and complete and then in full force and effect, authorizing the execution, delivery and performance of this Agreement and of the other Buyer Documents, and the consummation of the transactions contemplated hereby and thereby.

11.4.4. OFFICERS' CERTIFICATE.

(a) A certificate of Buyer signed by an officer of Buyer certifying the matters set forth in Section 10.1; and

(b) a certificate signed by the Secretary of Buyer as to the incumbency of the officers of Buyer executing this Agreement or any of the other Buyer Documents on behalf of Seller.

ARTICLE 12.
SURVIVAL; INDEMNIFICATION

12.1. SURVIVAL OF REPRESENTATIONS.

Unless otherwise set forth herein, all representations and t 12 12 0 warranties, covenants and agreements of Seller and Buyer contained in or made pursuant to this Agreement or in any certificate furnished pursuant hereto shall survive the Closing Date and shall remain in full force and effect to the following extent: (a) representations, warranties, covenants and agreements of Seller or Buyer shall remain in full force and effect for a period of one (1) year after the Closing Date (except for the representations and warranties set forth in Section 3.18, Section 3.23 and Section 4.7); (b) representations and warranties of Seller with respect to environmental matters as set forth in Section 3.18 shall remain in full force and effect until thirty (30) days after the expiration of any applicable statute of limitations with respect to claims relating to the matters set forth in Section 3.18; (c) the following covenants and agreements shall remain in full force and

effect until fully discharged: Sections 6.3 and 7.1 (which relate to confidentiality), Sections 6.2.8 and 7.3 (which relate to access), Section 8.4 (which relates to employee matters), Article 12 (which relates to indemnification) and Article 15 (which relates to miscellaneous matters); and (d) representations and warranties of Buyer and Seller set forth in Section 3.23 and Section 4.7 shall not survive the Closing Date; provided, however, that, in all cases, any representation, warranty, covenant or agreement that is the subject of a claim which is asserted by the party seeking indemnification hereunder in a reasonably detailed writing delivered to the other party or parties, as the case may be, prior to the expiration of the applicable survival period shall survive with respect to such claim or dispute until the final resolution thereof. No claim for indemnification may be made pursuant to this Article 12 after the expiration of the applicable survival period set forth in this Section 12.1.

12.2 INDEMNIFICATION BY SELLER.

Subject to the conditions and provisions of Section 12.4 and Section 12.5, from and after the Closing Date, Seller agrees to indemnify, defend and hold harmless Buyer and Buyer's officers, directors, employees, agents and shareholders ("BUYER INDEMNIFIED PARTIES") from and against and in any respect of any and all Losses, asserted against, resulting to, imposed upon or incurred by any Buyer Indemnified Parties, directly or indirectly, by reason of or resulting from: (a) any failure by Seller to pay, perform or discharge any Excluded Liabilities; (b) the business or operations of the Station during the period on or prior to the Closing Date (including any matters or Liabilities with respect to the employees of the Station and any termination of any such employee on or prior to the Closing) except for items specifically included in Assumed Liabilities; (c) any misrepresentation or breach of the representations, warranties and certifications of Seller contained in or made pursuant to this Agreement or any other Seller Document, except that the Buyer Indemnified Parties shall not have any right to indemnification with respect to any misrepresentations or breaches of any of the representations and warranties set forth in Section 3.23 of this Agreement; or (d) any breach by Seller of any covenants of Seller contained in or made pursuant to this Agreement or any other Seller Document.

12.3. INDEMNIFICATION BY BUYER.

Subject to the conditions and provisions of Section 12.4 and Section 12.5, from and after the Closing Date, Buyer hereby agrees to indemnify, defend and hold harmless Seller, and their respective officers, directors, employees, agents and partners ("SELLER INDEMNIFIED PARTIES") from, against and with respect of any and all Losses, asserted against, resulting to, imposed upon or incurred by any Seller Indemnified Parties, directly or indirectly, by reason of or resulting from: (a) any failure by Buyer to pay, perform or discharge any Assumed Liabilities; (b) the business or operations of the Station during the period after the Closing Date (including any matters or Liabilities with respect to the employees of the Station and any termination of any such employee after the Closing); (c) any misrepresentation or breach of the representations, warranties and certifications of Buyer contained in or made pursuant to this Agreement or any other Buyer Document, except that the Seller Indemnified Parties shall not have any right to

indemnification with respect to the any misrepresentation or breach of the representations and warranties set forth

in Section 4.7 of this Agreement; or (d) any breach by Buyer of any covenants of Buyer contained in or made pursuant to this Agreement or any other Buyer Document.

12.4. LIMITATIONS ON INDEMNIFICATION

12.4.1. Seller shall not be liable to the Buyer Indemnified Parties in respect of any indemnification under Section 12.2(c) or Section 12.2(d) (with respect to breaches of covenants set forth in Sections 6.1 and 6.2) except to the extent that the aggregate Losses of the Buyer Indemnified Parties under such Sections exceed Four Hundred Fifty Thousand Dollars ($450,000) (the "BASKET AMOUNT"), and then Buyer Indemnified Parties shall only be entitled to assert claims for Losses in excess of the Basket Amount. Buyer shall not be liable to the Seller Indemnified Parties in respect of any indemnification under Section 12.3(c) or Section 12.3(d) (with respect to breaches of covenants set forth in Section 7.2) except to the extent that the aggregate Losses of the Seller Indemnified Parties under such Sections exceed the Basket Amount, and then Seller Indemnified Parties shall only be entitled to assert claims for Losses in excess of the Basket Amount.

12.4.2. Buyer acknowledges and agrees that the maximum aggregate liability of Seller pursuant to Section 12.2(c) and Section 12.2(d) (with respect to breaches of covenants set forth in Sections 6.1 and 6.2) of this Agreement to the Buyer Indemnified Parties and any third parties for any and all Losses shall not exceed Three Million Five Hundred Thousand Dollars ($3,500,000); provided, however, nothing in this Section 12.4.2 shall be construed to constitute a waiver or limitation of any claims by Buyer based on fraud. Seller acknowledges and agrees that the maximum aggregate liability of Buyer pursuant to Section 12.3(c) and Section 12.3(d) (with respect to breaches of covenants set forth in Section 7.2) of this Agreement to the Seller Indemnified Parties and any third parties for any and all Losses shall not exceed Three Million Five Hundred Thousand Dollars ($3,500,000); provided, however, nothing in this Section 12.4.3 shall be construed to constitute a waiver or limitation of any claims by Seller based on fraud

12.5. CONDITIONS OF INDEMNIFICATION.

The obligations and liabilities of Seller and of Buyer hereunder with respect to their respective indemnities pursuant to this Article 12, resulting from any Losses, shall be subject to the following terms and conditions:

12.5.1. The party seeking indemnification (the "INDEMNIFIED PARTY") must give the other party or parties, as the case may be (the "INDEMNIFYING PARTY"), notice of any such Losses promptly after the Indemnified Party receives notice thereof; provided that the failure to give such notice shall not affect the rights of the Indemnified Party hereunder except to the extent that the Indemnifying Party shall have suffered actual damage by reason of such failure.

12.5.2. The Indemnifying Party shall have the right to undertake, by counsel

or other representatives of its own choosing (reasonably acceptable to the Indemnified Party), the defense of such Losses at the Indemnifying Party's risk and expense; provided, however, that as a condition to the exercise of such right to undertake defense of such Losses, the Indemnifying Party shall, as between the Indemnifying Party and the Indemnified Party, assume the liability for such Losses, without regard to the limitations set forth in Section 12.4.2.

12.5.3. In the event that the Indemnifying Party shall elect not to undertake such defense, or, within a reasonable time after notice from the Indemnified Party of any such Losses, shall fail to defend, the Indemnified Party (upon further written notice to the Indemnifying Party) shall have the right to undertake the defense, compromise or settlement of such Losses, by counsel or other representatives of its own choosing, on behalf of and for the account and risk of the Indemnifying Party (subject to the right of the Indemnifying Party to assume defense of such Losses at any time prior to settlement, compromise or final determination thereof (with counsel reasonably acceptable to the Indemnified Party)). In such event, the Indemnifying Party shall pay to the Indemnified Party, in addition to the other sums required to be paid hereunder, the costs and expenses incurred by the Indemnified Party in connection with such defense, compromise or settlement as and when such costs and expenses are so incurred.

12.5.4. Anything in this Section 12.5 to the contrary notwithstanding, (a) if any third party alleges the right to or seeks any remedy other than money damages or other money payments, the Indemnified Party shall have the right, at the cost and expense of the Indemnifying Party, to participate in and direct the defense, compromise or settlement of the Losses, (b) the Indemnifying Party shall not, without the Indemnified Party's written consent, settle or compromise any Losses or consent to entry of any judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party of a release from all liability in respect of such Losses in form and substance reasonably satisfactory to the Indemnified Party, and (c) in the event that the Indemnifying Party undertakes defense of any Losses, the Indemnified Party, by counsel or other representative of its own choosing and at its sole cost and expense, shall have the right to consult with the Indemnifying Party and its counsel or other representatives concerning such Losses and the Indemnifying Party and the Indemnified Party and their respective counsel or other representatives shall cooperate with respect to such Losses, (d) in the event that the Indemnifying Party undertakes defense of any Losses, the Indemnifying Party shall have an obligation to keep the Indemnified Party informed of the status of the defense of such Losses and furnish the Indemnified Party with all documents, instruments and information that the Indemnified party shall reasonably request in connection therewith, and (e) in the event that both the Indemnified Party and the Indemnifying Party are parties (directly or through interpleader) to any Losses giving rise to indemnification hereunder and the Indemnified Party is advised by counsel that there is or may be a conflict of interest in the representation of both the Indemnified Party and the Indemnifying Party by one firm of counsel, the Indemnified Party shall be entitled to assume, at the sole cost and expense of the Indemnifying Party, the defense, compromise and settlement (subject to clause (b) above) of such Loss with counsel (in addition to local counsel) reasonably satisfactory to the Indemnifying Party.

12.5.5. In the event that an Indemnified Party has a good faith basis for a claim for indemnification which does not involve a claim against it by a third party (a "DIRECT CLAIM"), the Indemnified Party shall notify the Indemnifying Party in writing of such Direct Claim with reasonable promptness, specifying, to the extent known, the nature, circumstances and amount of such Direct Claim (a "DIRECT CLAIM NOTICE"), including with particularity the specific representation and warranty or covenant and agreement alleged to have been breached; provided, that the failure to give such notice shall not affect the rights of the Indemnified Party hereunder except to the extent that the Indemnifying Party shall have suffered actual damage by reason of such failure. If the Indemnifying Party notifies the Indemnified Party that it disputes an Indemnified Party's right of indemnification with respect to a particular Direct Claim, the parties shall use their reasonable efforts to negotiate a resolution of such dispute promptly. Except to the extent of the limitations on indemnification set forth in this Article 12, nothing in this Section 12.5.5 shall be deemed to prevent any Indemnified Party from initiating litigation under this Agreement with respect to any Direct Claim disputed by the Indemnifying Party for the purpose of establishing the Indemnified Party's right to indemnification hereunder.

12.6. EXCLUSIVE REMEDY.

Except with respect to fraud, from and after the Closing Date, the indemnification rights provided in Article 12 of this Agreement shall be the sole and exclusive remedy available under contract, tort or any other legal theory to Buyer or any other person with respect to any Losses, including any debts, liabilities, damages, obligations, claims, demands, judgments, and settlements, whether asserted by third parties or incurred or sustained in the absence of third-party claims, including all costs and expenses, including interest, penalties, attorneys' fees and any amounts paid in investigation, defense or settlement of any of the foregoing incurred or sustained pursuant to or in connection with this Agreement or the transactions contemplated hereby.

ARTICLE 13.
TERMINATION

13.1. TERMINATION

This Agreement may be terminated at any time prior to the Closing by:

13.1.1. the mutual consent of Seller and Buyer;

13.1.2. either Buyer or Seller, by written notice of termination delivered to the other, if (a) the Closing Date has not occurred within twelve (12) months after the date of this Agreement; provided, however, that the failure of the Closing to have occurred within twelve (12) months of the date of this Agreement shall not be attributable to the breach of this Agreement by the party seeking termination pursuant to this Section 13.1.2(a); and provided,

further, that Buyer's right to terminate this Agreement pursuant to this Section 13.1.2(a) shall be subject to Seller's rights to extend the Closing Date pursuant to Section 8.2 and that Seller's right to terminate this Agreement pursuant to this Section 13.1.2(a) shall be subject to Buyer's rights to extend the Closing Date pursuant to Section 11.1.1; or (b) the FCC designates the applications contemplated by Article 5 for an evidentiary hearing;

13.1.3. either Buyer or Seller in the event that any court or Governmental Authority of competent jurisdiction shall issue a final, non-appealable injunction prohibiting the transactions contemplated by this Agreement; provided, however, that the issuance of such final, non-appealable injunction shall not be attributable to the breach of this Agreement by the party seeking termination pursuant to this Section 13.1.3;

13.1.4. either Buyer or Seller in accordance with the terms and conditions of Article 14; or

13.1.5. Buyer in accordance with the terms and conditions of Section 8.2.

13.2. EFFECT OF TERMINATION

13.2.1. In the event this Agreement is terminated as provided in Sections 13.1.1, 13.1.2, 13.1.3 or 13.1.5, this Agreement shall be deemed null, void and of no further force or effect, and the parties hereto shall be released from all future obligations hereunder; provided, however, that the obligations of Buyer and Seller set forth in Sections 6.3 and 7.1 (which relate to confidentiality), this Section 13.2 and Section 15.3 (which relates to payment of certain expenses), shall survive such termination and the parties hereto shall have any and all remedies to enforce such obligations provided at law or in equity or otherwise (including specific performance); and provided, further, that Seller shall return the full amount of the Deposit to Buyer within ten (10) business days of such termination in accordance with the terms hereof.

13.2.2. In the event this Agreement is terminated as provided in Section 13.1.4, this Agreement shall be deemed null, void and of no further force or effect, and the parties hereto shall be released from all future obligations hereunder; provided, however, that the obligations of Buyer and Seller set forth in Sections 6.3 and 7.1 (which relate to confidentiality), this Section 13.2, Article 14 (which relates to remedies) and Section 15.3 (which relates to payment of certain expenses), shall survive such termination and the parties hereto shall have any and all remedies to enforce such obligations provided at law or in equity or otherwise (including specific performance).

ARTICLE 14.
REMEDIES

14.1. DEFAULT BY BUYER.

If each condition set forth in Section 9 and Section 10 (other than any condition that has not been satisfied solely as a result of an uncured misrepresentation or breach of representation or warranty of Buyer set forth in this Agreement or a default by Buyer in the performance of its obligations under this Agreement) has been satisfied or waived, and Buyer has breached its obligation to effect the transactions to be consummated on the Closing Date by the date required pursuant to Section 11.1, then Seller shall be entitled, by written notice to Buyer, to terminate this Agreement, to retain the entire amount of the Deposit and to pursue any other remedies Seller has at law or in equity or otherwise; provided, however, Buyer shall have a period of ten (10) business days after receipt of Seller's written termination notice to cure any such misrepresentation, breach or default, and if Buyer cures such misrepresentation, breach or default within such ten (10) business day period, Seller shall have no right to terminate this Agreement based on such misrepresentation, breach or default; provided, further, however, that Buyer shall have no right to such ten (10) business day cure period with respect to any breach of Buyer's obligation to pay the amount set forth in Section 2.4 on the Closing Date.

14.2. DEFAULT BY SELLER.

If there exists a material misrepresentation or breach of representation or warranty of Seller set forth in this Agreement, or if Seller shall default in any material respect in the performance of Seller's obligations under this Agreement, or if, as a result of Seller's action or failure to act, the conditions precedent to Buyer's or Seller's obligation to close specified in Section 9 or Section 10 are not satisfied, and for such reason or reasons this Agreement is not consummated, and provided that Buyer shall not then be in default in the performance of Buyer's obligations hereunder, Buyer shall be entitled, by written notice to Seller, to terminate this Agreement and to pursue any other remedies Buyer has at law or in equity or otherwise and, in the event of such termination in accordance with the terms hereof, if such default is not otherwise cured by Seller, Seller shall return the full amount of the Deposit to Buyer within ten (10) business days of the later of receipt of the written termination notice or the expiration of any applicable cure period; provided, however, Seller shall have a period of ten (10) business days after receipt of Buyer's written termination notice to cure any such misrepresentation, breach or default, and if Seller cures such misrepresentation, breach or default within such ten (10) business day period, Buyer shall have no right to terminate this Agreement based on such misrepresentation, breach or default; provided, further, however, that Seller shall have no right to such ten (10) business day cure period with respect to any breach of Seller's obligation to execute and deliver on the Closing Date, the agreements, certificates and documents set forth in Section 11.3.1 and Section 11.3.10.

14.3. SPECIFIC PERFORMANCE.

Seller hereby acknowledges that the Assets are unique, and that the harm to Buyer resulting from Seller's failure to perform their obligations hereunder cannot be adequately compensated by damages. Accordingly, Seller agrees that Buyer shall have the right to have all obligations, undertakings, agreements, covenants and other provisions of this Agreement specifically performed by Seller. In any such specific performance action, Seller agrees to waive

the defense that there is an adequate remedy at law for damages and agree that Buyer shall be entitled to obtain specific performance of Seller's obligations hereunder without having to post any bond or other security in any such proceeding.

ARTICLE 15.
GENERAL PROVISIONS

15.1. ADDITIONAL ACTIONS, DOCUMENTS AND INFORMATION.

Buyer agrees that it will, at any time, prior to, at or after the Closing Date, take or cause to be taken such further actions, and execute, deliver and file or cause to be executed, delivered and filed such further documents and instruments and obtain such consents, as may be reasonably requested by Seller in connection with the consummation of the transactions contemplated by this Agreement. Seller agrees that it will, at any time, prior to, at or after the Closing Date, take or cause to be taken such further actions, and execute, deliver and file or cause to be executed, delivered and filed such further documents and instruments and obtain such consents, as may be reasonably requested by Buyer in connection with the consummation of the transactions contemplated by this Agreement, including in the event that any Assets are owned by any Affiliate of Seller, causing such Affiliate to transfer the Assets to Buyer.

15.2. BROKERS.

Seller represents to Buyer that Seller has not engaged, or incurred any unpaid liability (for any brokerage fees, finders' fees, commissions or otherwise) to, any broker, finder or agent in connection with the transactions contemplated by this Agreement, except for CobbCorp, LLC; Buyer represents to Seller that Buyer has not engaged, or incurred any unpaid liability (for any brokerage fees, finders' fees, commissions or otherwise) to, any broker, finder or agent in connection with the transactions contemplated by this Agreement; and Seller agrees to indemnify Buyer, and Buyer agrees to indemnify Seller, against any claims asserted against the other parties for any such fees or commissions by any person purporting to act or to have acted for or on behalf of the indemnifying party. Notwithstanding any other provision of this Agreement, this representation and warranty shall survive the Closing Date without limitation and shall not be subject to the Basket Amount contained in Section 12.4.1 or the limitations of Section 12.4.2.

15.3. EXPENSES AND TAXES.

Each party hereto shall pay its own expenses incurred in connection with this Agreement and in the preparation for and consummation of the transactions provided for herein. Notwithstanding the foregoing, (a) Buyer and Seller shall each pay one-half (1/2) of all sales (including bulk sales), use, documentary, stamp, gross receipts, registration, transfer, conveyance, excise, recording, license and other similar Taxes and fees ("TRANSFER TAXES") applicable to, imposed upon or arising out of the transactions contemplated hereby whether now in effect or

hereinafter adopted and regardless of which party such Transfer Tax is imposed upon and (b) Seller and Buyer shall each pay one-half (1/2) of any FCC filing fees incurred in connection with the assignment of the FCC Licenses. Each party agrees to cooperate with such other party in the timely completion, execution and filing of any documentation required by any local or state governmental agency in connection with the Transfer Taxes.

15.4. NOTICES.

All notices, demands, requests, or other communications which may be or are required to be given or made by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, mailed by first-class registered or certified mail, return receipt requested, postage prepaid, delivered by overnight air courier, or transmitted by telegram, telex, or facsimile transmission addressed as follows:

If to Buyer:

Gray Television, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Attention: Robert S. Prather, Jr.
Telecopy No.: (404) 261-9607

with a copy (which shall not constitute notice) to:

Troutman Sanders LLP
600 Peachtree Street, NE
Suite 5200
Atlanta, GA 30308
Attention: Neal H. Ray
Telecopy No.: (404) 962-6857

If to Seller:

Smith Television Group, Inc.
Smith Television License Holdings, Inc.
720 2nd Avenue
St. Petersburg, Florida 33701
Attention: Margaret Williams
Telecopy No.: (727) 821-7092

with a copy (which shall not constitute notice) to:

Hogan & Hartson L.L.P.

8300 Greensboro Drive
Suite 1100
McLean, Virginia 22102
Attention: Richard T. Horan, Jr., Esq.
Telecopy No.: (703) 610-6200

or such other address as the addressee may indicate by written notice to the other parties.

Each notice, demand, request, or communication which shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, the affidavit of messenger or (with respect to a telex) the answerback being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

15.5. WAIVER.

No delay or failure on the part of any party hereto in exercising any right, power or privilege under this Agreement or under any other instrument or document given in connection with or pursuant to this Agreement shall impair any such right, power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege, or the exercise of any other right, power or privilege. No waiver shall be valid against any party hereto unless made in writing and signed by the party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

15.6. BENEFIT AND ASSIGNMENT.

(a) No party hereto shall assign this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the other party hereto; provided, however, that Buyer may assign this Agreement without the consent of Seller to any of its subsidiaries or affiliates, but no such assignment shall relieve Buyer of its obligations hereunder.

(b) Any purported assignment contrary to the terms hereof shall be null, void and of no force and effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns as permitted hereunder. No Person, other than the parties hereto, is or shall be entitled to bring any action to enforce any provision of this Agreement against any of the parties hereto, and the covenants and agreements set forth in this Agreement shall be solely for the benefit of, and shall be enforceable only by, the parties hereto or their respective successors and assigns as permitted hereunder. Without limiting the foregoing, no employee of the Station and no other Person shall be a third-party beneficiary under this Agreement (including the provisions of Section 8.4), or any Seller Document or Buyer Document.

15.7. ENTIRE AGREEMENT; AMENDMENT.

This Agreement, including the Preamble, Schedules and Exhibits hereto and the other instruments and documents referred to herein or delivered pursuant hereto contains the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior oral or written agreements, commitments or understandings with respect to such matters. No amendment, modification or discharge of this Agreement shall be valid or binding unless set forth in writing and duly executed by the party or parties against whom enforcement of the amendment, modification or discharge is sought.

15.8. SEVERABILITY.

If any part of any provision of this Agreement or any other contract, agreement, document or writing given pursuant to or in connection with this Agreement shall be invalid or unenforceable under applicable law, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provisions or the remaining provisions of said contract, agreement, document or writing.

15.9. HEADINGS.

The headings of the sections and subsections contained in this Agreement are inserted for convenience only and do not form a part or affect the meaning, construction or scope thereof.

15.10. GOVERNING LAW; JURISDICTION.

This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed under and in accordance with the laws of the State of Georgia, without giving effect to the conflicts of law principles thereof. The parties hereto hereby waive personal service of any process in connection with any such action, suit or proceeding and agree that the service thereof may be made by certified or registered mail addressed to or by personal delivery to the other party, at such other party's address set forth pursuant to Section 15.4 hereof. In the alternative, in its discretion, any of the parties hereto may effect service upon any other party in any other form or manner permitted by law.

15.11. SIGNATURE IN COUNTERPARTS.

This Agreement may be executed in separate counterparts, none of which need contain the signatures of all parties, each of which shall be deemed to be an original, and all of which taken together constitute one and the same instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than the number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, each of the parties hereto has executed this Asset Purchase Agreement, or has caused this Asset Purchase Agreement to be duly executed and delivered in its name on its behalf, all as of the day and year first above written.

SELLER

SMITH TELEVISION GROUP, INC.

By: /s/ Robert N. Smith

Name: Robert N. Smith

Title: Chief Executive Officer

SMITH TELEVISION LICENSE HOLDINGS, INC.

By: /s/ Robert N. Smith

Name: Robert N. Smith

Title: Chief Executive Officer

BUYER

GRAY TELEVISION, INC.

By: /s/ Robert S. Prather

Name: Robert S. Prather

Title: President

Solely for purposes of guaranteeing Seller's obligation to return the Deposit pursuant to Section 13.2.1 and Section 14.2 hereof.

SMITH TELEVISION OF NEW YORK, INC.

By: /s/ Robert N. Smith

Name: Robert N. Smith

Title: Chief Executive Officer

ANNEX I
DEFINITIONS

"ACCOUNTS RECEIVABLE" means all accounts receivable with respect to the Station as of the end of the broadcast day immediately preceding the Closing Date.

"ADDITIONAL AGREEMENTS" shall have the meaning set forth in Section 6.1.6.

"AFFILIATE" shall mean, with respect to any Person, any other Person that, (a) directly or indirectly is in control of, is controlled by, or is under common control with, the first Person, (b) is an officer, director, trustee, partner (general or limited), employee or holder of five percent (5%) or more of any class of any voting or non-voting securities or other equity in the first Person, and (c) is an officer, director, trustee, partner (general or limited), employee or holder of five percent (5%) or more of any class of the voting or non-voting securities or other equity in any Person which directly or indirectly is in control of, is controlled by, or is under common control with, the first Person. For purposes of this definition, "control" (including with correlative meanings "controlled by" and "under common control with") shall mean possession, directly or indirectly, of either (X) five percent (5%) or more of the voting power of the securities having ordinary voting power for the election of directors of the first Person, or (Y) the power to direct or cause the direction of the management or policies of the first Person (whether through ownership of securities, partnership interests or any other ownership or debt interests, by contract or otherwise).

"ALTERNATIVE ARRANGEMENT" shall have the meaning set forth in Section 8.6.

"APPRAISAL FIRM" shall have the meaning set forth in Section 2.6.

"APPRAISAL REPORT" shall have the meaning set forth in Section 2.6.

"ASSETS" shall have the meaning set forth in Section 2.1.

"ASSIGNMENT APPLICATIONS" shall have the meaning set forth in Article 5.

"ASSIGNMENT OF CONTRACTS AND LEASES" means that certain Assignment of Contracts and Leases executed by Seller, in a form reasonably acceptable to Seller and Buyer.

"ASSIGNMENT OF FCC LICENSES" means that certain Assignment of FCC Licenses executed by Seller, in a form reasonably acceptable to Seller and Buyer.

"ASSUMED LIABILITIES" shall have the meaning set forth in Section 2.7.1.

"ASSUMPTION AGREEMENT" means that certain Assumption Agreement executed by Buyer and Seller, in a form reasonably acceptable to Seller and Buyer.

"BASKET AMOUNT" shall have the meaning set forth in Section 12.4.1.

"BENEFIT ARRANGEMENT" means a welfare or benefit program, practice or policy providing for bonuses, incentive compensation, vacation pay, severance pay, insurance, restricted stock, stock options, employee discounts, company cars, tuition reimbursement or any other perquisite or benefit (including any fringe benefit under Section 132 of the Code) to employees, officers or independent contractors that is not a Plan.

"BENEFIT PLANS" shall have the meaning specified in Section 3.16.1.

"BILL OF SALE" means that certain Bill of Sale and Assignment of Assets, dated as of the Closing Date and executed by Seller, in a form reasonably acceptable to Seller and Buyer.

"BUYER DOCUMENTS" means, collectively, this Agreement, the Assumption Agreement and the closing certificates and other deliveries contemplated by Section 11.4.

"BUYER INDEMNIFIED PARTIES" shall have the meaning specified in Section 12.2.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.ss.9601 et seq., as amended, and any similar or implementing state or local law..

"CHILDREN'S TELEVISION ACT" shall mean the Children's Television Act of 1990.

"CLOSING" shall have the meaning set forth in Section 11.1.1.

"CLOSING DATE" shall have the meaning specified in Section 11.1.1.

"COBRA OBLIGATIONS" shall have the meaning specified in Section 8.4.2.

"CODE" means the Internal Revenue Code of 1986, as amended, and all Laws promulgated pursuant thereto or in connection therewith.

"COMMUNICATIONS ACT" means the Communications Act of 1934, as amended.

"CURRENT BALANCE SHEET" shall have the meaning set forth in Section 3.5.1.

"DEPOSIT" shall have the meaning set forth in Section 2.3.

"DEFERRED CONTRACT" shall have the meaning set forth in Section 8.6.

"DIRECT CLAIM" shall have the meaning set forth in Section 12.5.5.

"DIRECT CLAIM NOTICE" shall have the meaning set forth in Section 12.5.5.

"DTV" shall have the meaning set forth in Section 3.22.

"ENCUMBRANCES" means any mortgages, pledges, liens, security interests, defects in title, easements, encumbrances, encroachments and any other matters affecting the title, value, marketability or current use of the Assets.

"ENVIRONMENTAL AFFILIATES" of any Person means, with respect to any particular matter, all other Persons whose liabilities or obligations with respect to that particular matter have been assumed by, or are otherwise deemed by law to be those of, such first Person.

"ENVIRONMENTAL AND SAFETY REQUIREMENTS" means all Environmental Laws and all federal, state, local and foreign statutes, regulations, ordinances and similar provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations and all common law relating to public health and safety, worker health and safety and pollution or protection of human health or the environment, including without limitation, ambient air, surface water, ground water, land surface or subsurface strata, and natural resources and including all such standards of conduct and bases of obligations relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, emission, Release, threatened Release, control, or cleanup of any Hazardous Materials.

"ENVIRONMENTAL CLAIM" means any claim, action, cause of action, investigation or notice (written or oral) by any person or entity alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (i) the presence, or Release into the environment, of any Hazardous Materials at any location, whether or not owned or operated by Seller or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental and Safety Requirements.

"ENVIRONMENTAL LAWS" means any federal, state, local, or foreign law (including common law), statute, code, ordinance, rule, regulation, or other requirement relating to the environment, natural resources, public, or employee health and safety, and Hazardous Materials generation, production, use, storage, treatment, transportation or disposal, and includes, but is not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, ("CERCLA") as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. Section 9601 et seq.; the Toxic Substances Control Act ("TSCA"), 15 U.S.C. Section 2601 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. Section 6901 et seq.; the Clean Water Act ("CWA"), 33 U.S.C. Section 1251 et seq.; the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq.; the Clean Air Act ("CAA"), 42 U.S.C. Section 7401 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Section 2701 et seq.; and the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq., as such laws have been amended or supplemented, and the regulations promulgated pursuant thereto, and all analogous state or local statues.

"ENVIRONMENTAL LIEN" means any Encumbrance, whether recorded or unrecorded, in favor of any governmental entity or any department, agency or political subdivision thereof relating to any liability of Seller, any Subsidiary of the Seller or any Environmental Affiliate of any such Person arising under any Environmental and Safety Requirement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and all Laws promulgated pursuant thereto or in connection therewith.

"EXCLUDED ASSETS" shall have the meaning specified in Section 2.2.

"EXCLUDED CONTRACTS" shall have the meaning specified in Section 2.1.8.

"EXCLUDED LIABILITIES" shall have the meaning specified in Section 2.7.2.

"FCC" means the Federal Communications Commission.

"FCC LICENSES" shall have the meaning specified in Section 2.1.1.

"FCC ORDER" means an unconditional order or orders (except for standard conditions imposed by the FCC on all assignments of licenses) of the FCC, or of the Chief, Mass Media Bureau of the FCC, acting under delegated authority, consenting to the assignment to Buyer of the FCC Licenses for the Station.

"GAAP" means generally accepted accounting principles consistently applied for the periods involved.

"GOVERNMENTAL AUTHORITY" means any agency, board, bureau, court, commission, department, instrumentality or administration of the United States government, any state government or any local or other governmental body in a state, territory or possession of the United States or the District of Columbia.

"HAZARDOUS MATERIALS" means any wastes, substances, or materials (whether solids, liquids or gases) that are deemed hazardous, toxic, pollutants, or contaminants, including without limitation, substances defined as "hazardous wastes", "hazardous substances", "hazardous materials", "extremely hazardous waste", "toxic substances", "radioactive materials", or other similar designations in, or otherwise subject to, regulation under, any Environmental Laws; the term shall also include any other chemical substances or mixtures, pesticides, toxic chemicals, petroleum products or by-products, asbestos-containing materials, polychlorinated biphenyls (PCBs), noise, lead or lead-based paints or materials, radon, and radioactive materials.

"INCOME TAXES" means all federal, state and local income taxes and installments of estimated income taxes, income tax deficiencies and income tax withholdings imposed by any Governmental Authorities.

"INDEMNIFIED PARTY" and "INDEMNIFYING PARTY" shall have the respective meanings set forth in Section 12.5.1.

"INTELLECTUAL PROPERTY" shall have the meaning set forth in Section 2.1.4.

"LAWS" means any federal, state or local law, statute, code, ordinance, regulation, order, writ, injunction, judgment or decree applicable to the specified Person and to the businesses and assets thereof.

"LEASES" shall have the meaning set forth in Section 3.10.2.

"LEASED PROPERTY" shall have the meaning set forth in Section 2.1.2.

"LIABILITIES" means, as to any Person, all debts, adverse claims, liabilities and obligations, direct, indirect, absolute or contingent of such Person, whether accrued, vested or otherwise, whether in contract, tort, strict liability or otherwise and whether or not actually reflected, or required by GAAP to be reflected, in such Person's balance sheets or other books and records.

"LOSSES" means any liabilities, demands, claims, actions, causes of action, costs, damages, deficiencies, Taxes, penalties, fines, judgments, settlements, arbitrations, assessments, obligations (including those arising out of any action, such as any settlement or compromise thereof of judgment or award therein or other loss or expense, whether or not arising out of a third party claim, including all interest, penalties, reasonably attorneys' fees and expenses, reasonable accountants' fees and expenses and all amounts paid or incurred in connection with any such action, demand, proceeding, investigation, preservation or enforcement of rights to indemnification), or claim (including any governmental entity or any department, agency or political subdivision thereof) and the investigation, defense or settlement of any of the foregoing.

"MARKET CABLE SYSTEMS" shall mean all U.S. cable systems located within any particular station's market, as defined in Section 76.55 of the FCC regulations.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on the business, operations, assets or financial condition of the Station, except for any material adverse affect resulting from (a) general economic conditions applicable to the television broadcast industry, or (b) general economic conditions in the Reno, Nevada market in which the Station operates.

"NETWORK AFFILIATION AGREEMENT" means that certain Network Affiliation Agreement dated May 11, 1995, as amended, between Seller for the Station and the American Broadcasting Companies, Inc.

"OPERATING CONTRACTS" shall have the meaning set forth in Section 2.1.8.

"PENSION PLAN" means an "employee pension benefit plan" as such term is defined in Section 3(2) of ERISA.

"PERMITTED ENCUMBRANCES" means (a) Encumbrances on Real Property that do not interfere with the value, marketability or use of the Real Property in the operations or business of the Station, (b) Encumbrances for Taxes not yet due and payable or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on Seller's books in accordance with GAAP and (c) Encumbrances which do not secure monetary liabilities of any Person and that, individually or in the aggregate, do not and would not materially detract from the value or marketability of any of the Assets or materially interfere with the use thereof as currently used.

"PERSON" or "PERSON" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, other form of business or legal entity or Governmental Authority.

"PLAN" means any plan, program or arrangement, whether or not written, that is or was an "employee benefit plan" as such term is defined in Section 3(3) of ERISA and (a) which was or is established or maintained by Seller; (b) to which Seller contributed or was obligated to contribute or to fund or provide benefits; or (c) which provides or promises benefits to any person who performs or who has performed services for Seller and because of those services is or has been (i) a participant therein or (ii) entitled to benefits thereunder.

"PRE-CLOSING DATE RECORDS" shall have the meaning set forth in Section 7.3.

"PROCEEDING" shall mean any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

"PROGRAM CONTRACTS" shall have the meaning set forth in Section 2.1.5.

"PURCHASE PRICE" shall have the meaning set forth in Section 2.4.

"QUALIFIED PLAN" means a Pension Plan that satisfies, or is intended by Seller to satisfy, the requirements for tax qualification described in Section 401 of the Code.

"REAL PROPERTY" shall have the meaning set forth in Section 2.1.2.

"RELEASE" has the meaning set forth in CERCLA.

"SCHEDULES" means the disclosure schedules delivered by Seller to Buyer in connection herewith.

"SELLER DOCUMENTS" means, collectively, this Agreement, the Assignment of Contracts and Leases, the Bill of Sale, the Assignment of FCC Licenses, the Assumption Agreement and the closing certificates and other deliveries contemplated by Section 11.3.

"SELLER INDEMNIFIED PARTIES" shall have the meaning set forth in Section 12.3.

"SELLER TAX RETURNS" means all federal, state, local, foreign and other applicable Tax returns, declarations of estimated Tax reports required to be filed by Seller (without regard to extensions of time permitted by law or otherwise).

"STATION" means KOLO-TV, Channel 8, Reno, Nevada.

"STATION CONTRACTS" shall have the meaning set forth in Section 2.1.8.

"SUBJECT AGREEMENTS" means the following types of Station Contracts: (a) employment agreements that will not be terminable by Buyer after the Closing Date at-will without cost or obligation (other than an obligation to pay accrued salary or wages at the normally applicable rate through the time of termination); (b) agreements related to Real Property and Leased Property; (c) program licenses and contracts under which Seller is authorized to broadcast programs on the Station; (d) all contracts and agreements pursuant to which commercial air time on the Station is sold, traded or bartered in consideration for any property or services in lieu of or in addition to cash; (e) network affiliation agreements; (f) rating service agreements; (g) advertising sales representation agreements; and (h) agreements pursuant to which an Encumbrance is placed on an Asset.

"TAXES" means all federal, state and local taxes (including income, profit, franchise, sales, use, real property, personal property, ad valorem, excise, employment, social security and wage withholding taxes) and installments of estimated taxes, assessments, deficiencies, levies, imports, duties, license fees, registration fees, withholdings, or other similar charges of every kind, character or description imposed by any Governmental Authorities.

"TIME SALES AGREEMENTS" shall have the meaning set forth in Section 2.1.7.

"TRADE-OUT AGREEMENTS" shall have the meaning set forth in Section 2.1.6.

"TRANSFER TAXES" shall have the meaning set forth in Section 15.3.

"TRANSFERRED EMPLOYEE(S)" shall have the meaning set forth in Section 8.4.1.

"WELFARE PLAN" means an "employee welfare benefit plan" as such term is defined in Section 3(1) of ERISA.

ASSET PURCHASE AGREEMENT
BY AND BETWEEN

SMITH TELEVISION GROUP, INC.
SMITH TELEVISION LICENSE HOLDINGS, INC.

AS SELLER
AND
GRAY TELEVISION, INC.
AS BUYER

DATED AS OF SEPTEMBER 3, 2002

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EXHIBIT 21

LIST OF SUBSIDIARIES
GRAY TELEVISION, INC.

Name of Subsidiary	Jurisdiction of Incorporation
The Albany Herald Publishing Co.	Georgia
Post-Citizen Media, Inc.	Georgia
Gray Communications of Indiana, Inc.	Georgia
WEAU-TV, Inc.	Georgia
WVLT-TV, Inc.	Georgia
WRDW-TV, Inc.	Georgia
WITN-TV, Inc	Georgia
Gray Kentucky Television, Inc.	Georgia
Gray Communications of Texas, Inc.	Georgia
Gray Communications of Texas - Sherman, Inc.	Georgia
Gray Transportation Company, Inc.	Georgia
Gray Real Estate and Development Co.	Georgia
Gray Florida Holdings, Inc.	Georgia
Gray Television of Nevada, Inc.	Georgia
KOLN/KGIN, Inc.	Delaware
WEAU Licensee Corp.	Delaware
KOLN/KGIN License, Inc.	Delaware
WJHG Licensee Corp.	Delaware
WCTV Licensee Corp.	Delaware
WVLT Licensee Corp.	Delaware
WRDW Licensee Corp.	Delaware
WITN Licensee Corp.	Delaware
WKYT Licensee Corp.	Delaware
WYMT Licensee Corp.	Delaware
KWTX-KBTX Licensee Corp.	Delaware
KXII Licensee Corp.	Delaware
Gray Television Management, Inc.	Delaware
Gray MidAmerica Holdings, Inc.	Delaware
Gray Publishing, Inc.	Delaware
Gray Digital, Inc.	Delaware
KWTX-KBTX LP Corp.	Delaware
KXII LP Corp.	Delaware
Porta-Phone Paging Licensee Corp.	Delaware
KXII L.P.	Delaware
KWTX - KBTX L.P.	Delaware
KOLO Licensee Corp.	Delaware
Gray MidAmerica Television, Inc.	Delaware
Gray MidAmerica TV, Inc.	Delaware
Gray MidAmerica Cable, Inc.	Delaware
Gray MidAmerica TV Interactive Media, Inc.	Delaware
Gray MidAmerica TV Licensee Corp.	Delaware
Gulf Link Communications, Inc.	Louisiana

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-84656, 333-17773, 333-15711, 333-89855, 333-69098 and 333-42377) and Form S-3 (No. 333-88694) of our reports dated February 4, 2003 relating to the consolidated financial statements and financial statement schedule which appear in this Form 10-K for the year ended December 31, 2002.

PricewaterhouseCoopers LLP

Atlanta, Georgia
March 27, 2003

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-84656 and Form S-8 No. 333-17773) pertaining to the Gray Television, Inc. Capital Accumulation Plan, in the Registration Statements (Form S-8 No. 333-15711, Form S-8 No. 333-89855 and 333-69098) pertaining to the Gray Television, Inc. 1992 Long-Term Incentive Plan, in the Registration Statement (Form S-8 No. 333-42377) and in the Company's Shelf Registration Statement (Form S-3 No. 333-88694) pertaining to the Gray Television, Inc. Non-Employee Directors Stock Option Plan of our reports dated January 29, 2001, with respect to the consolidated financial statements and schedule of Gray Television, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2002.

Ernst & Young LLP

Atlanta, Georgia
March 27, 2003

EXHIBIT 99.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

The undersigned, as the chief executive officer of Gray Television, Inc., certifies, to the best of my knowledge, that the Annual Report on Form 10-K for the fiscal year ended December 31, 2002, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Gray Television, Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350) and shall not be relied upon for any other purpose.

Dated this 27th day of March, 2003.

/s/ J. Mack Robinson

J. Mack Robinson
Chairman and Chief Executive Officer

EXHIBIT 99.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

The undersigned, as the chief financial officer of Gray Television, Inc., certifies, to the best of my knowledge, that the Annual Report on Form 10-K for the fiscal year ended December 31, 2002, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Gray Television, Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350) and shall not be relied upon for any other purpose.

Dated this 27th day of March, 2003.

/s/ James C Ryan

James C. Ryan
Senior Vice President and
Chief Financial Officer