PROSPECTUS

Filed Pursuant to Rule 424(b)(1)
Registration NO. 333-04338

GRAY
COMMUNICATIONS SYSTEMS, INC.
$160,000,000
10 5/8% SENIOR SUBORDINATED NOTES DUE 2006
INTEREST PAYABLE APRIL 1 AND OCTOBER 1

ISSUE PRICE: 100%

The 10 5/8% Senior Subordinated Notes due 2006 (the "Notes") are being offered (this "Offering") by Gray Communications Systems, Inc. (the "Company"). Concurrently herewith, the Company is offering (the "Concurrent Offering") 3,500,000 shares of its Class B Common Stock, no par value (the "Class B Common Stock"). The Concurrent Offering is being made by separate prospectus. The closing of this Offering and the placement of funds into escrow are not conditioned upon the consummation of the Concurrent Offering; however, the release of the net proceeds hereof from escrow is conditioned, among other things, upon the consummation of one or more equity offerings having gross proceeds of not less than $65.0 million (the "Minimum Equity Condition").

The Notes will be guaranteed, jointly and severally, fully and unconditionally by: Gray Kentucky Television, Inc., Gray Real Estate & Development Company, KTVE Inc., The Albany Herald Publishing Company, Inc., The Rockdale Citizen Publishing Company, The Southwest Georgia Shopper, Inc., WALB-TV, Inc., WJHG-TV, Inc., WRDW-TV, Inc., Gray Transportation Company, Inc., WALB Licensee Corp., WJHG Licensee Corp., WKYT Licensee Corp., WRDW Licensee Corp., WYMT Licensee Corp., WKXT Licensee Corp., WCTV Operating Corp., WCTV Licensee Corp., WKXT-TV, Inc., Gray Television Management, Inc., Porta-Phone Paging, Inc. and Porta-Phone Paging Licensee Corp. (collectively, the "Subsidiary Guarantors"). The Subsidiary Guarantors constitute all of the Company's subsidiaries.

The Company expects to use the net proceeds of this Offering, together with the proceeds of the Concurrent Offering and certain other funds, to consummate the Phipps Acquisition (as defined) and to repay certain indebtedness. If either the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied prior to December 23, 1996, the Company will be required to redeem (the "Special Redemption") the Notes on or prior to December 31, 1996 (the "Special Redemption Date") at a redemption price (the "Special Redemption Price") equal to 101% of the principal amount of the Notes plus accrued and unpaid interest to the Special Redemption Date. At any time prior to December 23, 1996, if the Phipps Acquisition has not been consummated, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption.

The Notes mature on October 1, 2006, unless previously redeemed. Interest on the Notes is payable semiannually on April 1 and October 1, commencing April 1, 1997. The Notes are redeemable, in whole or in part, at the option of the Company at any time on or after October 1, 2001, at the redemption prices set forth herein, plus accrued and unpaid interest to the date fixed for redemption. In addition, at any time prior to October 1, 1999, the Company, at its option, may redeem up to 35% of the aggregate principal amount of the Notes originally issued with the cash proceeds received by the Company from one or more Public Equity Offerings (as defined), other than the Concurrent Offering, at any time or from time to time, at a redemption price equal to 110.625% of the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption; PROVIDED, HOWEVER, that at least $104.0 million in aggregate principal amount of the Notes remain outstanding immediately after any such redemption. Upon a Change of Control (as defined), the Company has the obligation to offer to purchase all outstanding Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase.

The Notes are general unsecured obligations of the Company and are subordinated in right of payment to all existing and future Senior Debt (as defined) of the Company, including all indebtedness of the Company under the Senior Credit Facility (as defined). The Company does not currently have, and does not currently intend to issue, significant indebtedness to which the Notes would be senior. The Subsidiary Guarantees (as defined) are general unsecured obligations of the Subsidiary Guarantors and are subordinated in right of payment to all existing and future Guarantor Senior Debt (as defined) of the Subsidiary Guarantors. As of June 30, 1996, on a pro forma basis after giving effect to this Offering, the Concurrent Offering and the other transactions described herein, the Company would have had approximately $183.6 million of indebtedness outstanding, of which $23.6 million would be Senior Debt. There is currently no trading market for the Notes and the Company does not intend to list the Notes on any securities exchange.

SEE "RISK FACTORS" ON PAGE 18 FOR A DISCUSSION OF CERTAIN INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC (1)	UNDERWRITING COMPENSATION (2)	PROCEEDS TO COMPANY (3)

Per Note	100%	3%	97%
Total	$160,000,000	$4,800,000	$155,200,000

(1) Plus accrued interest, if any, from the date of issuance.
(2) The Company and the Subsidiary Guarantors have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."
(3) Before deducting expenses payable by the Company estimated at $750,000.

The Notes are being offered by the Underwriters, subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to approval of certain legal matters by Cahill Gordon & Reindel, counsel for the Underwriters, and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Notes will be made through the book-entry facilities of The Depository Trust Company, against payment therefor on or about September 25, 1996.

J.P. MORGAN & CO.

ALLEN & COMPANY
INCORPORATED

THE ROBINSON-HUMPHREY COMPANY, INC.

September 20, 1996

[The graphic material to be included is a map of the southeastern part of the United States with logos of the television stations owned by the Company or that are part of the Phipps Business marking where the stations are located.]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FOR CALIFORNIA RESIDENTS:

WITH RESPECT TO SALES OF THE NOTES OFFERED HEREBY TO CALIFORNIA RESIDENTS, AS OF THE DATE OF THIS PROSPECTUS, SUCH NOTES MAY BE SOLD ONLY TO: (1) "ACCREDITED INVESTORS" WITHIN THE MEANING OF REGULATION D UNDER THE SECURITIES ACT OF 1933, (2) BANKS, SAVINGS AND LOAN ASSOCIATIONS, TRUST COMPANIES, INSURANCE COMPANIES, INVESTMENT COMPANIES REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, PENSION AND PROFIT-SHARING TRUSTS, CORPORATIONS OR OTHER ENTITIES WHICH, TOGETHER WITH THE CORPORATION'S OR OTHER ENTITY'S AFFILIATES, HAVE A NET WORTH ON A CONSOLIDATED BASIS ACCORDING TO THEIR MOST RECENT REGULARLY PREPARED FINANCIAL STATEMENTS (WHICH SHALL HAVE BEEN REVIEWED, BUT NOT NECESSARILY AUDITED, BY OUTSIDE ACCOUNTANTS) OR NOT LESS THAN $14,000,000 AND SUBSIDIARIES OF THE FOREGOING OR (3) ANY PERSON (OTHER THAN A PERSON FORMED FOR THE SOLE PURPOSE OF PURCHASING THE NOTES OFFERED HEREBY) WHO PURCHASES AT LEAST $1,000,000 AGGREGATE AMOUNT OF THE NOTES OFFERED HEREBY. THE INDENTURE DOES NOT CONTAIN A SINKING FUND.

No person has been authorized to give any information or to make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or by any of the Underwriters. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

THIS PROSPECTUS CONTAINS CERTAIN FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 WITH RESPECT TO THE FINANCIAL CONDITION, RESULTS OF OPERATIONS AND BUSINESS OF THE COMPANY, INCLUDING STATEMENTS UNDER THE CAPTIONS "PRO FORMA FINANCIAL DATA," "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS." THESE FORWARD LOOKING STATEMENTS INVOLVE CERTAIN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT ANY OF SUCH MATTERS WILL BE REALIZED. FACTORS THAT MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH FORWARD LOOKING STATEMENTS INCLUDE, AMONG OTHERS, THE FOLLOWING POSSIBILITIES: (1) COMPETITIVE PRESSURE IN THE COMPANY'S INDUSTRY INCREASES; (2) COSTS RELATED TO THE PHIPPS ACQUISITION ARE GREATER THAN EXPECTED; AND (3) GENERAL ECONOMIC CONDITIONS ARE LESS FAVORABLE THAN EXPECTED. FOR FURTHER INFORMATION ON OTHER FACTORS WHICH COULD AFFECT THE FINANCIAL RESULTS OF THE COMPANY AND SUCH FORWARD LOOKING STATEMENTS, SEE "RISK FACTORS."

TABLE OF CONTENTS

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act. This Prospectus does not contain all of the information set forth in the Registration Statement and the schedules and exhibits thereto. For further information with respect to the Company and the Notes, reference is hereby made to the Registration Statement and to the schedules and exhibits thereto. Statements contained in this Prospectus as to the contents of any contract or other document referred to herein are not necessarily complete and where such contract or other document is an exhibit to the Registration Statement, each such statement is qualified in all respects by the provisions of such exhibit, to which reference is hereby made for a full statement of the provisions thereof.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, in accordance therewith, files reports, proxy statements and other information with the Commission. Such Registration Statements, reports, proxy statements and other information filed by the Company with the Commission may be inspected and copied at the public reference facilities of the Commission at its principal office at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices at Seven World Trade Center, 13th Floor, New York, New York 10048 and at Room 3190, Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60061. Copies of each such document may be obtained at prescribed rates from the Public Reference Section of the Commission at its principal office at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The Company is required under the terms of the Indenture to furnish the holders of the Notes with copies of the annual reports and other reports and information required by Sections 13 and 15(d) of the Exchange Act for so long as any Notes remain outstanding.

The Company currently has outstanding Class A common stock, no par value (the "Class A Common Stock"), which is listed on the New York Stock Exchange (the "NYSE"). Reports, proxy statements and other information concerning the Company can be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

PROSPECTUS SUMMARY

THE FOLLOWING INFORMATION IS QUALIFIED IN ITS ENTIRETY BY, AND SHOULD BE READ IN CONJUNCTION WITH, THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS APPEARING ELSEWHERE IN THIS PROSPECTUS. AS USED HEREIN, UNLESS THE CONTEXT OTHERWISE REQUIRES, THE "COMPANY" MEANS GRAY COMMUNICATIONS SYSTEMS, INC. AND ITS SUBSIDIARIES. THE COMPANY HAS NOT YET CONSUMMATED THE PHIPPS ACQUISITION (AS DEFINED) AND THERE CAN BE NO ASSURANCE THAT THE PHIPPS ACQUISITION WILL BE CONSUMMATED. HOWEVER, EXCEPT WITH RESPECT TO HISTORICAL FINANCIAL STATEMENTS AND UNLESS THE CONTEXT INDICATES OTHERWISE, THE PHIPPS BUSINESS (AS DEFINED) IS INCLUDED IN THE DESCRIPTION OF THE COMPANY. SEE "THE PHIPPS ACQUISITION, THE KTVE SALE AND THE FINANCING." UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION GRANTED BY THE COMPANY TO THE UNDERWRITERS IN THE CONCURRENT OFFERING IS NOT EXERCISED. ALL INFORMATION IN THIS PROSPECTUS HAS BEEN ADJUSTED TO GIVE EFFECT TO A 3-FOR-2 SPLIT OF THE CLASS A COMMON STOCK, EFFECTED IN THE FORM OF A STOCK DIVIDEND DECLARED ON OCTOBER 2, 1995. UNLESS OTHERWISE INDICATED, ALL STATION RANK, IN-MARKET SHARE AND TELEVISION HOUSEHOLD DATA IN THIS PROSPECTUS ARE DERIVED FROM THE NIELSEN STATION INDEX, VIEWERS IN PROFILE, DATED NOVEMBER 1995, AS PREPARED BY A.C. NIELSEN COMPANY ("NIELSEN").

THE COMPANY

The Company owns and operates seven network-affiliated television stations in medium-size markets in the southeastern United States, six of which are ranked number one in their respective markets (which includes two television stations that are part of the Phipps Business). Five of the stations are affiliated with the CBS Television Network, a division of CBS, Inc. ("CBS") and two are affiliated with the NBC Television Network, a division of the National Broadcasting Company, Incorporated ("NBC"). In connection with the Phipps Acquisition (described below), the Company will be required under current regulations of the Federal Communications Commission (the "FCC") to divest its NBC affiliates in Albany, Georgia and Panama City, Florida. For a discussion of the Company's plans regarding such divestiture, see "Risk Factors -- FCC Divestiture Requirement" and "The Phipps Acquisition, the KTVE Sale and the Financing." The Company also owns and operates three daily newspapers, two weekly, advertising only publications ("shoppers"), and a paging business (which is part of the Phipps Business), all located in the Southeast. The Company derives significant operating advantages and cost saving synergies through the size of its television station group and the regional focus of its television and publishing operations. These advantages and synergies include (i) sharing television production facilities, equipment and regionally oriented programming, (ii) the ability to purchase television programming for the group as a whole, (iii) negotiating network affiliation agreements on a group basis and (iv) purchasing newsprint and other supplies in bulk. In addition, the Company believes that its regional focus can provide advertisers with an efficient network through which to advertise in the fast-growing Southeast.

In 1993, after the acquisition of a large block of Class A Common Stock by a new investor, the Company implemented a strategy to foster growth through strategic acquisitions. Since 1994, the Company's significant acquisitions have included three television stations and two newspapers, all located 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. On September 10, 1996, J. Mack Robinson, a director of the Company, was appointed President and Chief Executive Officer of the Company on an interim basis, to succeed Ralph W. Gabbard, who had died suddenly. The Company expects to commence a search to locate a new President as soon as practicable following this Offering. On September 11, 1996, Robert S. Prather, Jr., a director of the Company, was appointed Executive Vice President-Acquisitions on an interim basis.

In January 1996, the Company acquired (the "Augusta Acquisition") WRDW-TV ("WRDW"), a CBS affiliate serving Augusta, Georgia (the "Augusta Business"). In December 1995, the Company entered into an asset purchase agreement to acquire (the "Phipps Acquisition") two CBS-affiliated stations, WCTV-TV ("WCTV") serving Tallahassee, Florida/Thomasville, Georgia and WKXT-TV ("WKXT") in Knoxville, Tennessee, a satellite broadcasting business and a paging business (collectively, the "Phipps Business"). The Company believes that the Phipps Acquisition will further enhance the Company's position as a major regional television broadcaster and is highly attractive for a number of reasons, including (i) the stations' strategic fit in the Southeast, (ii) WCTV's leading station market position and WKXT's significant growth potential, (iii) strong station broadcast cash flows, (iv) opportunities for revenue growth utilizing the Company's extensive management expertise with medium-size stations and (v) opportunities for synergies between WCTV and WKXT and the Company's existing stations with regard to revenue enhancement and cost controls. The consummation of the Phipps Acquisition is currently expected to occur by September 30, 1996, although there can be no assurance with respect thereto.

In August 1996, the Company sold the assets (the "KTVE Sale") of KTVE Inc. ("KTVE"), a television station serving Monroe, Louisiana/El Dorado, Arkansas for approximately $9.5 million in cash plus the amount of the accounts receivable on the date of the closing.

For the year ended December 31, 1995, on a pro forma basis, the Company had net revenues, Media Cash Flow (the sum of broadcast cash flow, publishing cash flow and paging cash flow), operating cash flow and net (loss) of $90.6 million, $30.3 million, $28.1 million and $(3.6) million, respectively. For the six months ended June 30, 1996, on a pro forma basis, the Company had net revenues, Media Cash Flow, operating cash flow and net income of $47.3 million, $17.9 million, $16.3 million and $251,000, respectively. Net revenues, Media Cash Flow and operating cash flow on a pro forma basis for the year ended December 31, 1995 increased 148.2%, 188.4% and 227.9%, respectively, while net income decreased 230.3% from the historical amounts for the year ended December 31, 1994. Net revenues, Media Cash Flow and operating cash flow on a pro forma basis for the six months ended June 30, 1996 increased 67.1%, 114.7% and 122.8%, respectively, while net income decreased 78.7% from the historical amounts for the six months ended June 30, 1995. The Company's pro forma net income for its television stations for the year ended December 31, 1995 and for the six months ended June 30, 1996 was $1.6 million and $1.4 million, respectively.

The following table sets forth certain information for each of the Company's television stations.

								PRO FORMA			
								YEAR ENDED DECEMBER 31, 1995		SIX MONTHS ENDED JUNE 30, 1996	
STATION	NETWORK AFFILIATION	MARKET	YEAR ACQUIRED	DMA RANK(1)	CHANNEL/ FREQUENCY	STATION RANK IN DMA(2)	IN-MARKET SHARE OF HOUSEHOLDS VIEWING TV	NET REVENUES	OPERATING INCOME(6)	NET REVENUES	OPERATING INCOME(6)
								(IN THOUSANDS)		(IN THOUSANDS)	
WKYT	CBS	Lexington, KY	1994	68	27/UHF(3)	1	33%	$15,553	$5,247	$7,845	$2,701
WYMT	CBS	Hazard, KY	1994	68	57/UHF(3)	1(4)	24	3,721	831	2,107	530
WRDW	CBS	Augusta, GA	1996	111	12/VHF	1	36	8,888	1,853	4,489	1,149
WALB (5)	NBC	Albany, GA	1954	152	10/VHF	1	80	9,445	4,795	5,099	2,658
WJHG (5)	NBC	Panama City, FL	1960	159	7/VHF	1	53	3,843	270	2,409	476
PHIPPS ACQUISITION											
WKXT	CBS	Knoxville, TN		62	8/VHF	3	22	9,269	2,204	4,387	903
WCTV	CBS	Tallahassee, FL/ Thomasville, GA		116	6/VHF	1	60	11,862	4,229	6,212	2,254

- ------------------------------
(1) Ranking of designated market area as defined by Nielsen ("DMA") served by a station among all DMAs is measured by the number of television households within the DMA based on the November 1995 Nielsen estimates.
(2) Represents station rank in DMA as determined by November 1995 Nielsen estimates of the number of television sets tuned to the Company's station as a percentage of the number of television sets in use in the market for the Sunday through Saturday 6 a.m. to 2 a.m. time period.
(3) All stations in the market are UHF stations.
(4) The market area served by WYMT is an 18-county trading area, as defined by Nielsen, and is included in the Lexington, Kentucky DMA. WYMT's station rank is based upon its position in the 18-county trading area.
(5) The Company will be required under current FCC regulations to divest WALB and WJHG in connection with the Phipps Acquisition. For a discussion of the Company's plans, see "Risk Factors-FCC Divestiture Requirement" and "The Phipps Acquisition, the KTVE Sale and the Financing."
(6) Represents pro forma income before miscellaneous income (expense), allocation of corporate overhead, interest expense and income taxes.

The Company's three newspapers, THE ALBANY HERALD, THE ROCKDALE CITIZEN and the GWINNETT DAILY POST and two shoppers had net revenues and operating income (income before miscellaneous income (expense), allocation of corporate overhead, interest expense and income taxes) on a pro forma basis of $21.9 million and $660,000, respectively, for the year ended December 31, 1995, and $11.3 million and $1.3 million for the six months ended June 30, 1996, respectively. The satellite broadcasting business and paging business, which are a part of the Phipps

Business, had net revenues and operating income (income before miscellaneous income (expense), allocation of corporate overhead, interest expense and income taxes) on a pro forma basis of $6.2 million and $542,000 for the year ended December 31, 1995 and $3.5 million and $467,000 for the six months ended June 30, 1996, respectively.

BUSINESS STRATEGY

The Company's business strategy includes the following key elements:

- STRONG LOCAL PRESENCE. Each of the Company's television stations seeks to achieve a distinct identity through its emphasis on local programming. A key objective is to build audience loyalty through the development of a strong local news franchise. Strong local news generates high viewership and results in higher ratings for programs both preceding and following the news, which increases revenues and Media Cash Flow.

- REGIONAL FOCUS. The Company believes its regional focus has competitive advantages, including the ability to purchase and produce programming that can be used by multiple Company-owned stations as well as the opportunity to sell advertising on multiple stations as a single buy. In addition, the proximity of the Company's operations allows the sharing of equipment, management and marketing expertise.

- TARGETED MARKETING. The Company seeks to increase its advertising revenues and Media Cash Flow by expanding existing relationships with local and national advertisers and by attracting new advertisers through targeted marketing techniques and carefully tailored programming. The Company works closely with advertisers to develop advertising campaigns that match specifically targeted audience segments including sponsoring and staging various special events such as fishing tournaments, boat shows and bridal expositions.

- COST CONTROLS. Through its strategic planning and annual budgeting processes, the Company continually seeks to identify and implement cost savings opportunities at each of its stations and publications in order to increase Media Cash Flow. The Company's ownership of multiple stations and publications also benefits each operation in negotiating favorable terms with programming syndicators, newsprint suppliers, national sales representatives and other vendors.

- SELECTIVE ACQUISITIONS. The Company has focused on acquiring television stations where the Company believes there is the potential for improvements in revenue share, audience share and cost control. The Company focuses on southeastern markets of medium size because the Company believes these markets offer superior opportunities in terms of projected population and economic growth, leading to higher advertising and circulation revenues. In assessing acquisitions, the Company targets stations and publications where it sees specific opportunities for revenue enhancement while controlling expenditures, utilizing management's significant experience with local and national advertising sales and in operating similar businesses. In appropriate circumstances, the Company will dispose of assets that it deems non-essential to its operating or growth strategy.

THE PHIPPS ACQUISITION, THE KTVE SALE AND THE FINANCING

The Company has entered into an agreement to acquire WCTV and WKXT, a satellite broadcasting business and a paging business in the Southeast. The purchase price for the Phipps Acquisition is approximately $185 million, including fees, expenses and working capital and other adjustments. The consummation of the Phipps Acquisition is expected to occur by September 30, 1996, although there can be no assurance with respect thereto. See "Risk Factors -- Possible Non-Consummation of the Phipps Acquisition."

Pursuant to an agreement, dated as of May 15, 1996 (the "KTVE Agreement"), with GOCOM Television of Ouachita, L.P., in August 1996, the Company sold the assets of KTVE for approximately $9.5 million in cash plus the amount of the accounts receivable on the date of the closing (approximately $870,000), to the extent collected by the buyer, to be paid to the Company 150 days following the date of closing. For the year ended December 31, 1995, KTVE had net revenues, Media Cash Flow and operating income (income before miscellaneous income (expense), allocation of corporate overhead, interest expense and income taxes) of $4.2 million, $916,000 and $437,000, respectively, and $2.3 million, $598,000 and $360,000, respectively, for the six months ended June 30, 1996. The Company estimates that the gain, net of estimated taxes, on the KTVE Sale was approximately $2.8 million.

In addition to the KTVE Sale and the consummation of this Offering, the Concurrent Offering and the Phipps Acquisition, the Company intends to implement a financing plan (the "Financing") to increase liquidity and improve operating and financial flexibility. Pursuant to the Financing, the Company will (i) retire approximately $49.5 million aggregate principal amount of outstanding indebtedness under its senior secured bank credit facility (the "Old Credit Facility"), together with accrued interest thereon, (ii) retire approximately $25.0 million aggregate principal amount of outstanding indebtedness under its senior note due 2003 (the "Senior Note"), together with accrued interest thereon and a prepayment fee, (iii) issue $10.0 million liquidation preference of its Series A preferred stock (the "Series A Preferred Stock") in exchange for its outstanding $10.0 million aggregate principal amount 8% subordinated note (the "8% Note") issued to Bull Run Corporation ("Bull Run"), a principal shareholder of the Company, (iv) issue to Bull Run, J. Mack Robinson, the President, Chief Executive Officer and a director of the Company, and certain of his affiliates $10.0 million liquidation preference of its Series B preferred stock (the "Series B Preferred Stock" and together with the Series A Preferred Stock, the "Preferred Stock") with warrants to purchase up to 500,000 shares of Class A Common Stock (representing 10.1% of the currently issued and outstanding Class A Common Stock after giving effect to the exercise of such warrants) for cash proceeds of $10.0 million and (v) enter into a new senior secured bank credit facility (the "Senior Credit Facility") to provide for a term loan and revolving credit facility aggregating $125.0 million. The cash required for the consummation of the Phipps Acquisition, the repayment of indebtedness and related transaction costs will be provided by the net proceeds of this Offering, the Concurrent Offering and the sale of the Series B Preferred Stock and the warrants, borrowings under the Senior Credit Facility and the Company's working capital. For a description of the Senior Credit Facility and the Preferred Stock, see "Description of Certain Indebtedness" and "Management--Compensation Committee Interlocks and Insider Participation-Issuances of Preferred Stock."

The consummation of this Offering and the placement of funds into escrow are conditioned upon the issuance of the Series A Preferred Stock in exchange for the 8% Note, the issuance of the Series B Preferred Stock and the entering into of the Senior Credit Facility. The consummation of this Offering and the placement of the net proceeds thereof into escrow are not conditioned upon the consummation of the Concurrent Offering or the Phipps Acquisition or the other elements of the Financing. However the release of the net proceeds hereof from escrow is conditioned, among other things, upon the satisfaction of the Minimum Equity Condition, the retirement of the Senior Note and the Old Credit Facility and the consummation of the Phipps Acquisition. The Notes are subject to a mandatory redemption on the Special Redemption Date at the Special Redemption Price if either the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied prior to December 23, 1996. See "Description of the Notes-Redemption-Special Redemption."

The Senior Credit Facility will provide that no borrowings may be made thereunder until the closing of the Phipps Acquisition. Accordingly, if the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied, the Notes will be redeemed by the Company, the Old Credit Facility will remain in place and the Company will not borrow under the Senior Credit Facility.

The following table sets forth the estimated sources and uses of funds relating to this Offering, the Concurrent Offering, the Phipps Acquisition and the Financing:

(IN MILLIONS)	AMOUNT
SOURCES OF FUNDS:	
The Notes offered hereby	$160.0
The Concurrent Offering (1)	73.5
Sale of Series B Preferred Stock and Warrants	10.0
Borrowings under the Senior Credit Facility	22.9
Working capital (2)	9.5
TOTAL	$275.9
USES OF FUNDS:	
Consummation of Phipps Acquisition	$185.0
Retire indebtedness under the Old Credit Facility (3)	49.5
Retire indebtedness under the Senior Note (4)	25.0
Fees and expenses (5)	16.4
TOTAL	$275.9

- ------------------------------

(1) Assumes estimated gross proceeds from the Concurrent Offering of $73.5 million and estimated net proceeds therefrom of $67.6 million. It is a condition of the release from escrow of the net proceeds of this Offering that the Company shall have consummated one or more equity offerings having gross proceeds of not less than $65.0 million. To the extent that the gross proceeds of any such equity offerings are less than $73.5 million, the Company intends to borrow such difference under its Senior Credit Facility. It is anticipated that there will not be a significant interval between the closing of this Offering and the closing of the Concurrent Offering.

(2) The source of these funds was the KTVE Sale.

(3) Borrowings under the Old Credit Facility bear interest at formula rates based upon the applicable London inter-bank offered rate ("LIBOR") or prime rate at the time of borrowing plus a fixed spread and have a final maturity of 2003. As of June 30, 1996, the weighted average interest rate was 8.94%.

(4) The indebtedness under the Senior Note bears interest at 10.7%.

(5) Fees and expenses include underwriting costs for the Notes and the Concurrent Offering, fees payable in connection with the negotiation and execution of the Senior Credit Facility, fees payable in connection with the retirement of the Senior Note and legal, accounting and other transaction fees.

Prior to the consummation of the Phipps Acquisition and the satisfaction of the Minimum Equity Condition, the net proceeds of this Offering, together with an amount sufficient to permit the Company to redeem the Notes on the Special Redemption Date at the Special Redemption Price, will be held by and pledged to the Trustee for the benefit of the holders of the Notes. The Trust Funds will be invested in cash equivalents. The proceeds of the Concurrent Offering will be used to repay indebtedness under the Old Credit Facility, to retire the Senior Note and to provide funds for the Phipps Acquisition.

THE OFFERING

SECURITIES OFFERED..........................	$160,000,000 aggregate principal amount of 10 5/8% Senior Subordinated Notes due 2006.
MATURITY DATE...............................	, 2006.
INTEREST PAYMENT DATES......................	and , commencing , 1997.
SPECIAL REDEMPTION BY THE COMPANY...........	If the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied prior to December 23, 1996, the Company will be required to redeem (the "Special Redemption") the Notes on or prior to December 31, 1996 (the "Special Redemption Date") at a redemption price (the "Special Redemption Price") equal to 101% of the principal amount of the Notes plus accrued and unpaid interest to the Special Redemption Date. At any time prior to December 23, 1996, if the Phipps Acquisition has not been consummated or the Minimum Equity Condition is not satisfied, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption. Prior to the consummation of the Phipps Acquisition and the satisfaction of the Minimum Equity Condition, the net proceeds of this Offering, together with an amount sufficient to permit the Company to redeem the Notes on the Special Redemption Date at the Special Redemption Price, will be held by and pledged to the Trustee for the benefit of the holders of the Notes and the obligation of the Company to consummate the Special Redemption will be secured by such funds (the "Trust Funds").

OPTIONAL REDEMPTION BY THE COMPANY..........	The Notes will be redeemable, in whole or in part, at the option of the Company at any time on or after October 1, 2001, at the redemption prices set forth herein, plus accrued and unpaid interest to the date fixed for redemption. In addition, at any time prior to October 1, 1999, the Company, at its option, may redeem up to 35% of the aggregate principal amount of the Notes originally issued with the cash proceeds received by the Company from one or more Public Equity Offerings, other than the Concurrent Offering, at any time or from time to time, at a redemption price equal to 110.625% of the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption; PROVIDED, HOWEVER, that at least $104.0 million in aggregate principal amount of the Notes remain outstanding immediately after any such redemption.
CHANGE OF CONTROL OFFER....................	Upon a Change of Control, the Company has the obligation to offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. See "Description of the Notes -- Change of Control" for a discussion of the circumstances in which the Company may not be required to make a Change of Control Offer (as defined).
OFFERS TO PURCHASE..........................	In the event of certain asset sales, the Company will be required to offer to repurchase the Notes at 100% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase with the net proceeds of such asset sales.
SUBORDINATION..............................	The Notes will be general unsecured obligations of the Company and will be subordinated in right of payment to all existing and future Senior Debt of the Company, including all indebtedness of the Company under the Senior Credit Facility. As of June 30, 1996, on a pro forma basis after giving effect to this Offering, the Concurrent Offering, the KTVE Sale, the Financing and the application of the net proceeds therefrom, and to the Phipps Acquisition, the Company would have had approximately $183.6 million of indebtedness outstanding, of which $23.6 million would be Senior Debt.
SUBSIDIARY GUARANTEES......................	The Notes will be guaranteed, jointly and severally, fully and unconditionally, on a senior subordinated basis by the Subsidiary Guarantors (the "Subsidiary Guarantees"). The obligations of any Subsidiary Guarantor with respect to its Subsidiary Guarantee will be subordinated in right of payment, to the same extent as the obligations of the Company in respect of the Notes, to all existing and future Guarantor Senior Debt of such Subsidiary Guarantor, which will include any guarantee by such Subsidiary Guarantor of the Company's indebtedness under the Senior Credit Facility.

PRINCIPAL COVENANTS.........................	The Indenture for the Notes (the "Indenture") will impose certain limitations on the ability of the Company and its subsidiaries to, among other things, incur additional indebtedness, pay dividends or make certain other restricted payments, consummate certain asset sales, enter into certain transactions with affiliates, incur indebtedness that is subordinate in right of payment to any Senior Debt or Guarantor Senior Debt and senior in right of payment to the Notes or any Subsidiary Guarantee, incur liens, impose restrictions on the ability of a subsidiary to pay dividends or make certain payments to the Company, merge or consolidate with any other person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of the Company.
USE OF PROCEEDS.............................	The Company intends to use the proceeds from the sale of the Notes, together with the proceeds of the Concurrent Offering, the other proceeds of the Financing and the Company's working capital, to (i) consummate the Phipps Acquisition, (ii) retire indebtedness under the Old Credit Facility and the Senior Note and (iii) pay related fees and expenses. However, in the event the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied prior to December 23, 1996, the Company will be obligated to redeem the Notes. See "The Phipps Acquisition, the KTVE Sale and the Financing" and "Description of the Notes-Redemption-Special Redemption."

RISK FACTORS

See "Risk Factors" for a discussion of certain information that should be considered by prospective investors.

The Company was incorporated in Georgia in 1897. The principal executive offices of the Company are located at 126 North Washington Street, Albany, Georgia 31701, telephone number (912) 888-9390.

SUMMARY PRO FORMA FINANCIAL DATA

The following table sets forth (i) unaudited condensed consolidated historical financial information of the Company and certain data derived therefrom and (ii) unaudited condensed consolidated pro forma combined financial information of the Company and certain data derived therefrom. The unaudited condensed consolidated pro forma combined financial statements of the Company give effect to the Augusta Acquisition, the KTVE Sale, the Concurrent Offering, the Phipps Acquisition, the Financing and this Offering as if such transactions had occurred as of January 1, 1995 with respect to the statement of operations and data derived therefrom for the year ended December 31, 1995 and as of January 1, 1996 with respect to the statement of operations and data derived therefrom for the six months ended June 30, 1996 and as of December 31, 1995 and June 30, 1996 with respect to the balance sheet data derived therefrom as of such dates.

The Augusta Acquisition and the Phipps Acquisition are reflected using the purchase method of accounting for business combinations. The pro forma financial information is provided for comparative purposes only and does not purport to be indicative of the results that actually would have been obtained if the events set forth above had been effected on the dates indicated or of those results that may be obtained in the future. The pro forma financial statements are based on preliminary estimates of values and transaction costs. The actual recording of the transactions will be based on final appraisals, values and transaction costs. Accordingly, the actual recording of the transactions can be expected to differ from these pro forma financial statements.

	YEAR ENDED DECEMBER 31, 1995		SIX MONTHS ENDED JUNE 30, 1996	
(IN THOUSANDS EXCEPT RATIOS AND PER SHARE DATA)	HISTORICAL COMPANY	PRO FORMA COMBINED	HISTORICAL COMPANY	PRO FORMA COMBINED
STATEMENT OF OPERATIONS DATA:				
Operating revenues:				
Broadcasting (less agency commissions)	$36,750	$ 63,874	$ 24,252	$ 33,295
Publishing	21,866	21,866	11,262	11,262
Paging	--	4,897	--	2,744
Total revenues	58,616	90,637	35,514	47,301
Total expenses	51,756	75,224	28,203	36,603
Operating income	6,860	15,413	7,311	10,698
Miscellaneous income (expense), net	143	36	81	75
Income before interest expense and income taxes	7,003	15,449	7,392	10,773
Interest expense	5,438	20,900	4,445	10,354
Income (loss) before income taxes	1,565	(5,451)	2,947	419
Income tax expense (benefit)	634	(1,847)	1,146	168
Net income (loss)	931	(3,604)	1,801	251
Preferred stock dividends	--	1,400	--	700
Net income (loss) available to common stockholders	$ 931	$ (5,004)	$ 1,801	$ (449)
Average shares outstanding	4,481	7,854	4,657	7,954
Earnings (loss) per common share	$ 0.21	$ (0.64)	$ 0.39	$ (0.06)
BALANCE SHEET DATA (AT END OF PERIOD):				
Working capital (deficiency)	$ (222)	$ 7,142	$ 3,538	$ 7,116
Total assets	78,240	299,997	112,516	299,567
Total debt	54,324	186,403	82,846	183,651
Total stockholders' equity	$ 8,986	$ 95,520	$ 13,813	$ 98,217

(IN THOUSANDS EXCEPT RATIOS)	YEAR ENDED DECEMBER 31, 1995		SIX MONTHS ENDED JUNE 30, 1996	
	HISTORICAL COMPANY	PRO FORMA COMBINED	HISTORICAL COMPANY	PRO FORMA COMBINED
OTHER DATA:				
Media Cash Flow (1)	$15,559	$ 30,345	$ 12,004	$ 17,888
Operating cash flow (2)	13,309	28,094	10,442	16,326
EBITDA (3)	13,140	28,134	10,332	16,363
Cash flows provided by (used in):				
Operating activities	7,600	8,981	6,801	7,491
Investing activities	(8,929)	(8,011)	(37,490)	(4,029)
Financing activities	1,331	(2,945)	31,416	(3,012)
Capital expenditures	$ 3,280	$ 6,390	$ 1,317	$ 2,960
Ratio of Media Cash Flow to interest expense	2.9	1.5	2.7	1.7
Ratio of operating cash flow to interest expense	2.4	1.3	2.3	1.6
Ratio of total debt to Media Cash Flow	3.5	6.1	4.3(5)	5.6(5)
Ratio of total debt to operating cash flow	4.1	6.6	5.0(5)	6.2(5)
Ratio of earnings to fixed charges (4)	1.3	--	1.6	1.0

- ------------------------------

(1) Media Cash Flow represents operating income plus depreciation and amortization (including amortization of program license rights), non-cash compensation and corporate overhead, less payments of program license liabilities.

(2) Operating cash flow represents operating income plus depreciation, amortization (including amortization of program license rights) and non-cash compensation less payments for program license liabilities.

(3) EBITDA represents operating income plus (i) depreciation and amortization (excluding amortization of program license rights) and (ii) non-cash compensation paid in common stock (excluding such payments made to the 401(k) plan). EBITDA is presented not as a measure of operating results, but rather to provide additional information related to the Company's ability to service debt. EBITDA should not be considered as an alternative to either (x) operating income determined in accordance with generally accepted accounting principles ("GAAP") as an indicator of operating performance or (y) cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity.

(4) For purposes of this item "fixed charges" represent interest, the interest element of rental expense, capitalized interest and amortization of debt issuance costs and "earnings" represent income (loss) before income taxes, discontinued operations, extraordinary items, cumulative effect of change in accounting principles and fixed charges. Pro forma combined earnings would be insufficient to cover fixed charges for the year ended December 31, 1995 by $5.5 million.

(5) Represents applicable ratios for the 12 month period ended June 30, 1996.

SUMMARY HISTORICAL FINANCIAL DATA
GRAY COMMUNICATIONS SYSTEMS, INC. AND SUBSIDIARIES

Set forth below are certain selected historical consolidated financial data of the Company. This information should be read in conjunction with the consolidated financial statements of the Company and related notes thereto appearing elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations of the Company." The selected consolidated financial data for, and as of the end of, each of the years in the four-year period ended December 31, 1995 are derived from the audited consolidated financial statements of the Company. The selected consolidated financial data for, and as of the year ended December 31, 1991 are derived from unaudited financial statements since the Company had a June 30 fiscal year end. The selected consolidated financial data for, and as of the six months ended June 30, 1995 and 1996 are derived from the unaudited accounting records of the Company and have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of the management of the Company, include all normal and recurring adjustments and accruals necessary for a fair presentation of such information.

	YEAR ENDED DECEMBER 31					SIX MONTHS ENDED JUNE 30	
	1991	1992	1993	1994	1995	1995	1996
(IN THOUSANDS)	(UNAUDITED)					(UNAUDITED)	
STATEMENT OF INCOME DATA:							
Operating revenues:							
Broadcasting (less agency commissions)	$13,553	$15,131	$15,004	$22,826	$36,750	$18,261	$24,252
Publishing	8,968	9,512	10,109	13,692	21,866	10,046	11,262
Total revenues	22,521	24,643	25,113	36,518	58,616	28,307	35,514
Expenses:							
Broadcasting	9,672	9,753	10,029	14,864	23,202	11,410	14,418
Publishing	6,444	6,752	7,662	11,198	20,016	8,590	9,193
Corporate and administrative	1,889	2,627	2,326	1,959	2,258	1,012	1,571
Depreciation	1,487	1,197	1,388	1,745	2,633	1,234	1,648
Amortization of intangible assets	14	44	177	396	1,326	588	1,253
Non-cash compensation paid in common stock	--	--	--	80	2,321	816	120
Total expenses	19,506	20,373	21,582	30,242	51,756	23,650	28,203
Operating income	3,015	4,270	3,531	6,276	6,860	4,657	7,311
Miscellaneous income (expense), net	778	(1,519)	202	189	143	69	81
Income from continuing operations before interest expense and income taxes	3,793	2,751	3,733	6,465	7,003	4,726	7,392
Interest expense	787	1,486	985	1,923	5,438	2,768	4,445
Income from continuing operations before income taxes	3,006	1,265	2,748	4,542	1,565	1,958	2,947
Income tax expense	1,156	869	1,068	1,776	634	776	1,146
Income from continuing operations	1,850	396	1,680	2,766	931	1,182	1,801
Discontinued business:							
Income (loss) from operations of discontinued business, net of applicable income tax expense (benefit) of ($55), ($79) and $30, respectively	(90)	(129)	48	--	--	--	--
Gain on disposal of discontinued business, net of applicable income tax expense of $501	--	--	818	--	--	--	--
Net income	$ 1,760	$ 267	$ 2,546	$ 2,766	$ 931	$ 1,182	$ 1,801
BALANCE SHEET DATA (AT END OF PERIOD):							
Working capital (deficiency)	$ 6,740	$ 2,976	$ 2,579	$ 1,075	$ (222)	$ 237	$ 3,538
Total assets	31,548	24,173	21,372	68,789	78,240	73,932	112,516
Total debt	20,378	12,412	7,759	52,940	54,324	54,319	82,846
Total stockholders' equity	$ 5,853	$ 4,850	$ 7,118	$ 5,001	$ 8,986	$ 7,375	$13,813

(IN THOUSANDS EXCEPT RATIOS)	YEAR ENDED DECEMBER 31 1991 (UNAUDITED)	1992	1993	1994	1995	SIX MONTHS ENDED JUNE 30 1995 (UNAUDITED)	1996
OTHER DATA:							
Media Cash Flow (1)	$ 6,405	$ 8,079	$ 7,371	$10,522	$15,559	$ 8,333	$12,004
Operating cash flow (2)	4,516	5,452	5,044	8,567	13,309	7,329	10,442
EBITDA (3)	4,516	5,512	5,095	8,498	13,140	7,296	10,332
Cash flows provided by (used in):							
Operating activities	$ 3,499	$ 4,832	$ 1,324	$ 5,798	$ 7,600	$ 3,828	$ 6,801
Investing activities	(2,073)	(1,041)	3,062	(42,770)	(8,929)	(5,377)	(37,490)
Financing activities	(10,424)	(9,300)	(4,932)	37,200	1,331	1,208	31,416
Capital expenditures	$ 2,235	$ 2,216	$ 2,582	$ 1,768	$ 3,280	$ 1,852	$ 1,317
Ratio of Media Cash Flow to interest expense	8.1	5.4	7.5	5.5	2.9	3.0	2.7
Ratio of operating cash flow to interest expense	5.7	3.7	5.1	4.5	2.4	2.6	2.3
Ratio of total debt to Media Cash Flow	3.2	1.5	1.1	5.0	3.5	3.5(5)	4.3(5)
Ratio of total debt to operating cash flow	4.5	2.3	1.5	6.2	4.1	4.1(5)	5.0(5)
Ratio of earnings to fixed charges (4)	4.7	1.8	3.4	3.2	1.3	1.7	1.6

- ------------------------------

(1) Media Cash Flow represents operating income plus depreciation and amortization (including amortization of program license rights), non-cash compensation and corporate overhead, less payments of program license liabilities.

(2) Operating cash flow represents operating income plus depreciation, amortization (including amortization of program license rights) and non-cash compensation less payments for program license liabilities.

(3) EBITDA represents operating income plus (i) depreciation and amortization (excluding amortization of program license rights) and (ii) non-cash compensation paid in common stock (excluding such payments made to the 401(k) plan). EBITDA is presented not as a measure of operating results, but rather to provide additional information related to the Company's ability to service debt. EBITDA should not be considered as an alternative to either (x) operating income determined in accordance with GAAP as an indicator of operating performance or (y) cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity.

(4) For purposes of this item, "fixed charges" represent interest, the interest element of rental expense, capitalized interest and amortization of debt issuance costs and "earnings" represent income (loss) before income taxes, discontinued operations, extraordinary items, cumulative effect of change in accounting principles and fixed charges.

(5) Represents applicable ratios for the 12 month periods ended June 30, 1995 and 1996.

THE PHIPPS BUSINESS

Set forth below are certain selected historical financial data of the Phipps Business. This information should be read in conjunction with the Financial Statements of the Phipps Business and related notes thereto appearing elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations of the Phipps Business." The selected financial data for, and as of the end of, each of the years in the three-year period ended December 31, 1995 are derived from the audited financial statements of the Phipps Business. The selected financial data for, and as of the end of, each of the years ended December 31, 1991 and 1992 are derived from the unaudited accounting records of the Phipps Business. The selected financial data for, and as of the six months ended June 30, 1995 and 1996 are derived from the unaudited financial statements of the Phipps Business and have been prepared on the same basis as the audited financial statements and, in the opinion of management of the Company, include all normal and recurring adjustments and accruals necessary for a fair presentation of such information.

	YEAR ENDED DECEMBER 31					SIX MONTHS ENDED JUNE 30	
	1991	1992(1)	1993	1994	1995	1995	1996
(IN THOUSANDS)	(UNAUDITED)					(UNAUDITED)	
STATEMENT OF INCOME DATA:							
Operating revenues:							
Broadcasting (less agency commission)	$ 10,492	$ 14,523	$ 19,460	$ 21,524	$ 22,424	$ 10,774	$ 11,346
Paging	3,369	3,646	3,788	4,277	4,897	2,423	2,744
Total revenues	13,861	18,169	23,248	25,801	27,321	13,197	14,090
Expenses:							
Broadcasting	5,298	7,518	10,734	10,211	10,487	5,065	5,412
Paging	2,356	2,298	2,529	2,764	3,052	1,411	1,780
Management fee	579	973	2,462	2,486	3,280	1,539	735
Depreciation and amortization	1,513	1,734	2,836	2,672	3,120	1,436	1,530
Total expenses	9,746	12,523	18,561	18,133	19,939	9,451	9,457
Operating income	4,115	5,646	4,687	7,668	7,382	3,746	4,633
Miscellaneous income (expense), net	5	8	16	666	12	(4)	(5)
Income before interest expense and minority interests	4,120	5,654	4,703	8,334	7,394	3,742	4,628
Interest expense	162	442	632	480	499	223	159
Income before minority interests	3,958	5,212	4,071	7,854	6,895	3,519	4,469
Minority interests	--	331	140	635	547	256	296
Net income	$ 3,958	$ 4,881	$ 3,931	$ 7,219	$ 6,348	$ 3,263	$ 4,173
Supplemental unaudited pro forma information: (2)							
Net income, as above	$ 3,958	$ 4,881	$ 3,931	$ 7,219	$ 6,348	$ 3,263	$ 4,173
Pro forma provision for income tax expense	1,504	1,855	1,500	2,743	2,413	1,240	1,586
Pro forma net income	$ 2,454	$ 3,026	$ 2,431	$ 4,476	$ 3,935	$ 2,023	$ 2,587
BALANCE SHEET DATA (AT END OF PERIOD):							
Working capital	$ 595	$ 615	$ 1,257	$ 1,421	$ 2,622	$ 2,228	$ 2,902
Total assets	8,931	25,068	24,819	25,298	27,562	27,633	26,306
Total debt	1,388	7,697	6,542	6,065	4,810	5,198	4,034
Minority interests	--	1,154	824	728	586	648	655
Owner's equity	$ 6,351	$ 13,276	$ 14,306	$ 15,465	$ 18,794	$ 18,764	$ 18,666

(IN THOUSANDS)	YEAR ENDED DECEMBER 31 1993	1994	1995	SIX MONTHS ENDED JUNE 30 1995 (UNAUDITED)	1996
OTHER DATA:					
Media Cash Flow (3)	$ 10,466	$ 12,983	$ 13,696	$ 6,678	$ 6,769
Operating cash flow (4)	8,003	10,498	10,416	5,140	6,035
EBITDA (5)	7,523	10,340	10,502	5,182	6,163
Cash flows provided by (used in):					
Operating activities	7,397	9,808	9,259	4,136	6,191
Investing activities	(2,953)	(2,506)	(3,828)	(3,152)	(840)
Financing activities	(4,418)	(7,233)	(4,906)	(917)	(5,309)
Capital expenditures	$ 3,538	$ 3,353	$ 3,188	$ 1,902	$ 1,647

- ------------------------------

(1) Includes the acquisition of a majority interest in WKXT in July 1992, which was accounted for using the purchase method of accounting.

(2) John H. Phipps, Inc. and its subsidiaries file a consolidated federal income tax return and separate state tax returns. Income tax expense for the Phipps Business is not presented in the financial statements as such amounts are computed and paid by John H. Phipps, Inc. Pro forma federal and state income taxes for the Phipps Business are calculated on a pro forma, separate return basis.

(3) Media Cash Flow represents operating income plus depreciation, amortization (including amortization of program license rights) and corporate overhead, less payments of program license liabilities.

(4) Operating cash flow represents operating income plus depreciation and amortization (including amortization of program license rights) less payments for program license liabilities.

(5) EBITDA represents operating income plus depreciation and amortization (excluding amortization of program license rights). EBITDA is presented not as a measure of operating results, but rather to provide additional information related to the Phipps Business' ability to service debt. EBITDA should not be considered as an alternative to either (x) operating income determined in accordance with GAAP as an indicator of operating performance or (y) cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity.

RISK FACTORS

IN ADDITION TO CONSIDERING THE OTHER INFORMATION SET FORTH IN THIS PROSPECTUS, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER CAREFULLY THE FOLLOWING FACTORS BEFORE DECIDING TO INVEST IN THE NOTES.

SUBSTANTIAL LEVERAGE. The Company will have substantial indebtedness upon the consummation of this Offering and the Concurrent Offering. As of June 30, 1996, on a pro forma basis after giving effect to the KTVE Sale, the Concurrent Offering, the Financing, the Phipps Acquisition and this Offering, the Company and the Subsidiary Guarantors, on a consolidated basis, would have had outstanding $183.6 million of indebtedness, of which $23.6 million would have ranked senior to the Notes, and stockholders' equity of $98.2 million, with the ability, subject to certain limitations described herein, to incur approximately $102.2 million of additional indebtedness pursuant to the Senior Credit Facility, $10.0 million of which could have been borrowed thereunder. As part of the Financing and as a condition of this Offering, the Company will enter into the Senior Credit Facility and the Company has entered into a commitment letter with respect thereto. See "Description of Certain Indebtedness." On a pro forma basis after giving effect to the Augusta Acquisition, the KTVE Sale, the Concurrent Offering, the Financing, the Phipps Acquisition and this Offering for the year ended December 31, 1995 and the six months ended June 30, 1996, the Company's pro forma combined earnings would have been insufficient to cover fixed charges by $5.5 million and sufficient to cover fixed charges by $419,000, respectively. In addition, upon the consummation of this Offering, the Company will issue Series A and Series B Preferred Stock having annual dividend requirements of $800,000 and $600,000, respectively, which in the case of the Series B Preferred Stock, may, at the option of the Company, be paid in shares of Series B Preferred Stock. See "Certain Relationships and Related Transactions--Issuances of Preferred Stock."

The Company intends to pursue additional acquisitions of television stations, publications or related businesses and, in connection therewith, may incur substantial additional indebtedness or issue substantial additional preferred stock.

The degree to which the Company will be leveraged could have important consequences to holders of the Notes, including the following: (i) the Company's ability to obtain financing in the future for working capital, capital expenditures and general corporate purposes may be impaired; (ii) a substantial portion of the Company's cash flow from operations must be dedicated to the payment of principal and interest on its indebtedness and the payment of cash dividends on the Series A Preferred Stock; and (iii) a high degree of leverage may limit the Company's ability to react to changes in the industry, make the Company more vulnerable to economic downturns and limit its ability to withstand competitive pressures.

The Company's ability to pay interest on the Notes and to service its other debt and dividend obligations will depend upon its future operating performance which will be affected by prevailing economic conditions and financial and business factors, many of which are beyond the Company's control. If the Company cannot generate sufficient cash flow from operations to meet its obligations, then the Company may be required to restructure or refinance its debt, raise additional capital or take other actions such as selling assets or reducing or delaying capital expenditures. There can be no assurance, however, that any of such actions could be effected on satisfactory terms, if at all, or would be permitted by the terms of the Old Credit Facility, the Senior Credit Facility, the Indenture or the Company's other credit arrangements.

The Company's Old Credit Facility contains, and the Senior Credit Facility and the Notes will contain, restrictive covenants that, among other things, limit the Company's ability to incur additional indebtedness, create liens and make investments and capital expenditures. The Old Credit Facility also requires, and the Senior Credit Facility will require, the Company to comply with certain financial ratios and tests, under which the Company is required to achieve certain financial and operating results. The Company's ability to meet these financial ratios and tests may be affected by events beyond its control, and there can be no assurance that they will be met. In the event of a default under such Senior Debt, the lenders thereunder may terminate their lending commitments and declare the indebtedness immediately due and payable, resulting in a default under the Notes. As a result of the priority afforded the Senior Debt, there can be no assurance that the Company would have sufficient assets to pay indebtedness then outstanding thereunder and under the Notes.

SUBORDINATION OF THE NOTES. The Notes will be subordinated in right of payment to all Senior Debt of the Company. In the event of the bankruptcy, liquidation or reorganization of the Company, the assets of the Company will be available to pay obligations on the Notes only after all Senior Debt has been paid in full and sufficient assets may not remain to pay amounts due on any or all of the Notes then outstanding. Similarly, the Subsidiary Guarantees will be subordinated in right of payment to all Guarantor Senior Debt of the respective Subsidiary Guarantors. In certain circumstances, provisions of the Senior Debt could prohibit payments of amounts due to holders of the Notes. As of June 30, 1996, on a pro forma basis after giving effect to the KTVE Sale, the Concurrent Offering, the Financing, the Phipps Acquisition and this Offering, the Company and the Subsidiary Guarantors would have had Senior Debt in an aggregate amount of approximately $23.6 million. Additional Senior Debt may be incurred by the Company from time to time, subject to certain limitations. See "Description of the Notes-Covenants-Limitation on Incurrence of Indebtedness."

CONSUMMATION OF THE PHIPPS ACQUISITION PRIOR TO FINAL FCC APPROVAL. If the requisite FCC approval is obtained, the Company intends to consummate the Phipps Acquisition prior to the time such approval becomes "final" (that is, during the time a third party may file a petition for reconsideration of, or the FCC itself may reconsider, such approval) and the Company may cause the Trustee to release the proceeds of the Trust Funds for such purpose. If any such appeals are filed, the FCC may, under certain circumstances, reconsider its approval of the Phipps Acquisition. If any such appeal is successful, the FCC may impose a variety of remedies, including, among other things, requiring the Company to divest one or both of the acquired stations.

FCC DIVESTITURE REQUIREMENT. In connection with the Phipps Acquisition, the Company is seeking FCC approval granting the assignment of the television broadcast licenses for WCTV, which serves Tallahassee, Florida/Thomasville, Georgia, and WKXT, which serves Knoxville, Tennessee. The television broadcast signal of WCTV overlaps with the Company's existing stations, WALB-TV ("WALB") and WJHG-TV ("WJHG"). Due to such overlap, common ownership of such stations is prohibited by current FCC regulations. Such regulations will require the Company to divest its ownership interest in WALB and WJHG in connection with the Phipps Acquisition. However, these rules may be revised by the FCC upon conclusion of pending rulemaking proceedings. The Company has applied for six month waivers of such regulations. There can be no assurance that these waivers will be granted. Opposition to such waiver requests has been filed by a competing television station in Panama City, Florida. If granted, the waivers will afford the Company six months to divest WALB and WJHG following the consummation of the Phipps Acquisition (if such divestiture is necessary in order to comply with FCC rules in effect at the expiration of the waiver period). If these waivers are not granted, it is unlikely that the Company will be able to consummate the Phipps Acquisition.

In order to satisfy applicable FCC requirements, the Company, subject to FCC approval, intends to swap such assets for assets of one or more television stations of comparable value and with comparable broadcast cash flow in a transaction qualifying for deferred capital gains treatment under the "like-kind exchange" provision of Section 1033 of the Internal Revenue Code of 1986, as amended (the "Code"). If the Company is unable to effect such a swap on satisfactory terms within the time period granted by the FCC under the waivers, the Company may transfer such assets to a trust with a view towards the trustee effecting a swap or sale of such assets. Any such trust arrangement would be subject to the approval of the FCC. It is anticipated that the Company would be required to relinquish operating control of such assets to a trustee while retaining the economic risks and benefits of ownership. If the Company or such trust is required to effect a sale of WALB, the Company would incur a significant gain and related tax liability, the payment of which could have a material adverse effect on the Company's ability to acquire comparable assets without incurring additional indebtedness. WALB and WJHG accounted for 10.4% and 4.3%, respectively, of the Company's pro forma total revenues and 16.8% and 1.8%, respectively, of the Company's pro forma Media Cash Flow for the year ended December 31, 1995. On a pro forma basis for the year ended December 31, 1995, the stations had net income of $3.2 million and $218,000, respectively, while the Company had a net (loss) of $(3.6) million. WALB and WJHG accounted for 10.8% and 5.1%, respectively of the Company's pro forma total revenues and 15.7% and 3.5%, respectively of the Company's pro forma Media Cash Flow for the six months ended June 30, 1996. On a pro forma basis for the six months ended June 30, 1996, the stations had net income of $1.6 million and $295,000, respectively, while the Company had net income of $251,000. No assurance can be given that the Company will be able to identify or enter into arrangements regarding suitable assets for a swap or sale satisfying the FCC divestiture requirements. In addition, there can be no assurance that the Company could effect a sale or swap on a timely basis or establish a trust on satisfactory terms. See "Pro Forma Financial Data" and "Business-Federal Regulation of the Company's Business."

POSSIBLE NON-CONSUMMATION OF THE PHIPPS ACQUISITION. The consummation of the Phipps Acquisition, which is anticipated to occur by September 30, 1996, is subject to certain closing conditions, including receipt of FCC approval. The Asset Purchase Agreement (as defined) for the Phipps Acquisition provides that either party may terminate the Phipps Acquisition if it has not been consummated by September 30, 1996. If the Phipps Acquisition has not been consummated by such date, the Company does not currently intend to terminate the Phipps Acquisition, but the Company has not discussed with the seller an extension of such date. The Company filed an application seeking FCC approval of the Phipps Acquisition on January 16, 1996. Opposition to such application has been filed by certain competitors of the Company and the Company has filed amendments to its application in response thereto. The Company has not yet received FCC approval of its application. There can be no assurance that FCC approval will be obtained prior to September 30, 1996 or at all, that the other closing conditions will be satisfied or waived or that the closing will occur. The Notes will be subject to a mandatory redemption on the Special Redemption Date at the Special Redemption Price if either the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied prior to December 23, 1996. See "Description of the Notes-Redemption-Special Redemption."

DEPENDENCE ON ADVERTISING REVENUES; EFFECT OF ECONOMIC CONDITIONS. The television and newspaper industries are cyclical in nature and are affected by prevailing economic conditions. Since the Company relies on sales of advertising time at its television stations and in its publications for substantially all of its revenues, the Company's operating results are sensitive to general economic conditions and regional conditions in each of the local markets served by its television stations and publications. In addition, all of the Company's stations and publications are located in the Southeast. As a result, the Company's results of operations may be adversely affected by recessionary economic conditions either in the Southeast, nationally or, due to the substantial portion of revenues derived from local advertisers, the local economies in areas served by its television stations and publications. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

DEPENDENCE ON NETWORK AFFILIATIONS. Five of the Company's television stations are affiliated with CBS and two are affiliated with NBC. The television viewership levels for each of the stations are materially dependent upon programming provided by the network with which each station is affiliated. There can be no assurance that such programming will achieve or maintain satisfactory viewership levels in the future. Although the Company expects to continue to be able to renew these affiliation agreements, no assurance can be given that such renewals will be obtained. Some of the Company's network affiliation agreements are to be renewed during the term of the Notes. The non-renewal or termination of one or more of the Company's stations' network affiliation agreements may have a material adverse effect on the Company's results of operations. See "Business-Network Affiliation of the Stations."

COMPETITIVE NATURE OF AND RISK OF CHANGES IN THE TELEVISION INDUSTRY. The television industry is highly competitive and the Company's stations compete with other television stations as well as other media for viewers and advertising revenues, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail and local cable systems. During the past decade, the entry of strong independent broadcast stations and programming alternatives such as cable television, home satellite delivery, home video and, more recently, direct broadcast satellite ("DBS") television and video signals delivered over telephone lines have subjected traditional network-affiliated television stations to new types of competition. Competition for programming involves negotiating with national program distributors or syndicators for exclusive rights to broadcast first-run or rerun packages of programming in a particular DMA.

The ability of each of the Company's stations to generate advertising revenues is dependent, to a significant degree, upon its audience ratings which, in turn, are dependent upon successful programming. There can be no assurance that any of the Company's stations will be able to maintain or increase its current quality of programming, audience share or advertising revenues. To the extent that certain of the Company's competitors have, or may in the future obtain, greater resources than the Company, the Company's ability to compete successfully in its broadcasting markets may be impeded. See "Business-Competition."

Further advances in technology and changes in the regulatory climate may increase competition for household audiences, programs and advertisers. In addition, the Warner Brothers Network ("WB") and the United Paramount Network ("UPN") recently have begun operations. Video compression technology currently under development, as well as other technological developments, have the potential to provide vastly expanded programming to highly targeted audiences. In addition, competition in the television industry in the future may come from interactive video and data services that may provide two-way interaction. The Company is unable to predict the effect that these or other technological changes will have on the television industry or the future results of the Company's operations.

The FCC has proposed the adoption of rules for implementing advanced (including high-definition television or HDTV) television service ("ATV") in the United States. Implementation of ATV will improve the technical quality of television. Under certain circumstances, however, conversion to ATV operations may reduce a station's geographical coverage area. While implementation of ATV will impose additional costs on the Company's television stations providing the new service primarily due to increased equipment costs, there is a potential for increased revenues. On July 26, 1995, the FCC announced the issuance of a Notice of Proposed Rule Making ("NPRM") to invite comment on a broad range of issues related to the implementation of ATV, particularly the transition to digital broadcasting. The FCC also stated that the NPRM would be followed by two additional proceedings and that a Final Report and Order which will launch the ATV system is anticipated sometime in 1997.

The Company cannot predict how the combination of business, regulatory and technological change will affect the broadcast industry or the Company's results of operations. See "Business-Federal Regulation of the Company's Business."

COMPETITIVE NATURE OF THE NEWSPAPER INDUSTRY. Revenue in the newspaper industry is derived primarily from advertising revenue and paid circulation. Competition for advertising and circulation revenue comes from local and regional newspapers, radio, broadcast and cable television, direct mail and other communications and advertising media. The extent and nature of such competition is in large part determined by the demographics and location of the markets and the media alternatives in those markets. To the extent that certain of the Company's competitors have, or may in the future obtain, greater resources than the Company, the Company's ability to compete successfully in its publishing markets may be impeded. See "Business-Competition."

The newspaper industry requires the availability of significant quantities of newsprint. The variability of newsprint costs in recent years has been a material factor in the profitability of the newspaper industry generally and has affected the results of the Company's newspaper operations.

REGULATORY MATTERS. The broadcasting and paging industries are subject to regulation by the FCC under the Communications Act of 1934, as amended (the "Communications Act") and the Telecommunications Act of 1996 (the "Telecommunications Act"). Approval by the FCC is required for the issuance, renewal, transfer or assignment of television station operating licenses. In particular, the Company's television business is dependent upon its continuing ability to hold television broadcast licenses from the FCC, which generally are issued for five-year terms. However, the Telecommunications Act now directs the FCC to extend the term of television broadcast licenses to eight years for license applications filed after May 1, 1995. The Company's existing television station licenses expire between 1997 and 1999. Although in substantially all cases such licenses are renewed by the FCC, there can be no assurance that any of the Company's television broadcast licenses will be renewed at their expiration dates for the full terms or at all. The non-renewal or limitation of one or more of the Company's television broadcast licenses could have a material adverse effect on the Company. The Telecommunications Act also addresses a wide variety of matters (including technological changes) that affect the operation and ownership of the Company's television stations. The Telecommunications Act eliminates the restrictions on the number of television stations an entity may own, operate or control and increases the national audience reach limitations to 35%. The FCC has been directed to adopt rules relating to the retention, modification or elimination of local ownership limitations and spectrum flexibility, including how to establish and collect fees from broadcasters for the implementation of ancillary and supplementary services.

The FCC has been directed to revise its rules to permit cross-ownership interests between a broadcast network and a cable system, and if necessary, to revise its rules to ensure carriage, channel positioning and non-discriminatory treatment of non-affiliated broadcast stations by cable systems affiliated with a broadcast network. The FCC has been directed to review all of its ownership rules every two years and currently has several broadcast related rulemaking proceedings underway. There can be no assurance that any such rulemakings or resulting changes would not materially adversely affect the Company.

The Company's paging operations (which are part of the Phipps Business) are also subject to regulation by the FCC. The FCC licenses granted to the Company are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. 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. Futhermore, the FCC has the authority to restrict the operation of licensed facilities or to revoke or modify licenses. See "Business-Federal Regulation of the Company's Business."

RECENT ACQUISITION OF TELEVISION STATIONS AND PUBLICATIONS. The Company acquired one newspaper and three shoppers in 1995 and consummated the Augusta Acquisition in 1996. The Company consummated the KTVE Sale in August 1996. The Phipps Acquisition is pending and the Company will be required under current FCC regulations to divest WALB and WJHG in connection with the Phipps Acquisition. As a result, the majority of the Company's assets have, or will have been, recently acquired. Accordingly, there is no meaningful opportunity for prospective purchasers of the Notes to evaluate the performance of these assets under the Company's management and there can be no assurance that the Company's operating strategy can be successfully implemented with respect to its newly acquired assets. See "Business."

RISK OF INABILITY TO FINANCE CHANGE OF CONTROL OFFER. A Change of Control under the Indenture would require the Company to refinance substantial amounts of indebtedness. In the event of a Change of Control, the Company has the obligation to offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. As of June 30, 1996, on a pro forma basis after giving effect to the KTVE Sale, the Concurrent Offering, the Financing, the Phipps Acquisition and this Offering, the Company would not have sufficient funds available to purchase all of the outstanding Notes if they were tendered as a result of a Change of Control. In addition, covenants in the Senior Credit Facility would restrict the Company's ability to make any such purchase. In the event of a Change of Control, there can be no assurance that the Company would have available, or be able to obtain, sufficient funds through a refinancing of the Notes to be purchased or otherwise, or that the lenders under the Senior Credit Facility would permit any such purchase. A Change of Control of the Company also may cause an acceleration under other Senior Debt (including the Senior Credit Facility), in which case the subordination provisions of the Notes would require payment in full of all such accelerated Senior Debt before repurchase of the Notes. The inability to repay Senior Debt, if accelerated, and to effect an offer to repurchase the Notes upon a Change of Control would constitute events of default under the Indenture. Also, the requirement that the Company offer to repurchase the Notes and the obligation to prepay the amounts owing under the Company's existing indebtedness and the reduction of the commitments thereunder to zero in the event of a Change of Control may have the effect of deterring a third party from acquiring the Company in a transaction that would constitute a Change of Control. See "Description of the Notes-Change of Control."

FRAUDULENT CONVEYANCE RISKS. The Company's obligations under the Notes will be guaranteed, jointly and severally, on a senior subordinated basis by each of the Subsidiary Guarantors. Various fraudulent conveyance laws have been enacted for the protection of creditors and may be applied by a court on behalf of any unpaid creditor or a representative of the Company's creditors in a lawsuit to subordinate or avoid the Notes or any Subsidiary Guarantee in favor of other existing or future creditors of the Company or a Subsidiary Guarantor. To the extent that a court were to find that: (i) the Notes or a Subsidiary Guarantee was incurred with intent to hinder, delay or defraud any present or future creditor of the Company or the Subsidiary Guarantor, as the case may be, or contemplated insolvency with a design to prefer one or more creditors to the exclusion in whole or in part of others or (ii) the Company or a Subsidiary Guarantor did not receive fair consideration or reasonably equivalent value for issuing the Notes or a Subsidiary Guarantee, as the case may be, and the Company or a Subsidiary Guarantor (a) was insolvent, (b) was rendered insolvent by reason of the issuance of the Notes or a Subsidiary Guarantee, (c) was engaged or about to engage in a business or transaction for which the remaining assets of the Company or such Subsidiary Guarantor constituted unreasonably small capital to carry on its business, (d) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature or (e) was a defendant in an action for money damages or had a judgment for money damages docketed against it (if in either case, after final judgment, the judgment is unsatisfied), then in each such case, a court could avoid or subordinate the Notes or a Subsidiary Guarantee in favor of other creditors of the Company or a Subsidiary Guarantor, as the case may be. Among other things, a legal challenge of the Notes or a Subsidiary Guarantee on fraudulent conveyance grounds may focus on the benefits, if any, realized by the Company or the Subsidiary Guarantor as a result of the issuance by the Company of the Notes.

To the extent that any Subsidiary Guarantee were to be avoided as a fraudulent conveyance or held unenforceable for any other reason, holders of the Notes would cease to have any claim in respect of such Subsidiary Guarantor and would be creditors solely of the Company and any Subsidiary Guarantor whose Subsidiary Guarantee was not avoided or held unenforceable. In such event, the claims of the holders of the Notes against the issuer of an invalid Subsidiary Guarantee would be subject to the prior payment of all liabilities of such Subsidiary Guarantor. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes relating to any voided Subsidiary Guarantee.

Based upon financial and other information currently available to it, the Company believes that the Notes and the Subsidiary Guarantees are being incurred for proper purposes and in good faith, and that the Company and each of the Subsidiary Guarantors (i) is solvent and will continue to be solvent after issuing the Notes or its Subsidiary Guarantee, as the case may be, (ii) will have sufficient capital for carrying on its business after such issuance and (iii) will be able to pay its debts as they mature. There can be no assurance that the assumptions and methodologies used by the Company in reaching its conclusions about its solvency would be adopted by a court or that a court would concur with those conclusions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources."

VOTING RIGHTS; POSSIBLE ANTI-TAKEOVER EFFECT. Bull Run and its affiliates collectively beneficially own 47.1% of the outstanding shares of Class A Common Stock representing approximately 43.7% of the total voting power of the Company's capital stock after giving effect to the Concurrent Offering. See "Security Ownership of Certain Beneficial Owners and Management." In connection with certain FCC applications, Bull Run and its affiliates have (i) agreed not to cause more than three of its designees to be elected to the Board of Directors of the Company, (ii) stated that Bull Run and its affiliates have acquired the common stock of the Company for investment purposes only and not with the intent to control the Company and (iii) agreed not to solicit proxies for votes on matters before the Company's shareholders. However, if such agreement is terminated for any reason, subject to applicable FCC regulations that require the FCC's prior consent, Bull Run and its affiliates could effectively control the election of a majority of the Company's directors and, thus, the operations and business of the Company as a whole. In addition, such shareholders may have the ability to prevent certain types of material transactions, including a change of control of the Company.

The disproportionate voting rights of the Class A Common Stock relative to the Class B Common Stock may make the Company a less attractive target for a takeover than it otherwise might be, or render more difficult or discourage a merger proposal or a tender offer.

POTENTIAL CONFLICTS OF INTEREST. Bull Run is in the business of making significant investments in existing companies and may from time to time acquire and hold controlling or noncontrolling interests in broadcasting or broadcasting-related businesses other than through the Company, some of which may compete with the Company. Bull Run and its affiliates may from time to time identify, pursue and consummate acquisitions of television stations or other broadcasting related businesses that would be complementary to the business of the Company and therefore such acquisition opportunities will not be available to the Company. In addition, Bull Run may from time to time identify and structure acquisitions for the Company and may receive customary finders fees in connection with such transactions. Certain affiliates of Bull Run have entered, and in the future may enter, into business relationships with the Company or its subsidiaries. See "Management--Compensation Committee Interlocks and Insider Participation" and "Certain Relationships and Related Transactions."

LACK OF PUBLIC MARKET. There is currently no trading market for the Notes. The Company does not intend to list the Notes on any securities exchange. The Company has been advised by the Underwriters that the Underwriters currently intend to make a market in the Notes; however, the Underwriters are not obligated to do so and may discontinue any such market making activities at any time without notice. No assurance can be given as to the development or liquidity of any trading market for the Notes.

THE PHIPPS ACQUISITION, THE KTVE SALE AND THE FINANCING

THE PHIPPS ACQUISITION

GENERAL

The Company has entered into an agreement (the "Asset Purchase Agreement") to acquire two CBS-affiliated television stations, WCTV and WKXT, a satellite broadcasting business and a paging business in the Southeast. The consummation of the Phipps Acquisition is subject to certain closing conditions, including FCC approval. Either party may terminate the Asset Purchase Agreement if the Phipps Acquisition has not been consummated by September 30, 1996. The Phipps Acquisition is currently expected to occur by September 30, 1996; however, there can be no assurance that FCC approval will be obtained, that the other closing conditions will be satisfied or waived or that the Phipps Acquisition will be consummated. However, the Notes are subject to mandatory redemption on the Special Redemption Date at the Special Redemption Price if the Phipps Acquisition is not consummated prior to December 23, 1996. See "Risk Factors--Possible Non-Consummation of the Phipps Acquisition" and "Description of the Notes-Redemption-Special Redemption."

THE ASSET PURCHASE AGREEMENT

On December 15, 1995 the Company entered into the Asset Purchase Agreement, which was amended on March 15, 1996 and provides for the purchase of the Phipps Business from Media Acquisition Partners, L.P. ("MAP"). The purchase price for the Phipps Acquisition is approximately $185 million, including fees, expenses and working capital and certain other adjustments. Upon execution of the Asset Purchase Agreement, the Company deposited $200,000 with MAP, which will be credited toward the purchase price or, if the Phipps Acquisition is not consummated, refunded to the Company net of MAP's out-of-pocket expenses incurred in connection with the transaction. The parties have agreed that $15 million of the purchase price will be deposited into an escrow account to fund indemnification payments under the Asset Purchase Agreement. To the extent not utilized to fund such payments, the escrow funds shall be released to MAP over a seven-year period.

Pursuant to the Asset Purchase Agreement, the Company will acquire the assets constituting the Phipps Business and assume certain liabilities relating to the Phipps Business. MAP has agreed to indemnify the Company for certain liabilities incurred by the Company relating to the Phipps Business, including taxes, liabilities relating to certain employee benefit plans, certain environmental matters and undisclosed liabilities. However, the Asset Purchase Agreement provides that no party thereto shall be liable for indemnification (which is the exclusive legal remedy thereunder) in an amount in excess of the balance of escrowed funds. There can be no assurance that the escrowed funds will be sufficient to satisfy liabilities of the Phipps Business assumed by the Company.

Simultaneously with the execution of the Asset Purchase Agreement, MAP entered into agreements (the "Stock Purchase Agreements") to acquire all of the capital stock of John H. Phipps, Inc. ("Phipps"), which currently owns and operates the Phipps Business, together with certain limited partnership interests in the partnership that owns and operates WKXT (the general partner of which is Phipps), for an aggregate purchase price of approximately $166 million, subject to working capital and certain other adjustments (of approximately $10 million). The Company established a $10 million standby letter of credit which may be drawn upon in full as liquidated damages if the Phipps Acquisition is not consummated as a result of a default by the Company.

The Asset Purchase Agreement and the Stock Purchase Agreements include representations and warranties with respect to the condition and operation of the Phipps Business, covenants as to the conduct of the Phipps Business prior to the closing and various closing conditions (including approval by the FCC). The Indenture provides that the Trust Funds will be released to the Company on the date of the closing under the Stock Purchase Agreements.

DIVESTITURE REQUIREMENTS

In connection with the Phipps Acquisition, the Company will be required to divest WALB and WJHG under current FCC regulations due to common ownership restrictions on stations with overlapping signals. However, these rules may be revised by the FCC upon conclusion of pending rulemaking proceedings. In order to satisfy applicable FCC requirements, the Company, subject to FCC approval, intends to swap such assets for assets of one or more television stations of comparable value and with comparable broadcast cash flow in a transaction qualifying for deferred capital gains treatment under the "like-kind exchange" provision of Section 1031 of the Code. If the Company is unable to effect such a swap on satisfactory terms within the time period granted by the FCC under the waivers, the Company may transfer such assets to a trust with a view towards the trustee effecting a swap or sale of such assets. Any such trust arrangement would be subject to the approval of the FCC. It is anticipated that the Company would be required to relinquish operating control of such assets to a trustee while retaining the economic risks and benefits of ownership. If the Company or such trust is required to effect a sale of WALB, the Company would incur a significant gain and related tax liability, the payment of which could have a material adverse effect on the Company's ability to acquire comparable assets without incurring additional indebtedness. No assurance can be given that the Company will be able to identify or enter into arrangements regarding suitable assets for a swap or sale satisfying the FCC divestiture requirements. In addition, there can be no assurance that the Company could effect a sale or swap on a timely basis or establish a trust on satisfactory terms.

THE KTVE SALE

In August 1996, the Company sold the assets of KTVE, a television station serving Monroe, Louisiana/El Dorado, Arkansas, for approximately $9.5 million in cash plus the amount of the accounts receivable on the date of closing (approximately $870,000), to the extent collected by the buyer, to be paid to the Company 150 days following the date of closing. The Company estimates that the gain, net of estimated taxes, on the KTVE Sale was approximately $2.8 million.

THE FINANCING

In addition to the KTVE Sale and the consummation of this Offering, the Concurrent Offering and the Phipps Acquisition, the Company intends to implement the Financing to increase liquidity and improve operating and financial flexibility. Pursuant to the Financing, the Company will (i) retire approximately $49.5 million aggregate principal amount of outstanding indebtedness under the Old Credit Facility, together with accrued interest thereon, (ii) retire approximately $25.0 million aggregate principal amount of outstanding indebtedness under the Senior Note, together with accrued interest thereon and a prepayment fee, (iii) issue $10.0 million liquidation preference of its Series A Preferred Stock in exchange for the 8% Note issued to Bull Run, (iv) issue to Bull Run, J. Mack Robinson, the President, Chief Executive Officer and a director of the Company, and certain of his affiliates $10.0 million liquidation preference of its Series B Preferred Stock with warrants to purchase up to 500,000 shares of Class A Common Stock (representing 10.1% of the currently issued and outstanding Class A Common Stock after giving effect to the exercise of such warrants) for cash proceeds of $10.0 million and (v) enter into the Senior Credit Facility to provide for a term loan and revolving credit facility aggregating $125.0 million. The cash required for the consummation of the Phipps Acquisition, the repayment of indebtedness and related transaction costs will be provided by the net proceeds of this Offering, the Concurrent Offering and the sale of Series B Preferred Stock, borrowings under the Senior Credit Facility and the Company's working capital. For a description of the Senior Credit Facility and the Preferred Stock, see "Description of Certain Indebtedness" and "Management-Compensation Committee Interlocks and Insider Participation." The consummation of this Offering and the placement of funds into escrow are conditioned upon the issuance of the Series A Preferred Stock in exchange for the 8% Note, the issuance of the Series B Preferred Stock and the entering into of the Senior Credit Facility. The consummation of this Offering and the placement of the net proceeds thereof into escrow are not conditioned upon the consummation of the Concurrent Offering or the Phipps Acquisition or the other elements of the Financing. However the release of the net proceeds hereof from escrow is conditioned, among other things, upon the satisfaction of the Minimum Equity Condition, the retirement of the Senior Note and the Old Credit Facility and the consummation of the Phipps Acquisition. The Notes are subject to a mandatory redemption on the Special Redemption Date at the Special Redemption Price if either the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied prior to December 23, 1996. See "Description of the Notes-Redemption-Special Redemption."

The Senior Credit Facility will provide that no borrowings may be made thereunder until the closing of the Phipps Acquisition. Accordingly, if the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied, the Notes will be redeemed by the Company, the Old Credit Facility will remain in place and the Company will not borrow under the Senior Credit Facility.

SOURCES AND USES OF FUNDS FOR THE PHIPPS ACQUISITION AND THE FINANCING

The following table sets forth the estimated sources and uses of funds relating to this Offering, the Concurrent Offering, the KTVE Sale, the Phipps Acquisition and the Financing. The actual amounts of sources and uses of funds may differ at the closing due to, among other things, the actual amount payable under the Asset Purchase Agreement and the amount of indebtedness outstanding under the Old Credit Facility.

(IN MILLIONS)

SOURCES OF FUNDS:	AMOUNT
The Notes offered hereby	$160.0
The Concurrent Offering (1)	73.5
Sale of Series B Preferred Stock and Warrants	10.0
Borrowings under the Senior Credit Facility	22.9
Working capital (2)	9.5
TOTAL	$275.9

USES OF FUNDS:	
Consummation of Phipps Acquisition	$185.0
Retire indebtedness under the Old Credit Facility (3)	49.5
Retire indebtedness under the Senior Note (4)	25.0
Fees and expenses (5)	16.4
TOTAL	$275.9

- ------------------------------

(1) Assumes estimated gross proceeds from the Concurrent Offering of $73.5 million and estimated net proceeds therefrom of $67.6 million. It is a condition of the release from escrow of the net proceeds of this Offering that the Company shall have consummated one or more equity offerings having gross proceeds of not less than $65.0 million. To the extent that the gross proceeds of any such equity offerings are less than $73.5 million, the Company intends to borrow such difference under its Senior Credit Facility. It is anticipated that there will not be a significant interval between the closing of this Offering and the closing of the Concurrent Offering.

(2) The source of these funds was the KTVE Sale.

(3) Borrowings under the Old Credit Facility bear interest at formula rates based upon the applicable LIBOR or prime rate at the time of borrowing plus a fixed spread and have a final maturity of 2003. As of June 30, the weighted average interest rate was 8.94%.

(4) The indebtedness under the Senior Note bears interest at 10.7%

(5) Fees and expenses include underwriting costs for the Notes and the Concurrent Offering, fees payable in connection with the negotiation and execution of the Senior Credit Facility, fees payable in connection with the retirement of the Senior Note and legal, accounting and other transaction fees.

Prior to the consummation of the Phipps Acquisition and the satisfaction of the Minimum Equity Condition, the net proceeds of this Offering, together with an amount sufficient to permit the Company to redeem the Notes on the Special Redemption Date at the Special Redemption Price, will be held by and pledged to the Trustee for the benefit of the holders of the Notes. The Trust Funds will be invested in cash equivalents. The proceeds of the Concurrent Offering will be used to repay indebtedness under the Old Credit Facility, to retire the Senior Note and to provide funds for the Phipps Acquisition.

CAPITALIZATION

The following table sets forth: (i) the historical consolidated capitalization of the Company as of June 30, 1996 and (ii) the historical consolidated capitalization of the Company as adjusted to give effect, as of June 30, 1996, to the KTVE Sale, the Concurrent Offering, the Financing, the Phipps Acquisition and this Offering. This table should be read in conjunction with the consolidated financial statements of the Company, including the notes thereto, and the Pro Forma Financial Statements and other information contained in this Prospectus.

	AS OF JUNE 30, 1996	
	HISTORICAL COMPANY	PRO FORMA, COMBINED AS ADJUSTED
(IN THOUSANDS)		
LONG-TERM DEBT:		
Old Credit Facility	$49,500	--
Senior Credit Facility	--	$ 22,850
Senior Note due 2003	25,000	--
The Notes	--	160,000
The 8% Note	7,545	--
Other	801	801
Total long-term debt (including current portion)	82,846	183,651
STOCKHOLDERS' EQUITY:		
Series A Preferred Stock	--	9,896
Series B Preferred Stock	--	10,000
Class A Common Stock, no par value; historical Company and pro forma as adjusted 5,130,385 shares (1)	10,000	7,545
Class B Common Stock, no par value; historical Company no shares; pro forma as adjusted 3,500,000 shares (2)	--	67,600
Retained earnings	10,451	9,814
Treasury stock, 663,180 shares of Class A Common Stock	(6,638)	(6,638)
Total stockholders' equity	13,813	98,217
Total capitalization	$96,659	$281,868

- ------------------------------

(1) Excludes (i) 53,500 shares of Class A Common Stock issuable upon exercise of options outstanding under the Company's stock option plans as of June 30, 1996 (ii) 487,500 shares of Class A Common Stock issuable upon exercise of an outstanding warrant of the Company and (iii) 500,000 shares of Class A Common Stock issuable upon the exercise of the warrant to be issued as part of the Financing. See "Management" and "Certain Relationships and Related Transactions."

(2) The estimated gross proceeds from the Concurrent Offering are $73.5 million and the estimated net proceeds therefrom are $67.6 million. It is a condition of the release from escrow of the net proceeds of this Offering that the Company shall have consummated one or more equity offerings having gross proceeds of not less than $65.0 million. To the extent that the gross proceeds of any such equity offerings are less than $73.5 million, the Company intends to borrow such difference under its Senior Credit Facility. It is anticipated that there will not be a significant interval between the closing of this Offering and the closing of the Concurrent Offering. See "The Phipps Acquisition, the KTVE Sale and the Financing--Sources and Uses of Funds for the Phipps Acquisition and the Financing."

PRO FORMA FINANCIAL DATA

The following unaudited condensed combined pro forma financial statements of the Company give effect to the Augusta Acquisition, the KTVE Sale, the Concurrent Offering, the Phipps Acquisition, the Financing and this Offering as if such transactions had occurred (i) with respect to the statement of operations, as of January 1, 1995 for the year ended December 31, 1995, as of July 1, 1995 for the 12 months ended June 30, 1996, and as of January 1, 1996 for the six months ended June 30, 1996 and (ii) with respect to the balance sheet, as of June 30, 1996. The Augusta Acquisition and the Phipps Acquisition are reflected using the purchase method of accounting for business combinations. The pro forma financial information is provided for comparative purposes only and does not purport to be indicative of the results that actually would have been obtained if the events set forth above had been effected on the dates indicated or of those results that may be obtained in the future. The pro forma financial statements are based on preliminary estimates of values and transaction costs. The actual recording of the transactions will be based on final appraisals, values and transaction costs. Accordingly, the actual recording of the transactions can be expected to differ from these pro forma financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1995

(IN THOUSANDS EXCEPT PER SHARE DATA)	HISTORICAL COMPANY	HISTORICAL AUGUSTA BUSINESS	PRO FORMA ADJUSTMENTS FOR AUGUSTA ACQUISITION	PRO FORMA COMPANY	CONCURRENT OFFERING	PRO FORMA COMPANY
STATEMENT OF OPERATIONS DATA:						
Operating revenues:						
Broadcasting (less agency commissions)	$36,750	$8,660	$ 228(1)	$45,638	$ --	$45,638
Publishing	21,866	--	--	21,866	--	21,866
Paging	--	--	--	--	--	--
Total revenues	58,616	8,660	228	67,504	--	67,504
Expenses:						
Broadcasting	23,202	5,774	228(1)	29,204	--	29,204
Publishing	20,016	--	--	20,016	--	20,016
Paging	--	--	--	--	--	--
Corporate and administrative	2,258	--	--	2,258	--	2,258
Depreciation	2,633	272	(52)(2)	2,853	--	2,853
Amortization of intangible assets	1,326	152	769(3)	2,247	(97)(7)	2,150
Non-cash compensation paid in common stock	2,321	--	--	2,321	--	2,321
Management fee	--	--	--	--	--	--
Total expenses	51,756	6,198	945	58,899	(97)	58,802
Operating income	6,860	2,462	(717)	8,605	97	8,702
Miscellaneous income (expense), net	143	(220)	128(4)	51	--	51
Income before interest expense, minority interests and income taxes	7,003	2,242	(589)	8,656	97	8,753
Interest expense	5,438	--	3,644(5)	9,082	(8,172) (7)	910
Income (loss) before minority interests and income taxes	1,565	2,242	(4,233)	(426)	8,269	7,843
Minority interests	--	--	--	--	--	--
Income (loss) before income taxes	1,565	2,242	(4,233)	(426)	8,269	7,843
Income tax expense (benefit)	634	--	(773) (6)	(139)	3,283(6)	3,144
Net income (loss)	931	2,242	(3,460)	(287)	4,986	4,699
Preferred stock dividends	--	--	--	--	1,400(8)	1,400
Net income (loss) available to common stockholders	$ 931	$2,242	$(3,460)	$ (287)	$ 3,586	$ 3,299
Average shares outstanding (19)	4,481			4,354		7,981
Earnings (loss) per share	$ 0.21			$ (0.07)		$ 0.41

(IN THOUSANDS EXCEPT PER SHARE DATA)	KTVE SALE(9)	PRO FORMA COMPANY	PHIPPS BUSINESS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED(20)
STATEMENT OF OPERATIONS DATA:					
Operating revenues:					
Broadcasting (less agency commissions)	$(4,188)	$41,450	$22,424	$ --	$63,874
Publishing	--	21,866	--	--	21,866
Paging	--	--	4,897	--	4,897
Total revenues	(4,188)	63,316	27,321	--	90,637
Expenses:					
Broadcasting	(3,313)	25,891	10,487	220(10) 436(11)	37,034
Publishing	--	20,016	--	--	20,016
Paging	--	--	3,052	143(11)	3,195
Corporate and administrative	--	2,258	--	--	2,258
Depreciation	(438)	2,415	2,385	(625)(12)	4,175
Amortization of intangible assets	--	2,150	735	3,514(13) (174)(14)	6,225
Non-cash compensation paid in common stock	--	2,321	--	--	2,321
Management fee	--	--	3,280	(3,280)(15)	--
Total expenses	(3,751)	55,051	19,939	234	75,224
Operating income	(437)	8,265	7,382	(234)	15,413

Miscellaneous income (expense), net	(27)	24	12	--	36
Income before interest expense, minority interests and income taxes	(464)	8,289	7,394	(234)	15,449
Interest expense	--	910	499	(499)(16) 19,990(17)	20,900
Income (loss) before minority interests and income taxes	(464)	7,379	6,895	(19,725)	(5,451)
Minority interests	--	--	547	(547)(18)	--
Income (loss) before income taxes	(464)	7,379	6,348	(19,178)	(5,451)
Income tax expense (benefit)	(186)	2,958	--	(4,805)(6)	(1,847)
Net income (loss)	(278)	4,421	6,348	(14,373)	(3,604)
Preferred stock dividends	--	1,400	--	--	1,400
Net income (loss) available to common stockholders	$ (278)	$ 3,021	$6,348	$(14,373)	$(5,004)
Average shares outstanding (19)		7,981			7,854
Earnings (loss) per share		$ 0.38			$ (0.64)

The pro forma adjustments to reflect the Augusta Acquisition, the Concurrent Offering, the KTVE Sale, the Phipps Acquisition, the Financing and this Offering are as follows:

STATEMENT OF OPERATIONS -- YEAR ENDED DECEMBER 31, 1995

1. Reflects the classification of national sales representative commissions as an expense consistent with the presentation by the Company.

2. Reflects decreased annual depreciation resulting from the change in asset lives in connection with the preliminary allocation of the Augusta Acquisition purchase price to the newly acquired property and equipment, at fair market value.

3. Reflects annual amortization of $107,000 on the Augusta Business' financing costs over a seven-year period. Also reflects the annual amortization of $813,000 on the intangible assets associated with the Augusta Acquisition over a 40-year period.

4. Reflects the elimination of the corporate allocation to the Augusta Business by its previous owner which will not be incurred by the Company.

5. Reflects increased annual interest expense of $155,000 for an interest rate adjustment on the Senior Note; increased annual interest expense of $2.4 million on the Old Credit Facility at LIBOR plus 3.5%, based on an increase in the debt level subsequent to the Augusta Acquisition; and annual interest expense of $1.1 million on the 8% Note. Three month LIBOR on January 4, 1996 was approximately 5.625%.

6. Reflects the adjustment of the income tax provision to the estimated effective tax rate.

7. Reflects decreased annual amortization of deferred financing costs in connection with retirement of the Senior Note. Also reflects decreased annual interest expense of $4.4 million on the Old Credit Facility resulting from the repayment of $49.2 million in principal on the Old Credit Facility, bearing interest at an estimated weighted average interest rate of 8.96% per annum with the proceeds of the Concurrent Offering. Also reflects a reduction of annual interest expense of $2.7 million resulting from the retirement of the Senior Note and a reduction of annual interest expense of $1.1 million on the 8% Note which will be converted into Series A Preferred Stock. The pro forma statement of operations for the year ended December 31, 1995 does not include an extraordinary loss relating to a prepayment fee associated with the retirement of the Senior Note. See Pro Forma Statement of Operations for the Six Months Ended June 30, 1996. Also see "The Phipps Acquisition, the KTVE Sale and the Financing -- The Financing" with respect to the retirement of the Senior Note.

   Assumes estimated gross proceeds from the Concurrent Offering of $73.5 million and estimated net proceeds therefrom of $67.6 million. It is a condition of the release from escrow of the net proceeds of this Offering that the Company shall have consummated one or more equity offerings having gross proceeds of not less than $65.0 million. To the extent that the gross proceeds of any such equity offerings are less than $73.5 million, the Company intends to borrow such difference under its Senior Credit Facility. If the Company borrowed the entire difference (approximately $8.5 million) under its Senior Credit Facility, net loss would be increased by approximately $502,000 (approximately $0.06 per share). It is anticipated that there will not be a significant interval between the closing of this Offering and the closing of the Concurrent Offering.

8. Reflects annual dividends on the Series A and Series B Preferred Stock.

9. Reflects the elimination of the results of operations of KTVE. The pro forma adjustments exclude an estimated gain before income taxes of $5.6 million and estimated income taxes of $2.8 million from the KTVE Sale.

10. Reflects additional accounting and administrative expenses associated with the Phipps Business.

11. Reflects increased pension expense for the Phipps Business subsequent to the Phipps Acquisition. Historical pension expense for the Phipps Business was a credit of $449,000 while pension expense for these operations subsequent to the Phipps Acquisition is expected to be an expense of approximately $130,000.

12. Reflects decreased annual depreciation resulting from the change in asset lives in connection with the newly acquired property and equipment (at fair market value) of the Phipps Acquisition.

13. Reflects annual amortization of intangible assets associated with the Phipps Acquisition over a 40-year period.

14. Reflects decreased annual amortization of debt acquisition costs resulting from the retirement of the Old Credit Facility. The pro forma statement of operations for the year ended December 31, 1995 does not include an extraordinary loss relating to deferred financing costs associated with the assumed retirement of the Old Credit Facility. See Pro Forma Statement of Operations for the Six Months Ended June 30, 1996. Also see "The Phipps Acquisition, the KTVE Sale and the Financing--The Financing" with respect to the retirement of the Old Credit Facility.

15. Reflects elimination of the corporate allocation to the Phipps Business. Such amounts will not be incurred by the Company in connection with its operations of the Phipps Business.

16. Reflects the elimination of interest expense associated with borrowings of the Phipps Business which will not be assumed by the Company.

17. Reflects assumed increased annual interest expense of $17.8 million on the Notes, which includes annual amortization expense of $555,000 resulting from the transaction costs relating to the issuance of the Notes, annual interest expense of $2.0 million relating to additional borrowings under the Senior Credit Facility of $22.6 million at an estimated weighted average interest rate of 8.96% plus amortization of additional deferred financing costs of $214,000. See "The Phipps Acquisition, the KTVE Sale and the Financing -- The Financing" with respect to the retirement of the Old Credit Facility.

18. Reflects the elimination of minority interests associated with the Phipps Business, because such minority interests will be acquired as a part of the Phipps Acquisition.

19. Average outstanding shares used to calculate pro forma earnings (loss) per share are based on weighted average common shares outstanding during the period, adjusted for the Concurrent Offering.

20. In connection with the Phipps Acquisition, the Company is seeking FCC approval of the assignment of the television broadcast licenses for WCTV and WKXT. Current FCC regulations will require the Company to divest its ownership interest in WALB and WJHG. In order to satisfy applicable FCC requirements, the Company, subject to FCC approval, intends to swap such assets for assets of one or more television stations of comparable value and with comparable broadcast cash flow in a transaction qualifying for deferred capital gains treatment under the "like-kind exchange" provision of Section 1031 of the Code. If the Company is unable to effect such a swap on satisfactory terms within the time period granted by the FCC, the Company may transfer such assets to a trust with a view towards the trustee effecting a swap or sale of such assets. Any such trust arrangement would be subject to the approval of the FCC. See "Risk Factors--FCC Divestiture Requirement" and "Business--Federal Regulation of the Company's Business."

Condensed income statement data of WALB and WJHG are as follows:

	YEAR ENDED DECEMBER 31, 1995	
	WALB	WJHG
(IN THOUSANDS)		
Broadcasting revenues	$ 9,445	$ 3,843
Expenses	4,650	3,573
Operating income	4,795	270
Other income	17	60
Income before income taxes	4,812	330
Net income	$ 2,984	$ 205
Media Cash Flow	$ 5,103	$ 549

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1996

(IN THOUSANDS EXCEPT PER SHARE DATA)	HISTORICAL COMPANY	CONCURRENT OFFERING	PRO FORMA COMPANY	KTVE SALE(4)	PRO FORMA COMPANY	PHIPPS BUSINESS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED(15)
STATEMENT OF OPERATIONS DATA:								
Operating revenues:								
Broadcasting (less agency commissions)	$24,252	$ --	$24,252	$(2,303)	$21,949	$11,346	$ --	$33,295
Publishing	11,262	--	11,262	--	11,262	--	--	11,262
Paging	--	--	--	--	--	2,744	--	2,744
Total revenues	35,514	--	35,514	(2,303)	33,211	14,090	--	47,301
Expenses:								
Broadcasting	14,418	--	14,418	(1,723)	12,695	5,412	110(5) 133(6)	18,350
Publishing	9,193	--	9,193	--	9,193	--	--	9,193
Paging	--	--	--	--	--	1,780	44(6)	1,824
Corporate and administrative	1,571	--	1,571	--	1,571	--	--	1,571
Depreciation	1,648	--	1,648	(220)	1,428	1,168	(312)(7)	2,284
Amortization of intangible assets	1,253	(49)(1)	1,204	--	1,204	362	1,768(8) (73)(9)	3,261
Non-cash compensation paid in common stock	120	--	120	--	120	--		120
Management fee	--	--	--	--	--	735	(735)(10)	--
Total expenses	28,203	(49)	28,154	(1,943)	26,211	9,457	935	36,603
Operating income	7,311	49	7,360	(360)	7,000	4,633	(935)	10,698
Miscellaneous income (expense), net	81	--	81	(1)	80	(5)	--	75
Income before interest expense, minority interests and income taxes	7,392	49	7,441	(361)	7,080	4,628	(935)	10,773
Interest expense	4,445	(4,086) (1)	359	--	359	159	(159)(11) 9,995(12)	10,354
Income (loss) before minority interests and income taxes	2,947	4,135	7,082	(361)	6,721	4,469	(10,771)	419
Minority interests	--	--	--	--	--	296	(296)(13)	--
Income (loss) before income taxes	2,947	4,135	7,082	(361)	6,721	4,173	(10,475)	419
Income tax expense (benefit)	1,146	1,693(2)	2,839	(145)	2,694	--	(2,526)(2)	168
Net income (loss)	1,801	2,442	4,243	(216)	4,027	4,173	(7,949)	251
Preferred stock dividends	--	700(3)	700	--	700	--	--	700
Net income (loss) available to common stockholders	$ 1,801	$ 1,742	$ 3,543	$ (216)	$ 3,327	$ 4,173	$ (7,949)	$ (449)
Average shares outstanding (14)	4,657		8,157		8,157			7,954
Earnings (loss) per share - primary	$ 0.39		$ 0.43		$ 0.41			$ (0.06)
Earnings (loss) per share - fully diluted	$ 0.38		$ 0.43		$ 0.41			$ (0.06)

The pro forma adjustments to reflect the Concurrent Offering, the KTVE Sale, the Phipps Acquisition, the Financing and this Offering are as follows:

STATEMENT OF OPERATIONS -- SIX MONTHS ENDED JUNE 30, 1996

1. Reflects decreased semiannual amortization of deferred financing costs in connection with retirement of the Senior Note. Also reflects decreased semiannual interest expense of $2.2 million on the Old Credit Facility resulting from repayment from the proceeds of the Concurrent Offering of $49.2 million in principal at an estimated weighted average interest rate of 8.96% per annum; decreased semiannual interest expense of $1.3 million resulting from the retirement of the Senior Note; and a reduction of semiannual interest expense of $544,000 on the 8% Note which will be converted into Series A Preferred Stock. The Pro Forma Statement of Operations for the Six Months Ended June 30, 1996 does not include an extraordinary loss of approximately $2.7 million (net of estimated income tax benefit of $1.4 million) relating to deferred financing costs and a prepayment fee associated with the assumed retirement of the Senior Note. See "The Phipps Acquisition, the KTVE Sale and the Financing -- The Financing" with respect to the retirement of the Senior Note.

   Assumes estimated gross proceeds from the Concurrent Offering of $73.5 million and estimated net proceeds therefrom of $67.6 million. It is a condition of the release from escrow of the net proceeds of this Offering that the Company shall have consummated one or more equity offerings having gross proceeds of not less than $65.0 million. To the extent that the gross proceeds of any such equity offerings are less than $73.5 million, the Company intends to borrow such difference under its Senior Credit Facility. If the Company borrowed the entire difference (approximately $8.5 million) under its Senior Credit Facility, net loss would be increased by approximately $228,000 (approximately $0.03 per share). It is anticipated that there will not be a significant interval between the closing of this Offering and the closing of the Concurrent Offering.

2. Reflects the adjustment of the income tax provision to the estimated effective tax rate.

3. Reflects semiannual dividends on the Series A and Series B Preferred Stock.

4. Reflects the elimination of the results of operations of KTVE. The pro forma adjustments exclude an estimated gain before income taxes of $5.6 million and estimated income taxes of $2.8 million from the KTVE Sale.

5. Reflects accounting and administrative expenses associated with the Phipps Business.

6. Reflects increased pension expense for the Phipps Business subsequent to the Phipps Acquisition. Historical semiannual pension expense for the Phipps Business was a credit of $113,000 while pension expense for the Phipps Business subsequent to the Phipps Acquisition is expected to be a semiannual expense of approximately $64,000.

7. Reflects decreased semiannual depreciation resulting from the change in asset lives in connection with the newly acquired property and equipment (at fair market value) of the Phipps Acquisition.

8. Reflects semiannual amortization of intangible assets associated with the Phipps Acquisition over a 40-year period.

9. Reflects decreased semiannual amortization of debt acquisition costs resulting from the retirement of the Old Credit Facility. The Pro Forma Statement of Operations for the Six Months Ended June 30, 1996 does not include an extraordinary loss of approximately $712,000 (net of estimated tax benefit of $366,000) relating to deferred financing costs associated with the assumed retirement of the Old Credit Facility. See "The Phipps Acquisition, the KTVE Sale and the Financing -- The Financing" with respect to the retirement of the Old Credit Facility.

10. Reflects elimination of the corporate allocation to the Phipps Business. Such amounts will not be incurred by the Company in connection with its operations of the Phipps Business.

11. Reflects the elimination of interest expense associated with the Phipps Business which will not be incurred by the Company.

12. Reflects assumed increased semiannual interest expense of $8.9 million on the Notes, which includes semiannual amortization expense of $278,000 resulting from the transaction costs relating to the issuance of the Notes, and increased semiannual interest expense of $1.0 million relating to additional borrowings under the Senior Credit Facility at an estimated weighted average interest rate of 8.96% plus amortization of additional deferred financing costs of $107,000. See "The Phipps Acquisition, the KTVE Sale and the Financing -- The Financing" with respect to the retirement of the Old Credit Facility.

13. Reflects the elimination of minority interests associated with the Phipps Business, because such minority interests will be acquired as part of the Phipps Acquisition.

14. Average outstanding shares used to calculate pro forma earnings (loss) per share are based on weighted average common shares outstanding during the period, adjusted for the Concurrent Offering.

15. In connection with the Phipps Acquisition, the Company is seeking FCC approval of the assignment of the television broadcast licenses for WCTV

and WKXT. Current FCC regulations will require the Company to divest its ownership interest in WALB and WJHG. In order to satisfy applicable FCC requirements, the Company, subject to FCC approval, intends to swap such assets for assets of one or more television stations of comparable value and with comparable broadcast cash flow in a transaction qualifying for deferred capital gains treatment under the "like-kind exchange" provision of Section 1031 of the Code. If the Company is unable to effect such a swap on satisfactory terms within the time period granted by the FCC, the Company may transfer such assets to a trust with a view towards the trustee effecting a swap or sale of such assets. Any such trust arrangement would be subject to the approval of the FCC. See "Risk Factors -- FCC Divestiture Requirement" and "Business -- Federal Regulation of the Company's Business."

Condensed income statement data of WALB and WJHG are as follows:

	SIX MONTHS ENDED JUNE 30, 1996	
(IN THOUSANDS)	WALB	WJHG
Broadcasting revenues	$ 5,098	$ 2,409
Expenses	2,440	1,933
Operating income	2,658	476
Other income	9	16
Income before income taxes	$ 2,667	$ 492
Net income	$ 1,654	$ 305
Media Cash Flow	$ 2,809	$ 624

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

TWELVE MONTHS ENDED JUNE 30, 1996

(IN THOUSANDS, EXCEPT PER SHARE DATA)	HISTORICAL COMPANY	HISTORICAL AUGUSTA BUSINESS	PRO FORMA ADJUSTMENTS FOR AUGUSTA ACQUISITION	PRO FORMA COMPANY	CONCURRENT OFFERING	PRO FORMA COMPANY
STATEMENT OF OPERATIONS DATA:						
Operating revenues:						
Broadcasting (less agency commissions)	$42,741	$4,419	$ 110(1)	$47,270	$ --	$47,270
Publishing	23,082	--	--	23,082	--	23,082
Paging	--	--	--	--	--	--
Total revenues	65,823	4,419	110	70,352	--	70,353
Expenses:						
Broadcasting	26,211	2,997	110(1)	29,318	--	29,318
Publishing	20,619	--	--	20,619	--	20,619
Paging	--	--	--	--	--	--
Corporate and administrative	2,817	--	--	2,817	--	2,817
Depreciation	3,048	135	(26)(2)	3,157	--	3,157
Amortization of intangible assets	1,990	76	384(3)	2,450	(97)(7)	2,353
Non-cash compensation paid in common stock	1,625	--	--	1,625	--	1,625
Management fee	--	--	--	--	--	--
Total expenses	56,310	3,208	461	59,986	(97)	59,889
Operating income	9,513	1,211	(358)	10,366	97	10,463
Miscellaneous income (expense), net	157	(126)	69(4)	100	--	100
Income before interest expense, minority interests and income taxes	9,670	1,085	(289)	10,466	97	10,563
Interest expense	7,115	--	1,859(5)	8,974	(8,172) (7)	802
Income (loss) before minority interests and income taxes	2,555	1,085	(2,148)	1,492	8,269	9,761
Minority interests	--	--	--	--	--	--
Income (loss) before income taxes	2,555	1,085	(2,148)	1,492	8,269	9,761
Income tax expense (benefit)	1,004	--	(412)(6)	592	3,316(6)	3,908
Net income (loss)	1,551	1,085	(1,736)	900	4,953	5,853
Preferred stock dividends	--	--	--	--	1,400(8)	1,400
Net income (loss) available to common stockholders	$ 1,551	$1,085	$(1,736)	$ 900	$ 3,553	$ 4,453
Average shares outstanding (19)	4,624			8,124		8,124
Earnings (loss) per share - primary	$ 0.34			$ 0.11		$ 0.55
Earnings (loss) per share - fully diluted	$ 0.33			$ 0.11		$ 0.55

(IN THOUSANDS, EXCEPT PER SHARE DATA)	KTVE SALE(9)	PRO FORMA COMPANY	PHIPPS BUSINESS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED(20)
STATEMENT OF OPERATIONS DATA:					
Operating revenues:					
Broadcasting (less agency commissions)	$(4,533)	$42,737	$22,995	$ --	$65,732
Publishing	--	23,082	--	--	23,082
Paging	--	--	5,219	--	5,219
Total revenues	(4,533)	65,819	28,214	--	94,033
Expenses:					
Broadcasting	(3,399)	25,919	10,835	220(10) 352(11)	37,326
Publishing	--	20,619	--	--	20,619
Paging	--	--	3,420	115(11)	3,535
Corporate and administrative	--	2,817	--	--	2,817
Depreciation	(442)	2,715	2,462	(625)(12)	4,552
Amortization of intangible assets	--	2,353	753	3,525(13) (110)(14)	6,521
Non-cash compensation paid in common stock	--	1,625	--	--	1,625
Management fee	--	--	2,476	(2,476)(15)	--

Total expenses	(3,841)	56,048	19,946	1,001	76,995
Operating income	(692)	9,771	8,268	(1,001)	17,038
Miscellaneous income (expense), net	(20)	80	13	--	93
Income before interest expense, minority interests and income taxes	(712)	9,851	8,281	(1,001)	17,131
Interest expense	--	802	435	(435)(16) 19,990(17)	20,792
Income (loss) before minority interests and income taxes	(712)	9,049	7,846	(20,556)	(3,661)
Minority interests	--	--	587	(587)(18)	--
Income (loss) before income taxes	(712)	9,049	7,259	(19,969)	(3,661)
Income tax expense (benefit)	(285)	3,623	--	(4,868)(6)	(1,245)
Net income (loss)	(427)	5,426	7,259	(15,101)	(2,416)
Preferred stock dividends	--	1,400	--	--	1,400
Net income (loss) available to common stockholders	$ (427)	$ 4,026	$7,259	$(15,101)	$(3,816)
Average shares outstanding (19)		8,124			7,926
Earnings (loss) per share - primary		$ 0.50			$ (0.48)
Earnings (loss) per share - fully diluted		$ 0.49			$ (0.48)

The pro forma adjustments to reflect the Concurrent Offering, the KTVE Sale, the Phipps Acquisition, the Financing and this Offering are as follows:

STATEMENT OF OPERATIONS - TWELVE MONTHS ENDED JUNE 30, 1996

1. Reflects the classification of national sales representative commissions as an expense consistent with the presentation by the Company.

2. Reflects decreased depreciation prior to acquisition resulting from the change in asset lives in connection with the preliminary allocation of the Augusta Acquisition purchase price to the newly acquired property and equipment, at fair market value, for the six months ended December 31, 1995.

3. Reflects amortization prior to acquisition of $54,000 on the Augusta Business' financing costs over a seven-year period. Also reflects the amortization prior to acquisition of $406,000 on the intangible assets associated with the Augusta Acquisition over a 40-year period.

4. Reflects the elimination of overhead allocated to the Augusta Business prior to acquisition by its previous owner which will not be incurred by the Company.

5. Reflects increased interest expense prior to the acquisition of the Augusta Business of $77,000 for an interest rate adjustment on the Senior Note; increased interest expense prior to the acquisition of the Augusta Business of $1.2 million on the Old Credit Facility at LIBOR plus 3.5%, based on an increase in the debt level subsequent to the Augusta Acquisition; and interest expense prior to the acquisition of the Augusta Business of $544,000 on the 8% Note.

6. Reflects the adjustment of the income tax provision to the estimated effective tax rate.

7. Reflects decreased annual amortization of deferred financing costs in connection with retirement of the Senior Note. Also reflects decreased annual interest expense of $4.4 million on the Old Credit Facility resulting from repayment of $49.2 million in principal at an estimated weighted average interest rate of 8.96% per annum from the proceeds of the Concurrent Offering; decreased annual interest expense of $2.7 million resulting from the retirement of the Senior Note; and a reduction of annual interest expense of $1.1 million on the 8% Note which will be converted to Series A Preferred Stock. The Pro Forma Statement of Operations for the Twelve Months Ended June 30, 1996 does not include an extraordinary loss of approximately $2.7 million (net of estimated income tax benefit of $1.4 milion) relating to deferred financing costs and a prepayment fee associated with the assumed retirement of the Senior Note. See "The Phipps Acquisition, the KTVE Sale and the Financing -- The Financing" with respect to the retirement of the Senior Note.

   Assumes estimated gross proceeds from the Concurrent Offering of $73.5 million and estimated net proceeds therefrom of $67.6 million. It is a condition of the release from escrow of the net proceeds of this Offering that the Company shall have consummated one or more equity offerings having gross proceeds of not less than $65.0 million. To the extent that the gross proceeds of any such equity offerings are less than $73.5 million, the Company intends to borrow such difference under its Senior Credit Facility. If the Company borrowed the entire difference (approximately $8.5 million) under its Senior Credit Facility, net loss would be increased by approximately $502,000 (approximately $0.06 per share). It is anticipated that there will not be a significant interval between the closing of this Offering and the closing of the Concurrent Offering.

8. Reflects annual dividends on the Series A and Series B Preferred Stock.

9. Reflects the elimination of the results of operations of KTVE. The pro forma adjustments exclude an estimated gain before income taxes of $5.6 million and estimated income taxes of $2.8 million from the KTVE Sale.

10. Reflects accounting and administrative expenses associated with the Phipps Business.

11. Reflects increased pension expense for the Phipps Business subsequent to the Phipps Acquisition. Historical pension expense for the Phipps Business was a credit of $337,000 while pension expense for these operations subsequent to the Phipps Acquisition is expected to be an expense of approximately $130,000.

12. Reflects decreased annual depreciation resulting from the change in asset lives in connection with the newly acquired property and equipment (at fair market value) of the Phipps Acquisition.

13. Reflects annual amortization of intangible assets associated with the Phipps Acquisition over a 40-year period.

14. Reflects decreased annual amortization of debt acquisition costs resulting from the retirement of the Old Credit Facility at June 30, 1996. The Pro Forma Statement of Operations for the Twelve Months Ended June 30, 1996 does not include an extraordinary loss of approximately $712,000 (net of estimated tax benefit of $366,000) relating to deferred financing costs associated with the assumed retirement of the Old Credit Facility. See "The Phipps Acquisition, the KTVE Sale and the Financing -- The Financing" with respect to the retirement of the Old Credit Facility.

15. Reflects elimination of the corporate allocation to the Phipps Business.

Such amounts will not be incurred by the Company in connection with its operations of the Phipps Business.

16. Reflects the elimination of interest expense associated with the Phipps Business which will not be assumed by the Company.

17. Reflects assumed increased annual interest expense of $17.8 million on the Notes, which includes annual amortization expense of $555,000 resulting from the transaction costs relating to the issuance of the Notes, annual interest expense of $2.0 million relating to the additional

borrowings under the Senior Credit Facility at an estimated weighted average interest rate of 8.96% plus amortization of additional deferred financing costs of $214,000. See "The Phipps Acquisition, the KTVE Sale and the Financing -- The Financing" with respect to the retirement of the Old Credit Facility.

18. Reflects the elimination of minority interests associated with the Phipps Business, because such minority interests will be acquired as a part of the Phipps Acquisition.

19. Average outstanding shares used to calculate pro forma earnings (loss) per share are based on weighted average common shares outstanding during the period, adjusted for the Concurrent Offering.

20. In connection with the Phipps Acquisition, the Company is seeking FCC approval of the assignment of the television broadcast licenses for WCTV and WKXT. Current FCC regulations will require the Company to divest its ownership interest in WALB and WJHG. In order to satisfy applicable FCC requirements, the Company, subject to FCC approval, intends to swap such assets for assets of one or more television stations of comparable value and with comparable broadcast cash flow in a transaction qualifying for deferred capital gains treatment under the "like-kind exchange" provision of Section 1031 of the Code. If the Company is unable to effect such a swap on satisfactory terms within the time period granted by the FCC, the Company may transfer such assets to a trust with a view towards the trustee effecting a swap or sale of such assets. Any such trust arrangement would be subject to the approval of the FCC. See "Risk Factors -- FCC Divestiture Requirement" and "Business -- Federal Regulation of the Company's Business."

    Condensed income statement data of WALB and WJHG are as follows:

	TWELVE MONTHS ENDED JUNE 30, 1996	
	WALB	WJHG
(IN THOUSANDS)		
Broadcasting revenues	$ 9,829	$ 4,426
Expenses	4,735	3,816
Operating income	5,094	610
Other income	17	45
Income before income taxes	$ 5,111	$ 655
Net income	$ 3,170	$ 407
Media Cash Flow	$ 5,409	$ 912

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

(DOLLARS IN THOUSANDS)	JUNE 30, 1996 HISTORICAL COMPANY	CONCURRENT OFFERING	PRO FORMA COMPANY	KTVE SALE(4)	PRO FORMA COMPANY	PHIPPS BUSINESS
ASSETS:						
Cash	$1,287	$ --	$1,287	$9,500	$10,787	$663
Trade accounts receivable	10,818	--	10,818	--	10,818	5,188
Recoverable income taxes	797	1,394(1)	2,191	(2,191)	--	--
Inventories	109	--	109	--	109	--
Current portion of program broadcast rights	711	--	711	(56)	655	924
Prepaid expenses and other current assets	759	--	759	(50)	709	338
Total current assets	14,481	1,394	15,875	7,203	23,078	7,113
Property and equipment-net	18,798	--	18,798	(1,531)	17,267	9,985
Other assets						
Deferred acquisition costs	2,819	--	2,819	--	2,819	--
Deferred loan costs	1,882	(804)(1)	1,078	--	1,078	--
Goodwill and other intangibles	73,299	--	73,299	(2,322)	70,977	9,097
Other	1,237	--	1,237	(8)	1,229	111
Total other assets	79,237	(804)	78,433	(2,330)	76,103	9,208
Total assets	$112,516	$590	$113,106	$3,342	$116,448	$26,306
LIABILITIES AND STOCKHOLDERS' EQUITY:						
Trade accounts payable	$3,169	$--	$3,169	$--	$3,169	$308
Employee compensation and benefits	4,114	--	4,114	--	4,114	--
Accrued expenses	924	--	924	--	924	996
Accrued interest	2,026	--	2,026	--	2,026	--
Income taxes payable	--	--	--	617	617	--
Current portion of broadcast program obligations	710	--	710	(53)	657	458
Deferred paging service income	--	--	--	--	--	975
Current portion of long-term debt	--	--	--	--	--	1,474
Total current liabilities	10,943	--	10,943	564	11,507	4,211
Long-term debt	82,846	(7,545)(2) (74,200)(3)	1,101	--	1,101	2,560
Deferred credits	4,914	--	4,914	(3)	4,911	214
Minority interests	--	--	--	--	--	655
Stockholders' equity						
Series A Preferred Stock	--	9,896(2)	9,896	--	9,896	--
Series B Preferred Stock	--	10,000(2)	10,000	--	10,000	--
Class A Common Stock, no par value	10,000	(2,455)(2)	7,545	--	7,545	--
Class B Common Stock, no par value	--	67,600(2)	67,600	--	67,600	--
Retained earnings	10,451	(2,706)(1)	7,745	2,781	10,526	--
Net equity of acquired operations	--	--	--	--	--	18,666
	20,451	82,335	102,786	2,781	105,567	18,666
Treasury stock	(6,638)	--	(6,638)	--	(6,638)	--
	13,813	82,335	96,148	2,781	98,929	18,666
Total liabilities and stockholders' equity	$112,516	$590	$113,106	$3,342	$116,448	$26,306

(DOLLARS IN THOUSANDS)	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED(10)
ASSETS:		
Cash	$(185,000)(5) 154,450(7) 21,050(8) (663)(6)	$1,287
Trade accounts receivable	--	16,006
Recoverable income taxes	--	--
Inventories	--	109
Current portion of program broadcast rights	--	1,579
Prepaid expenses and other current assets	(338)(6)	709
Total current assets	(10,501)	19,690
Property and equipment-net	--	27,252
Other assets		
Deferred acquisition costs	--	2,819
Deferred loan costs	5,550(7)	7,050

	1,500(8)	
	(1,078)(9)	
Goodwill and other intangibles	(9,097)(6)	241,416
	170,439(5)	
Other	--	1,340
Total other assets	167,314	252,625
Total assets	$156,813	$299,567
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade accounts payable	$(308)(6)	$3,169
Employee compensation and benefits	--	4,114
Accrued expenses	(996)(6)	924
Accrued interest	--	2,026
Income taxes payable	(366)(9)	251
Current portion of broadcast program obligations	--	1,115
Deferred paging service income	--	975
Current portion of long-term debt	(1,474)(6)	--
Total current liabilities	(3,144)	12,574
Long-term debt	(2,560)(6)	183,651
	22,550(8)	
	160,000(7)	
Deferred credits	--	5,125
Minority interests	(655)(6)	--
Stockholders' equity		
Series A Preferred Stock	--	9,896
Series B Preferred Stock	--	10,000
Class A Common Stock, no par value	--	7,545
Class B Common Stock, no par value	--	67,600
Retained earnings	(712)(9)	9,814
Net equity of acquired operations	(18,666)(5)	--
	(19,378)	104,855
Treasury stock	--	(6,638)
	(19,378)	98,217
Total liabilities and stockholders' equity	$156,813	$299,567

The pro forma adjustments to reflect the Concurrent Offering, the KTVE Sale, the Phipps Acquisition, the Financing and this Offering are as follows:

BALANCE SHEET - JUNE 30, 1996

1. Reflects the prepayment fee associated with the retirement of the Senior Note, the write-off of deferred loan costs in connection with the retirement of the Senior Note and the exchange of the Series A Preferred Stock for the 8% Note, and the income tax benefit associated with the prepayment fee and write-off of deferred loan costs.

   The estimated gross proceeds from the Concurrent Offering are $73.5 million and the estimated net proceeds therefrom are $67.6 million. It is a condition of the release from escrow of the net proceeds of this Offering that the Company shall have consummated one or more equity offerings having gross proceeds of not less than $65.0 million. To the extent that the gross proceeds of any such equity offerings are less than $73.5 million, the Company intends to borrow such difference under its Senior Credit Facility. It is anticipated that there will not be a significant interval between the closing of this Offering and the closing of the Concurrent Offering. See "The Phipps Acquisition, the KTVE Sale and the Financing--Sources and Uses of Funds for the Phipps Acquisition and the Financing."

2. Reflects the issuances, net of fees and expenses, of (i) approximately 3,500,000 shares of Class B Common Stock at an estimated $21 per share pursuant to the Concurrent Offering, (ii) Series A Preferred Stock in exchange for the 8% Note and (iii) $10.0 million of Series B Preferred Stock to certain affiliates of the Company.

3. Reflects retirement of $25.0 million in aggregate principal amount and a prepayment fee of $3.4 million on the Senior Note and a retirement of $49.2 million on the Old Credit Facility with the net proceeds from the Concurrent Offering and the sale of Series B Preferred Stock of $77.6 million.

4. Reflects the KTVE Sale for $9.5 million plus the amount of the accounts receivable on the date of the closing. The transaction was consummated in August 1996.

5. Reflects the purchase of the Phipps Business and a preliminary allocation of the purchase price of $185.0 million to the tangible assets and liabilities based upon estimates of fair market value at June 30, 1996 as follows:

	AMOUNT
(IN THOUSANDS)	
Trade accounts receivable	$ 5,188
Current portion of program broadcast rights	924
Property and equipment	9,985
Goodwill and other intangibles	170,439
Other	111
Current portion of program broadcast obligations	(458)
Deferred paging service income	(975)
Deferred credits	(214)
Purchase price of Phipps Business including expenses	$ 185,000
Historical book value of Phipps Business	$ (18,666)
Assets not acquired and liabilities not assumed--net	4,105
Net assets acquired	(14,561)
Purchase price of Phipps Business	185,000
Goodwill and other intangibles	$ 170,439

   The excess of purchase price over amounts allocated to net tangible assets will be amortized on a straight-line basis over a 40-year period. The allocation of the purchase price is subject to adjustment based upon the results of pending appraisals.

6. Reflects the elimination of certain of the assets and liabilities of the Phipps Business, which were not included in the Phipps Acquisition.

7. Reflects the issuance of the Notes pursuant to this Offering and fees and expenses associated with this Offering.

8. Reflects borrowings of $22.6 million under the Senior Credit Facility in order to complete the Phipps Acquisition and estimated expenses of $1.5 million in connection with the negotiation and execution of Senior Credit Facility. See "Description of Certain Indebtedness -- Senior Credit Facility."

9. Reflects the write-off of debt acquisition costs and related tax benefit resulting from the retirement of the Old Credit Facility at June 30, 1996.

10. In connection with the Phipps Acquisition, the Company is seeking FCC

approval of the assignment of the television broadcast licenses for WCTV and WKXT. Current FCC regulations will require the Company to divest its ownership interest in WALB and WJHG. In order to satisfy applicable FCC requirements, the Company, subject to FCC approval, intends to swap such assets for assets of one or more television stations of comparable value and with comparable broadcast cash flow in a transaction qualifying for deferred capital gains treatment under the "like-kind exchange" provision of Section 1031 of the Code. If the Company is unable to effect such a swap on satisfactory terms within the time period granted by the FCC, the Company may transfer such assets to a trust with a view towards the trustee effecting a swap or sale of such assets. Any such trust arrangement would be subject to the approval of the FCC. See "Risk Factors--FCC Divestiture Requirement" and "Business--Federal Regulation of the Company's Business."

Condensed balance sheets of WALB and WJHG are as follows:

(IN THOUSANDS)	JUNE 30, 1996 WALB	JUNE 30, 1996 WJHG
Current assets	$ 1,801	$ 913
Property and equipment	1,714	1,014
Other assets	66	3
Total assets	$ 3,581	$ 1,930
Current liabilities	$ 1,756	$ 474
Other liabilities	214	--
Stockholder's equity	1,611	1,456
Total liabilities and stockholder's equity	$ 3,581	$ 1,930

SELECTED HISTORICAL FINANCIAL DATA

SELECTED FINANCIAL DATA OF THE COMPANY

Set forth below are certain selected historical consolidated financial data of the Company. This information should be read in conjunction with the consolidated financial statements of the Company and related notes thereto appearing elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations of the Company." The selected consolidated financial data for, and as of the end of, each of the years in the four-year period ended December 31, 1995 are derived from the audited consolidated financial statements of the Company. The selected consolidated financial data for, and as of the year ended December 31, 1991 are derived from unaudited financial statements, since the Company had a June 30 fiscal year end. The selected consolidated financial data for, and as of the six months ended June 30, 1995 and 1996 are derived from the unaudited accounting records of the Company and have been prepared on the same basis as the audited consolidated financial statements and in the opinion of the management of the Company include all normal and recurring adjustments and accruals necessary for a fair presentation of such information.

	YEAR ENDED DECEMBER 31					SIX MONTHS ENDED JUNE 30	
	1991	1992	1993	1994	1995	1995	1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)	(UNAUDITED)					(UNAUDITED)	
STATEMENT OF INCOME DATA:							
Operating revenues:							
Broadcasting (less agency commissions)	$13,553	$15,131	$15,004	$22,826	$36,750	$18,261	$24,252
Publishing	8,968	9,512	10,109	13,692	21,866	10,046	11,262
Total revenues	22,521	24,643	25,113	36,518	58,616	28,307	35,514
Expenses:							
Broadcasting	9,672	9,753	10,029	14,864	23,202	11,410	14,418
Publishing	6,444	6,752	7,662	11,198	20,016	8,590	9,193
Corporate and administrative	1,889	2,627	2,326	1,959	2,258	1,012	1,571
Depreciation	1,487	1,197	1,388	1,745	2,633	1,234	1,648
Amortization of intangible assets	14	44	177	396	1,326	588	1,253
Non-cash compensation paid in common stock	--	--	--	80	2,321	816	120
Total expenses	19,506	20,373	21,582	30,242	51,756	23,650	28,203
Operating income	3,015	4,270	3,531	6,276	6,860	4,657	7,311
Miscellaneous income (expense), net	778	(1,519)	202	189	143	69	81
Income from continuing operations before interest expense and income taxes	3,793	2,751	3,733	6,465	7,003	4,726	7,392
Interest expense	787	1,486	985	1,923	5,438	2,768	4,445
Income from continuing operations before income taxes	3,006	1,265	2,748	4,542	1,565	1,958	2,947
Federal and state income taxes	1,156	869	1,068	1,776	634	776	1,146
Income from continuing operations	1,850	396	1,680	2,766	931	1,182	1,801
Discontinued business:							
Income (loss) from operations of discontinued business, net of applicable income tax expense (benefit) of ($55), ($79) and $30, respectively	(90)	(129)	48	--	--	--	--
Gain on disposal of discontinued business, net of applicable income tax expense of $501	--	--	818	--	--	--	--
Net income	$ 1,760	$ 267	$ 2,546	$ 2,766	$ 931	$ 1,182	$ 1,801
Average outstanding common shares	6,469	4,668	4,611	4,689	4,481	4,383	4,657
Income from continuing operations per common share-primary	$ 0.29	$ 0.09	$ 0.36	$ 0.59	$ 0.21	$ 0.27	$ 0.39
Income from continuing operations per common share-fully diluted	$ 0.29	$ 0.09	$ 0.36	$ 0.59	$ 0.21	$ 0.27	$ 0.38
Cash dividends per common share	$ 0.05	$ 0.07	$ 0.07	$ 0.07	$ 0.08	$ 0.04	$ 0.04

(IN THOUSANDS, EXCEPT RATIOS)	YEAR ENDED DECEMBER 31 1991 (UNAUDITED)	1992	1993	1994	1995	SIX MONTHS ENDED JUNE 30 1995 (UNAUDITED)	1996
BALANCE SHEET DATA (AT END OF PERIOD):							
Working capital (deficiency)	$ 6,740	$ 2,976	$ 2,579	$ 1,075	$ (222)	$ 237	$ 3,538
Total assets	31,548	24,173	21,372	68,789	78,240	73,932	112,516
Total debt	20,378	12,412	7,759	52,940	54,324	54,319	82,846
Total stockholders' equity	$ 5,853	$ 4,850	$ 7,118	$ 5,001	$ 8,986	$ 7,375	$13,813
OTHER DATA:							
Media Cash Flow (1)	$ 6,405	$ 8,079	$ 7,371	$10,522	$15,559	$ 8,333	$12,004
Operating cash flow (2)	4,516	5,452	5,044	8,567	13,309	7,329	10,442
EBITDA (3)	4,516	5,512	5,095	8,498	13,140	7,296	10,332
Cash flows provided by (used in):							
Operating activities	3,499	4,832	1,324	5,798	7,600	3,828	6,801
Investing activities	(2,073)	(1,041)	3,062	(42,770)	(8,929)	(5,377)	(37,490)
Financing activities	(10,424)	(9,300)	(4,932)	37,200	1,331	1,208	31,416
Capital expenditures	$ 2,235	$ 2,216	$ 2,582	$ 1,768	$ 3,280	$1,852	$ 1,317
Ratio of Media Cash Flow to interest expense	8.1	5.4	7.5	5.5	2.9	3.0	2.7
Ratio of operating cash flow to interest expense	5.7	3.7	5.1	4.5	2.4	2.6	2.3
Ratio of total debt to Media Cash Flow	3.2	1.5	1.1	5.0	3.5	3.5(5)	4.3(5)
Ratio of total debt to operating cash flow	4.5	2.3	1.5	6.2	4.1	4.1(5)	5.0(5)
Ratio of earnings to fixed charges (4)	4.7	1.8	3.4	3.2	1.3	1.7	1.6

- ------------------------------

(1) Media Cash Flow represents operating income plus depreciation and amortization (including amortization of program license rights), non-cash compensation and corporate overhead, less payments of program license liabilities.

(2) Operating cash flow represents operating income plus depreciation, amortization (including amortization of program license rights) and non-cash compensation, less payments for program license liabilities.

(3) EBITDA represents operating income plus (i) depreciation and amortization (excluding amortization of program license rights) and (ii) non-cash compensation paid in common stock (excluding stock payments made to the 401(k) plan). EBITDA is presented not as a measure of operating results, but rather to provide additional information related to the Company's ability to service debt. EBITDA should not be considered as an alternative to either (x) operating income determined in accordance with GAAP as an indicator of operating performance or (y) cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity.

(4) For purposes of this item, "fixed charges" represent interest, the interest element of rental expense, capitalized interest and amortization of debt issuance costs and "earnings" represent net income (loss) before income taxes, discontinued operations, extraordinary items, cumulative effect of change in accounting principles and fixed charges.

(5) Represents applicable ratios for the 12 month periods ended June 30, 1995 and 1996.

SELECTED FINANCIAL DATA OF THE PHIPPS BUSINESS

Set forth below are certain selected historical financial data of the Phipps Business. This information should be read in conjunction with the financial statements of the Phipps Business and related notes thereto appearing elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations of the Phipps Business." The selected historical financial data for, and as of the end of, each of the years in the three-year period ended December 31, 1995 are derived from the audited financial statements of the Phipps Business. The selected financial data for, and as of the end of, each of the years ended December 31, 1991 and 1992 are derived from the unaudited accounting records of the Phipps Business. The selected financial data for, and as of the six months ended June 30, 1995 and 1996 are derived from the unaudited financial statements of the Phipps Business and have been prepared on the same basis as the audited financial statements and in the opinion of management of the Company include all normal and recurring adjustments and accruals necessary for a fair presentation of such information.

	YEAR ENDED DECEMBER 31					SIX MONTHS ENDED JUNE 30	
	1991	1992(1)	1993	1994	1995	1995	1996
(IN THOUSANDS)	(UNAUDITED)					(UNAUDITED)	
STATEMENT OF INCOME DATA:							
Operating revenues:							
Broadcasting (less agency commissions)	$ 10,492	$ 14,523	$ 19,460	$ 21,524	$ 22,424	$ 10,774	$ 11,346
Paging	3,369	3,646	3,788	4,277	4,897	2,423	2,744
Total revenues	13,861	18,169	23,248	25,801	27,321	13,197	14,090
Expenses:							
Broadcasting	5,298	7,518	10,734	10,211	10,487	5,065	5,412
Paging	2,356	2,298	2,529	2,764	3,052	1,411	1,780
Management fees	579	973	2,462	2,486	3,280	1,539	735
Depreciation and amortization	1,513	1,734	2,836	2,672	3,120	1,436	1,530
Total expenses	9,746	12,523	18,561	18,133	19,939	9,451	9,457
Operating income	4,115	5,646	4,687	7,668	7,382	3,746	4,633
Miscellaneous income (expense), net	5	8	16	666	12	)(4	)(5
Income before interest expense and minority interests	4,120	5,654	4,703	8,334	7,394	3,742	4,628
Interest expense	162	442	632	480	499	223	159
Income before minority interests	3,958	5,212	4,071	7,854	6,895	3,519	4,469
Minority interests	--	331	140	635	547	256	296
Net income	$ 3,958	$ 4,881	$ 3,931	$ 7,219	$ 6,348	$ 3,263	$ 4,173
Supplemental unaudited pro forma information: (2)							
Net income, as above	$ 3,958	$ 4,881	$ 3,931	$ 7,219	$ 6,348	$ 3,263	$ 4,173
Pro forma provision for income tax expense	1,504	1,855	1,500	2,743	2,413	1,240	1,586
Pro forma net income	$ 2,454	$ 3,026	$ 2,431	$ 4,476	$ 3,935	$ 2,023	$ 2,587
BALANCE SHEET DATA (AT END OF PERIOD):							
Working capital	$ 595	$ 615	$ 1,257	$ 1,421	$ 2,622	$ 2,228	$ 2,902
Total assets	8,931	25,068	24,819	25,298	27,562	27,633	26,306
Total debt	1,388	7,697	6,542	6,065	4,810	5,198	4,034
Minority interests	--	1,154	824	728	586	648	655
Owner's equity	6,351	13,276	14,306	15,465	18,794	18,764	18,666

(IN THOUSANDS)	YEAR ENDED DECEMBER 31 1993	1994	1995	SIX MONTHS ENDED JUNE 30 1995	1996
				(UNAUDITED)	
OTHER DATA:					
Media Cash Flow (3)	$ 10,466	$ 12,983	$ 13,696	$ 6,678	$ 6,769
Operating cash flow (4)	8,003	10,498	10,416	5,140	6,035
EBITDA (5)	7,523	10,340	10,502	5,182	6,163
Net cash flows provided by (used in):					
Operating activities	7,397	9,808	9,259	4,136	6,191
Investing activities	(2,953)	(2,506)	(3,828)	(3,152)	(840)
Financing activities	(4,418)	(7,233)	(4,906)	(917)	(5,309)
Capital expenditures	$ 3,538	$ 3,353	$ 3,188	$ 1,902	$ 1,647

- ------------------------------

(1) Includes the acquisition of a majority interest in WKXT in July 1992, which was accounted for using the purchase method of accounting.

(2) John H. Phipps, Inc. and its subsidiaries file a consolidated federal income tax return and separate state tax returns. Income tax expense for the Phipps Business is not presented in the financial statements as such amounts are computed and paid by John H. Phipps, Inc. Pro forma federal and state income taxes for the Phipps Business are calculated on a pro forma, separate return basis.

(3) Media Cash Flow represents operating income plus depreciation, amortization (including amortization of program license rights) and corporate overhead less payments of program license liabilities.

(4) Operating cash flow represents operating income plus depreciation and amortization (including amortization of program license rights) less payments for program license liabilities.

(5) EBITDA represents operating income plus depreciation and amortization (excluding amortization of program license rights). EBITDA is presented not as a measure of operating results, but rather to provide additional information related to the Phipps Business' ability to service debt. EBITDA should not be considered as an alternative to either (x) operating income determined in accordance with GAAP as an indicator of operating performance or (y) cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity.

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 the Company should be read in conjunction with the Company's consolidated financial statements and notes thereto included elsewhere in this Prospectus.

The Company derives its revenues from its television broadcasting and publishing operations. As a result of the Kentucky Acquisition (as defined) in 1994 and the Augusta Acquisition, which was completed in January 1996, the proportion of the Company's revenues derived from television broadcasting has increased and this proportion will continue to increase as a result of the Phipps Acquisition, which is expected to occur by September 30, 1996. As a result of the higher operating margins associated with the Company's television broadcasting operations, the profit contribution of these operations as a percentage of revenues has exceeded, and is expected to continue to exceed, the profit contribution of the Company's publishing operations. Set forth below, for the periods indicated, is certain information concerning the relative contributions of the Company's television broadcasting and publishing operations.

	YEAR ENDED DECEMBER 31						SIX MONTHS ENDED JUNE 30			
	1993		1994		1995		1995		1996	
(DOLLARS IN THOUSANDS)	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL
TELEVISION BROADCASTING										
Revenues	$15,003.7	59.8%	$22,826.4	62.5%	$36,750.0	62.7%	$18,260.9	64.5%	$24,251.9	68.3%
Operating income (1)	4,070.6	66.9	6,556.0	78.4	10,585.2	94.1	5,416.1	84.8	7,757.3	85.9
PUBLISHING										
Revenues	$10,109.4	40.2%	$13,692.0	37.5%	$21,866.2	37.3%	$10,046.1	35.5%	$11,261.8	31.7%
Operating income (1)	2,009.1	33.1	1,804.0	21.6	660.2	5.9	972.2	15.2	1,272.7	14.1

(1) Excludes any allocation of corporate and administrative expenses.

TELEVISION BROADCASTING

Set forth below are the principal types of broadcasting revenues earned by the Company's television stations for the periods indicated and the percentage contribution of each to total Company revenues:

	YEAR ENDED DECEMBER 31						SIX MONTHS ENDED JUNE 30			
	1993		1994		1995		1995		1996	
(DOLLARS IN THOUSANDS)	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES
Net revenues:										
Local	$ 7,312.3	29.2%	$12,191.4	33.4%	$20,888.1	35.6%	$10,294.6	36.4%	$13,745.3	38.7%
National	6,102.8	24.3	7,804.4	21.4	10,881.1	18.6	5,497.4	19.4	6,967.9	19.6
Network compensation	1,286.1	5.1	1,297.5	3.5	2,486.8	4.2	1,247.2	4.4	1,761.0	5.0
Political	17.7	0.1	1,029.0	2.8	1,174.2	2.0	437.9	1.5	786.3	2.2
Production and other	284.8	1.1	504.1	1.4	1,319.8	2.3	783.8	2.8	991.4	2.8
	$15,003.7	59.8%	$22,826.4	62.5%	$36,750.0	62.7%	$18,260.9	64.5%	$24,251.9	68.3%

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 56.5% of the gross revenues of the Company's television stations for the year ended December 31, 1995 and the six months ended June 30, 1996, were generated from local advertising, which is sold by a station's sales staff directly to local accounts, and the remainder primarily represents 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 of each year, due in part to increases in retail advertising in the spring and in the period leading up to and including the holiday season. In addition, broadcast advertising revenues are generally higher during even numbered election years due to spending by political candidates, which spending typically is heaviest during the fourth quarter.

The broadcasting operations' primary operating expenses are employee compensation, related benefits and programming costs. In addition, the broadcasting operations incur overhead expenses such as maintenance, supplies, insurance, rent and utilities. A large portion of the operating expenses of the broadcasting operations is fixed.

PUBLISHING

Set forth below are the principal types of publishing revenues earned by the Company's publishing operations for the periods indicated and the percentage contribution of each to total Company revenues.

	YEAR ENDED DECEMBER 31						SIX MONTHS ENDED JUNE 30			
	1993		1994		1995		1995		1996	
	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES	AMOUNT	PERCENT OF TOTAL COMPANY REVENUES
(DOLLARS IN THOUSANDS)										
Revenues:										
Retail advertising	$ 5,734.3	22.8%	$ 7,460.3	20.4%	$11,044.2	18.8%	$ 5,089.5	18.0%	$ 5,299.8	14.9%
Classified	2,336.5	9.3	3,174.2	8.7	5,323.8	9.1	2,493.7	8.8	3,036.5	8.5
Circulation	2,011.8	8.0	2,628.9	7.2	3,783.8	6.5	1,821.6	6.4	2,188.6	6.2
Other	26.8	0.1	428.6	1.2	1,714.4	2.9	641.3	2.3	736.9	2.1
	$10,109.4	40.2%	$13,692.0	37.5%	$21,866.2	37.3%	$10,046.1	35.5%	$11,261.8	31.7%

In the Company's publishing operations, advertising contracts are generally annual and primarily provide for a commitment as to the volume of advertising purchased by a customer. The publishing operations' advertising revenues are primarily generated from retail advertising. As with the broadcasting operations, the publishing operations' revenues are generally highest in the second and fourth quarters of each year.

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

MEDIA CASH FLOW

The following table sets forth certain operating data for both the broadcast and publishing operations for the years ended December 31, 1993, 1994 and 1995, and the six months ended June 30, 1995 and 1996.

(DOLLARS IN THOUSANDS)	YEAR ENDED DECEMBER 31 1993	1994	1995	SIX MONTHS ENDED JUNE 30 1995	1996
Operating income	$3,530.7	$ 6,276.4	$ 6,859.7	$4,657.5	$7,311.2
Add:					
Amortization of program license rights	924.9	1,218.0	1,647.0	768.0	1,279.4
Depreciation and amortization	1,564.8	2,141.6	3,958.9	1,821.7	2,900.7
Corporate overhead	2,326.7	1,958.4	2,258.3	1,012.0	1,570.8
Non-cash compensation and contributions to the Company's 401(k) plan, paid in common stock	-	109.5	2,612.2	976.4	250.8
Less:					
Payments for program license liabilities	(976.2)	(1,181.6)	(1,776.8)	(902.8)	(1,309.3)
Media Cash Flow (1)	$7,370.9	$10,522.3	$15,559.3	$8,332.8	$12,003.6

- ------------------------------
(1) Of Media Cash Flow, $4.9 million, $8.0 million and $13.6 million was attributable to the Company's broadcasting operations in 1993, 1994 and 1995, respectively; and $6.8 million and $9.9 million was attributable to the Company's broadcasting operations during the six months ended June 30, 1995 and 1996, respectively.

"Media Cash Flow" is defined as operating income from broadcast and publishing operations (and includes paging with regard to the Phipps Business) before income taxes and interest expense, plus depreciation and amortization (including amortization of program license rights), non-cash compensation and corporate overhead, less payments for program license liabilities. The Company has included Media Cash Flow data because such data are commonly used as a measure of performance for broadcast companies and are also used by investors to measure a company's ability to service debt. Media Cash Flow is not, and should not be used as, an indicator or alternative to operating income, net income or cash flow as reflected in the consolidated financial statements of the Company and is not a measure of financial performance under GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

ACQUISITIONS

Since 1994, the Company has completed several broadcasting and publishing acquisitions. The operating results of the Company reflect significant increases in substantially all line items between the six months ended June 30, 1995 and 1996, and the years ended December 31, 1994 and 1995. The principal reason for these increases is the acquisition by the Company in January 1996 of the Augusta Business for $35.9 million and the assumption of $1.3 million of liabilities, and in September 1994 of WKYT and WYMT (together, the "Kentucky Business") for $38.1 million and the assumption of $2.3 million of liabilities (the "Kentucky Acquisition"). In addition, during 1994 the Company acquired THE ROCKDALE CITIZEN for approximately $4.8 million (May 1994) and four shoppers for approximately $1.5 million (October 1994) (collectively the "1994 Publishing Acquisitions"), and during 1995 the Company acquired the GWINNETT DAILY POST for approximately $3.7 million (January 1995) and three shoppers for an aggregate purchase price of approximately $1.4 million (September 1995) (collectively the "1995 Publishing Acquisitions"). The 1994 Publishing Acquisitions and the 1995 Publishing Acquisitions are collectively referred to as the "Publishing Acquisitions."

CASH FLOW PROVIDED BY (USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES.

The following table sets forth certain operating data for the Company for the years ended December 31, 1993, 1994 and 1995 and for the six months ended June 30, 1995 and 1996.

(DOLLARS IN THOUSANDS)	YEAR ENDED DECEMBER 31 1993	1994	1995	SIX MONTHS ENDED JUNE 1995	1996
Cash flows provided by (used in):					
Operating activities	$1,324	$5,798	$7,600	$3,828	$6,801
Investing activities	3,062	(42,770)	(8,929)	(5,377)	(37,490)
Financing activities	(4,932)	37,200	1,331	1,208	31,416

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1995

REVENUES. Total revenues for the six months ended June 30, 1996 increased $7.2 million, or 25.5%, over the six months ended June 30, 1995, from $28.3 million to $35.5 million. This increase was attributable to (i) the Augusta Acquisition, which occurred on January 4, 1996 and (ii) increases in publishing and broadcasting (excluding the Augusta Acquisition) revenues. The Augusta Acquisition accounted for $4.5 million, or 62.3%, of the revenue increase.

Broadcast net revenues increased $6.0 million, or 32.8%, over the same period of the prior year, from $18.3 million to $24.3 million. Revenues generated by WRDW accounted for $4.5 million, or 74.9%, of the increase. On a pro forma basis, broadcast net revenues for WRDW for the six months ended June 30, 1996 increased $130,000, or 3.0%, over the same period of the prior year. Broadcast net revenues, excluding the Augusta Acquisition, increased $1.5 million, or 8.2%, over the six months ended June 30, 1995. Approximately $1.1 million, $94,000 and $171,000 of the $1.5 million increase in total broadcast net revenues, excluding the Augusta Acquisition, were due to higher local, national and political advertising spending, respectively. The remaining increase was due to greater tower rental and special projects revenue.

Publishing revenues increased $1.2 million, or 12.1%, over the six months ended June 30, 1995 from $10.1 million to $11.3 million. Advertising and circulation revenues comprised $766,000 and $367,000, respectively, of the revenue increase. The increase in advertising revenue was primarily the result of linage increases in classified advertising and retail rate increases. The increase in circulation revenue can be attributed primarily to price increases over the same period of the prior year at two of the Company's publishing operations and the conversion of the GWINNETT DAILY POST to a five-day-a-week paper. Approximately $81,000 of the publishing revenue increase was the result of higher special events revenue.

OPERATING EXPENSES. Operating expenses for the six months ended June 30, 1996 increased $4.6 million, or 19.3%, over the six months ended June 30, 1995 from $23.6 million to $28.2 million, due to the Augusta Acquisition and increased expenses at the broadcasting and publishing operations, as well as increased corporate and administrative expenses, depreciation and amortization, offset by a reduction in non-cash compensation paid in Class A Common Stock.

Broadcasting expenses for the six months ended June 30, 1996 increased $3.0 million, or 26.4%, over the same period of the prior year from $11.4 million to $14.4 million. This increase was primarily attributable to the Augusta Acquisition. On a pro forma basis, broadcast expenses for WRDW for the six months ended June 30, 1996 decreased $129,000, or 4.5%, over the same period of 1995, from $2.9 million to $2.8 million. Broadcasting expenses, excluding WRDW, increased $243,000, or 2.1%, primarily as the result of higher payroll related costs.

Publishing expenses for the six months ended June 30, 1996 increased $603,000, or 7.0%, over the same period of the prior year, from $8.6 million to $9.2 million. This increase resulted primarily from the conversion of the GWINNETT DAILY POST to a five day-a-week paper and the acquisition of advertising only publications in September 1995. Newsprint costs increased approximately 12% while consumption of newsprint increased approximately 7%. Payroll related costs, promotional costs, product delivery costs and outside service costs increased over the same period of the prior year.

Corporate and administrative expenses for the six months ended June 30, 1996 increased $559,000, or 55.2%, over the same period of the prior year from $1.0 million to $1.6 million. This increase was attributable primarily to the addition of several new officers.

Depreciation of property and equipment and amortization of intangible assets was $2.9 million for the six months ended June 30, 1996, compared to $1.8 million for the same period of the prior year, an increase of $1.1 million or 59.2%. This increase was primarily the result of higher depreciation and amortization costs related to the Augusta Acquisition and $3.3 million of capital expenditures made in 1995.

Non-cash compensation paid in Class A Common Stock resulting from the Company's employment agreement with its former President and the Separation Agreement (as defined) with its former chief executive officer decreased $696,000, or 85.3%, for the six months ended June 30, 1996, from $816,000 to $120,000. This decrease resulted from the Company's award in 1995 of 150,000 shares of Class A Common Stock to its former chief executive officer. The expense for such award was recognized in 1995 (including $696,000 recognized in the six months ended June 30, 1995).

INTEREST EXPENSE. Interest expense increased $1.7 million, or 60.6%, from $2.8 million for the six months ended June 30, 1995 to $4.4 million for the six months ended June 30, 1996. This increase was attributable primarily to increased levels of debt resulting from the financing of the Augusta Acquisition.

NET INCOME. Net income for the Company was $1.8 million for the six months ended June 30, 1996, compared with $1.2 million for the same period in 1995, an increase of $620,000 or 52.5%.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

REVENUES. Total revenues for the year ended December 31, 1995 increased $22.1 million, or 60.5%, over the year ended December 31, 1994, from $36.5 million to $58.6 million. This increase was attributable to (i) the effect of owning the Kentucky Business for all of 1995 versus the last four months of 1994 ($12.9 million), (ii) the Publishing Acquisitions ($6.4 million) and (iii) increases in total revenues of the Company of $2.8 million (excluding the Kentucky Business and the Publishing Acquisitions). The Kentucky Acquisition and the Publishing Acquisitions accounted for $19.3 million, or 87.3%, of the revenue increase.

Broadcast net revenues increased $13.9 million, or 61.0%, over the prior year, from $22.8 million to $36.7 million. Revenues generated by the Kentucky Acquisition accounted for $12.9 million, or 92.8%, of the increase. On a pro forma basis, broadcast net revenues for the Kentucky Business for the year ended December 31, 1995 increased $2.7 million, or 16.1%, over the year ended December 31, 1994, from $16.6 million to $19.3 million. Broadcast net revenues, excluding the Kentucky Acquisition, increased 6.1%, or $1.0 million, over the prior year. Approximately $889,000 and $304,000 of the $1.0 million increase in total broadcast net revenues, excluding the Kentucky Acquisition, were due to higher local and national advertising spending, respectively. Approximately $417,000 of the $1.0 million increase in total broadcast net revenues, excluding the Kentucky Acquisition, is a result of higher network compensation negotiated by the Company with CBS and NBC. These increases were offset by a $617,000 decrease in political advertising revenues associated with cyclical political activity.

Publishing revenues increased $8.2 million, or 59.7%, over the prior year, from $13.7 million to $21.9 million. Approximately $6.4 million, or 77.8%, of the increase was due to the Publishing Acquisitions. Publishing revenues, excluding the Publishing Acquisitions, increased $1.8 million, or 15.5%, over the prior year. Advertising and circulation revenue, excluding the Publishing Acquisitions, comprised approximately $885,000 and $511,000, respectively, of the revenue increase. This increase in circulation revenue can be attributed primarily to price increases over the prior year. This increase in classified advertising, excluding the Publishing Acquisitions, was primarily the result of rate and linage increases. Approximately $417,000 of the revenue increase, excluding the Publishing Acquisitions, was the result of higher special events and commercial printing revenues.

OPERATING EXPENSES. Operating expenses for the year ended December 31, 1995 increased $21.5 million, or 71.1%, over the year ended December 31, 1994, from $30.2 million to $51.7 million, primarily due to the Kentucky Acquisition ($9.8 million) and the Publishing Acquisitions ($7.6 million).

Broadcasting expenses increased $8.3 million, or 56.1%, over the prior year, from $14.9 million to $23.2 million. The increase was attributable primarily to the Kentucky Acquisition. On a pro forma basis, broadcast expenses for the Kentucky Business for the year ended December 31, 1995 increased $1.5 million, or 14.3%, over the year ended December 31, 1994, from $10.7 million to $12.2 million. The increase in broadcast expenses for the Kentucky

Business can be attributed primarily to increased payroll related costs and sales commissions. Broadcasting expenses, excluding the Kentucky Acquisition, remained relatively constant primarily as a result of lower syndicated film programming costs offset by higher payroll related costs.

Publishing expenses increased $8.8 million, or 78.7%, over the prior year, from $11.2 million to $20.0 million. Approximately $7.1 million, or 80.6%, of the increase was due to the Publishing Acquisitions. Publishing expenses, excluding the Publishing Acquisitions, increased $1.7 million, or 18.5%, primarily due to a 40% increase in newsprint cost, increased payroll related costs and product delivery and promotion costs.

Corporate and administrative expenses increased $300,000, or 15.3%, over the prior year, from $2.0 million to $2.3 million. This increase was attributable primarily to the Separation Agreement with the Company's former chief executive officer, which resulted in a $440,000 charge to expense.

Depreciation of property and equipment and amortization of intangible assets was $3.9 million for the year ended December 31, 1995, compared to $2.1 million for the prior year, an increase of $1.8 million, or 84.9%. This increase was primarily the result of higher depreciation and amortization costs related to the Kentucky Acquisition and the Publishing Acquisitions.

Non-cash compensation paid in Class A Common Stock resulted from the Company's employment agreements with its former President and its former chief executive officer. The former President's employment agreement provided him with 122,034 shares of Class A Common Stock if his employment continued until September 1999. This agreement resulted in a charge to expense of $240,000 for the year ended December 31, 1995 as compared to $80,000 for the year ended December 31, 1994. In addition, the Company awarded 150,000 shares of Class A Common Stock, pursuant to an employment agreement with its former chief executive officer, which resulted in an expense of $2.1 million, all of which was recognized in 1995.

INTEREST EXPENSE. Interest expense increased $3.5 million, or 182.8%, from $1.9 million for the year ended December 31, 1994 to $5.4 million for the year ended December 31, 1995. This increase was attributable primarily to increased levels of debt resulting from the financing of the Kentucky Acquisition and the Publishing Acquisitions. The Company entered into a $25 million notional amount five year interest rate swap agreement on June 2, 1995, to effectively convert a portion of its floating rate debt to a fixed rate basis. The interest rate swap fixed the LIBOR base rate of the Old Credit Facility at 6.105% for the notional amount. Under the terms of the interest rate swap, amounts were paid to or received from Society National Bank ("Society"), the other party to the swap, on a quarterly basis. The calculation of these amounts was based upon a comparison of the results of multiplying the notional amount by (i) 6.105% and (ii) Society's current three-month LIBOR rate. If Society's current three-month LIBOR rate was lower than 6.105%, the Company paid Society the difference. If Society's current three-month LIBOR rate was higher than 6.105%, Society paid the Company the difference. Since the inception of the interest rate swap agreement, the three-month LIBOR rates charged by Society have been consistent with the three-month LIBOR rates published in THE WALL STREET JOURNAL. The Company recorded approximately $34,000 of interest expense relative to the interest rate swap in 1995. The effective interest rate of the Old Credit Facility and interest rate swap at December 31, 1995 was approximately 8.64% and 9.10%, respectively.

NET INCOME. Net income for the Company was $931,000 for the year ended December 31, 1995, compared with $2.8 million for the year ended December 31, 1994, a decrease of $1.8 million.

YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993

REVENUES. Total revenues for the year ended December 31, 1994 increased $11.4 million or 45.4% over the year ended December 31, 1993, from $25.1 million to $36.5 million. Excluding the Kentucky Acquisition and the 1994 Publishing Acquisitions, the increase was $3.1 million or 12.3%.

Broadcast net revenues increased $7.8 million or 52.1% over the prior year, from $15.0 million to $22.8 million. Broadcast net revenues, excluding the Kentucky Acquisition, increased 9.8% or $1.5 million over the prior year. The Kentucky Acquisition contributed $6.3 million to this increase. Excluding the Kentucky Acquisition, approximately $921,000 of the $1.5 million increase was a result of higher levels of political advertising spending due to cyclical election activity in the Company's broadcast markets. Excluding the Kentucky Acquisition, local and national advertising contributed an additional $668,000 to the revenue increase. These increases were offset by decreased network compensation related to the preemption of network programming in favor of local advertising.

Publishing revenues increased $3.6 million or 35.4% over the prior year, from $10.1 million to $13.7 million. The 1994 Publishing Acquisitions contributed $2.0 million to this increase. Publishing revenues, excluding the 1994 Publishing Acquisitions, increased $1.6 million over the prior year. Advertising and circulation revenues comprised $833,000 and $436,000, respectively, of the revenue increase. Special events and commercial printing services accounted for $344,000 of the revenue increase.

OPERATING EXPENSES. Operating expenses for the year ended December 31, 1994 increased $8.7 million or 40.1% over the year ended December 31, 1993, from $21.6 million to $30.3 million, attributable primarily to the Kentucky Acquisition ($4.4 million) and the 1994 Publishing Acquisitions ($2.1 million).

Broadcasting expenses increased $4.8 million or 48.2% over the prior year, from $10.0 million to $14.8 million primarily due to the Kentucky Acquisition. Broadcasting expenses, excluding the Kentucky Acquisition, increased approximately $1.0 million, or 10.0%, over the prior year from $10.0 million to $11.0 million. This increase was attributable to increased payroll related costs associated with improvement of news programming, costs associated with coverage of the 1994 flood in Albany, Georgia and other costs related to on-air product upgrades at the stations.

Publishing expenses increased $3.5 million or 46.1% over the prior year, from $7.7 million to $11.2 million primarily as a result of the 1994 Publishing Acquisitions. Publishing expenses, excluding the 1994 Publishing Acquisitions, increased approximately $1.6 million or 20.9% during the year ended December 31, 1994, as compared to the prior year. This increase was primarily attributable to an 11.9% increase in newsprint usage, payroll related costs and other product improvement costs associated with format changes and expanded market coverage of THE ALBANY HERALD.

Corporate and administrative expenses decreased $368,000 or 15.8% during the year ended December 31, 1994, from $2.3 million to $1.9 million. This decrease can be attributed to lower professional fees and related expenses.

Depreciation of property and equipment and amortization of intangible assets was $2.2 million for the year ended December 31, 1994 compared to $1.6 million for the prior year, an increase of $577,000 or 36.9%. This increase was due principally from the depreciation and amortization expense related to the assets acquired in the Kentucky Acquisition and 1994 Publishing Acquisitions.

INTEREST EXPENSE. Interest expense was $1.9 million for the year ended December 31, 1994 compared to $985,000 for the prior year, an increase of $938,000 or 95.3%. This increase was due primarily to increased levels of debt resulting from the financing of the Kentucky Acquisition and the 1994 Publishing Acquisitions. At December 31, 1993 and 1994 the Company's outstanding debt was $7.3 million and $52.9 million, respectively.

NET INCOME. Net income for the Company was $2.8 million for the year ended December 31, 1994, compared with $2.6 million for the year ended December 31, 1993, an increase of $200,000.

RESULTS OF OPERATIONS OF THE PHIPPS BUSINESS

INTRODUCTION

The following analysis of the financial condition and results of operations of the Phipps Business should be read in conjunction with the Phipps Business's consolidated financial statements and notes thereto included elsewhere in this Prospectus.

The Phipps Business derives its revenues from its television broadcasting operations which consist of two CBS-affiliated television stations serving Tallahassee, Florida/Thomasville, Georgia and Knoxville, Tennessee, a satellite broadcasting business based in Tallahassee, Florida and a paging business also based in Tallahassee, Florida.

Set forth below, for the periods indicated, is certain information concerning the relative contributions of the Phipps Business's broadcasting (including satellite broadcasting) and paging operations.

	YEAR ENDED DECEMBER 31						SIX MONTHS ENDED JUNE 30			
	1993		1994		1995		1995		1996	
(DOLLARS IN THOUSANDS)	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL
TELEVISION BROADCASTING										
Revenues	$19,460.1	83.7%	$21,524.3	83.4%	$22,424.1	82.1%	$10,774.3	81.6%	$11,345.7	80.5%
Operating income (1)	6,636.4	92.8	9,297.9	91.6	9,635.3	90.4	4,656.5	88.1	4,740.0	88.3
PAGING										
Revenues	$ 3,787.9	16.3%	$ 4,276.6	16.6%	$ 4,897.5	17.9%	$2,422.9	18.4%	$2,743.5	19.5%
Operating income (1)	512.7	7.2	855.1	8.4	1,026.9	9.6	628.8	11.9	627.1	11.7

- ------------------------
(1) Excludes any allocation of corporate and administrative expenses.

TELEVISION BROADCASTING AND PAGING REVENUES

Set forth below are the principal types of broadcast net revenues earned by the Phipps Business's television stations (including the satellite broadcasting operation) for the periods indicated and the percentage contribution of each to the Phipps Business's total revenues.

	YEAR ENDED DECEMBER 31						SIX MONTHS ENDED JUNE 30			
	1993		1994		1995		1995		1996	
(DOLLARS IN THOUSANDS)	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS
TELEVISION BROADCASTING										
Net revenues:										
Local	$ 9,732.8	41.9%	$10,412.2	40.4%	$11,149.2	40.8%	$5,359.3	40.6%	$5,788.6	41.1%
National	7,057.2	30.4	7,217.0	27.9	7,844.9	28.7	3,808.7	28.9	3,597.7	25.5
Network compensation	1,164.6	5.0	1,433.2	5.6	1,740.1	6.4	802.2	6.1	819.5	5.8
Political	9.1	0.0	1,147.1	4.4	33.9	0.1	7.7	--	239.2	1.7
Production and other (1)	1,496.4	6.4	1,314.8	5.1	1,656.0	6.1	796.4	6.0	900.7	6.4
	$19,460.1	83.7%	$21,524.3	83.4%	$22,424.1	82.1%	$10.774.3	81.6%	$11,345.7	80.5%

- ------------------------
(1) Includes satellite broadcasting business.

Set forth below are the principal types of revenues earned by the Phipps Business's paging operations for the periods indicated and the percentage contribution of each to the Phipps Business's total revenues.

	YEAR ENDED DECEMBER 31						SIX MONTHS ENDED JUNE 30			
	1993		1994		1995		1995		1996	
(DOLLARS IN THOUSANDS)	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS	AMOUNT	PERCENT OF TOTAL REVENUES OF PHIPPS BUSINESS
PAGING										
Net revenues:										
Paging lease and service	$ 3,741.6	16.1%	$ 4,201.4	16.3%	$ 5,004.9	18.3%	$2,485.3	18.9%	$2,922.8	20.8%
Other	46.3	0.2	75.2	0.3	(107.4)	(0.4)	(62.4)	(0.5)	(179.3)	(1.3)
	$ 3,787.9	16.3%	$ 4,276.6	16.6%	$ 4,897.5	17.9%	$2,422.9	18.4	$2,743.5	19.5%

MEDIA CASH FLOW

The following table sets forth certain operating data for the broadcast and paging operations for the years ended December 31, 1993, 1994 and 1995 and for the six months ended June 30, 1995 and 1996.

	YEAR ENDED DECEMBER 31			SIX MONTHS ENDED JUNE 30	
(DOLLARS IN THOUSANDS)	1993	1994	1995	1995	1996
Operating income	$4,686.9	$7,667.6	$7,381.8	$3,746.4	$4,632.6
Add:					
Amortization of program license rights	1,552.4	1,021.4	844.8	422.4	463.9
Depreciation and amortization	2,836.0	2,672.2	3,120.4	1,435.5	1,530.0
Corporate overhead	2,462.2	2,485.4	3,280.4	1,538.7	734.5
Less:					
Payments for program license liabilities	(1,072.0)	(863.3)	(931.0)	(464.5)	(592.0)
Media Cash Flow (1)	$10,465.5	$12,983.3	$13,696.4	$6,678.5	$6,769.0

- ------------------------
(1) Of Media Cash Flow, $9.2 million, $11.5 million and $11.9 million was attributable to the Phipps Business's broadcasting operations in 1993, 1994 and 1995, respectively. Of Media Cash Flow, $5.7 million and $5.8 million was attributable to the Phipps Business's broadcasting operations for the six months ended June 30, 1995 and 1996, respectively.

CASH FLOW PROVIDED BY (USED IN) OPERATING, INVESTING AND FINANCING ACTIVITIES

The following table sets forth certain operating data for the Phipps Business for the years ended December 31, 1993, 1994 and 1995 and for the six months ended June 30, 1995 and 1996.

	YEAR ENDED DECEMBER 31			SIX MONTHS ENDED JUNE 30	
(DOLLARS IN THOUSANDS)	1993	1994	1995	1995	1996
Cash flows provided by (used in):					
Operating activities	$7,397	$9,808	$9,259	$4,136	$6,191
Investing activities	(2,953)	(2,506)	(3,828)	(3,152)	(840)
Financing activities	(4,418)	(7,233)	(4,906)	(917)	(5,309)

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1995

REVENUES. Total revenues for the six months ended June 30, 1996 increased $893,000, or 6.8%, over the six months ended June 30, 1995, from $13.2 million to $14.1 million. This increase was attributable to an improvement in local and political advertising revenue in the broadcasting operations and the implementation of a reseller program in the paging operations.

Broadcast net revenues increased $572,000, or 5.3%, over the same period of the prior year, from $10.8 million to $11.4 million. Approximately $429,000, $17,000, $232,000 and $104,000 of the increase in total broadcast net revenues was due to higher local advertising revenue, network compensation, political advertising revenue and production revenues, respectively, offset by a $211,000 decrease in national advertising revenue. In addition, revenues generated from satellite broadcasting operations increased due to additional equipment coming on line.

Net paging revenues increased $321,000, or 13.2%, over the same period of the prior year, from $2.4 million to $2.7 million. The increase was attributable primarily to higher sales volume generated by a reseller program implemented during 1995.

OPERATING EXPENSES. Operating expenses for the six months ended June 30, 1996 remained relatively unchanged from the six months ended June 30, 1995. An increase of $716,000 in broadcast and paging expenses was offset by a reduction in management fees of $804.000.

Broadcasting expenses increased $347,000, or 6.9%, over the same period of the prior year, from $5.1 million to $5.4 million. The increase was attributable primarily to higher payroll and related costs, higher levels of other expenditures in the sales and news departments and additional costs associated with new equipment.

Paging expenses increased $369,000, or 26.1%, over the same period of the prior year, from $1.4 million to $1.8 million. The increase was attributable primarily to higher payroll, sales and operating costs associated with revenue growth.

Management fees for the six months ended June 30, 1996 decreased $804,000, or 52.3%, from the same period of the prior year, from $1.5 million to $734,000. The decrease was attributable to lower personnel costs and the termination of certain executive benefit plans.

Depreciation of property and equipment and amortization of intangible assets for the six months ended June 30, 1996 increased $94,000, or 6.6%, over the same period of the prior year, from $1.4 million to $1.5 million. This increase was primarily the result of higher depreciation costs relating to property and equipment purchases and higher amortization of intangible assets in connection with the purchase of certain minority interests of WKXT in Knoxville, Tennessee.

INTEREST EXPENSE. Interest expense decreased $64,000, or 29.1%, from the same period of the prior year from $223,000 to $158,000.

NET INCOME. The net income for the Phipps Business was $4.2 million for the six months ended June 30, 1996 compared with $3.3 million for the six months ended June 30, 1995, an increase of $910,000, or 27.9%.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

REVENUES. Total revenues for the year ended December 31, 1995 increased $1.5 million, or 5.9%, over the year ended December 31, 1994, from $25.8 million to $27.3 million. This increase was attributable to an improvement in local and national advertising revenue in the broadcasting operations and the implementation of a reseller program in the paging operations.

Broadcast net revenues increased $900,000, or 4.2%, over the prior year, from $21.5 million to $22.4 million. Approximately $737,000, $628,000, $307,000 and $341,000 of the increase in total broadcast net revenues was due to higher local advertising revenue, national advertising revenue, network compensation and production revenues, respectively, offset by a $1.1 million decrease in political advertising spending associated with cyclical political activity. In addition, revenues generated from satellite broadcasting operations increased due to additional equipment coming on line.

Net paging revenues increased $620,000, or 14.5%, over the prior year, from $4.3 million to $4.9 million. The increase was attributable primarily to higher sales volume generated by a reseller program implemented during 1995.

OPERATING EXPENSES. Operating expenses for the year ended December 31, 1995 increased $1.8 million, or 10.0%, over the year ended December 31, 1994, from $18.1 million to $19.9 million. The increase was attributable primarily to higher payroll and related costs and sales expenses and commissions associated with higher sales volumes, increased corporate overhead and depreciation and amortization costs.

Broadcasting expenses increased $276,000, or 2.7%, over the prior year, from $10.2 million to $10.5 million. The increase was attributable primarily to higher payroll and related costs offset by lower syndicated film programming costs.

Paging expenses increased $288,000, or 10.4%, over the prior year, from $2.8 million to $3.1 million. The increase was attributable primarily to higher payroll, sales and operating costs associated with revenue growth.

Management fees for the year ended December 31, 1995 increased $794,000, or 32.0%, over the year ended December 31, 1994, from $2.5 million to $3.3 million. The increase was attributable to higher personnel costs and overhead allocation.

Depreciation of property and equipment and amortization of intangible assets for the year ended December 31, 1995 increased $448,000, or 16.8%, over the year ended December 31, 1994, from $2.7 million to $3.1 million. This increase was primarily the result of higher depreciation costs relating to property and equipment purchases and higher amortization of intangible assets in connection with the purchase of certain minority interests of WKXT in Knoxville, Tennessee.

INTEREST EXPENSE. Interest expense remained relatively unchanged from year to year.

NET INCOME. Net income for the Phipps broadcasting and paging operations was $6.3 million for the year ended December 31, 1995 compared with $7.2 million for the year ended December 31, 1994, a decrease of $871,000.

YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993

REVENUES. Total revenues for the year ended December 31, 1994 increased $2.6 million, or 11.0%, over the year ended December 31, 1993, from $23.2 million to $25.8 million. This increase was attributable to higher local, national and political advertising as well as an increase in network compensation. In addition, paging revenues increased as geographic coverage expanded.

Broadcast net revenues increased $2.1 million, or 10.6%, over the prior year, from $19.4 million to $21.5 million. Approximately $679,000 and $160,000 of the $2.1 million increase in total broadcast net revenues is due to higher local and national advertising spending, respectively. Approximately $269,000 and $1.1 million of the $2.1 million increase is due to higher network compensation and political advertising revenues associated with cyclical political activity, respectively, offset by a $182,000 decrease in satellite broadcasting revenues.

Net paging revenues increased $489,000, or 12.9%, over the prior year, from $3.8 million to $4.3 million. The increase was attributable primarily to higher sales volume due to increased geographical coverage.

OPERATING EXPENSES. Operating expenses for the year ended December 31, 1994 decreased $428,000, or 2.3%, from the year ended December 31, 1993, from $18.6 million to $18.2 million. The decrease was attributable primarily to lower syndicated programming costs, offset by slightly higher paging expenses due to higher sales volume and lower depreciation.

Broadcasting expenses decreased $523,000, or 4.9%, from the prior year, from $10.7 million to $10.2 million. The decrease was attributable primarily to the write-off of certain syndicated programming in 1993 that was not being utilized.

Paging expenses increased $235,000, or 9.3%, over the prior year, from $2.5 million to $2.7 million. The increase was attributable primarily to costs associated with higher sales volume.

Corporate and administrative expenses remained relatively unchanged from year to year.

Depreciation of property and equipment and amortization of intangible assets for the year ended December 31, 1994 decreased $164,000, or 5.8%, from the year ended December 31, 1993, from $2.8 million to $2.6 million. This decrease was primarily the result of the completion of depreciation for certain items of equipment purchased in 1988.

INTEREST EXPENSE. Interest expense for the year ended December 31, 1994 decreased $152,000, or 24.0%, from the year ended December 31, 1993, from $632,000 to $480,000. This decrease was attributable primarily to lower levels of debt associated with WKXT.

NET INCOME. Net income for the Phipps Business was $7.2 million for the year ended December 31, 1994, compared with $3.9 million for the year ended December 31, 1993, an increase of $3.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Following the consummation of the Phipps Acquisition, the Financing, the Offering and the Concurrent Offering, the Company will be highly leveraged. The Company anticipates that its principal uses of cash for the next several years will be working capital and debt service requirements, cash dividends, capital expenditures and expenditures related to additional acquisitions. The Company anticipates that its operating cash flow, together with borrowings available under the Old Credit Facility or the Senior Credit Facility, will be sufficient for such purposes for the remainder of 1996 and for 1997.

The Company's working capital (deficiency) was $1.1 million, $(222,000) and $3.5 million at December 31, 1994 and 1995, and June 30, 1996, respectively. The working capital of the Phipps Business was $1.4 million, $2.6 million and $2.9 million at December 31, 1994 and 1995, and June 30, 1996, respectively. The Company's cash provided from operations was $5.8 million and $7.6 million for the years ended December 31, 1994 and 1995, respectively, and $3.8 million and $6.8 million for the six months ended June 30, 1995 and 1996, respectively. The Phipps Business's cash provided from operations was $9.8 million and $9.3 million for the years ended December 31, 1994 and 1995, respectively, and $4.1 million and $6.2 million for the six months ended June 30, 1995 and 1996, respectively.

The Company was provided $3.0 million in cash in 1993 from investing activities and used $42.8 million and $8.9 million of cash in investing activities in 1994 and 1995, respectively. The change of $45.8 million from 1993 to 1994 was due primarily to the Kentucky Acquisition and the 1994 Publishing Acquisitions. The change of $33.9 million from 1994 to 1995 was due primarily to the Kentucky Acquisition and the 1994 Publishing Acquisitions, partially offset by the 1995 Publishing Acquisitions and the deferred costs related to the Augusta Acquisition. The Phipps Business's cash used in investing activities was $2.5 million and $3.8 million in 1994 and 1995, respectively. The Company's cash used in investing activities was $5.4 million and $37.5 million for the six months ended June 30, 1995 and 1996, respectively. The increased usage of $32.1 million was due primarily to the Augusta Acquisition. The Phipps Business's cash used in investing activities was $3.2 million and $840,000 for the six months ended June 30, 1995 and 1996, respectively.

The Company used $4.9 million in cash in 1993, and was provided $37.2 million and $1.3 million in cash by financing activities in 1994 and 1995, respectively. The use of cash in 1993 resulted primarily from the repayment of debt while cash provided by financing activities in 1994 and 1995 was principally due to increased borrowings in 1994 to finance the Kentucky Acquisition and the 1994 Publishing Acquisitions, as well as increased borrowings in 1995 to finance the 1995 Publishing Acquisitions and the funding of the deposit for the Augusta Acquisition. On January 4, 1996, the Company acquired the Augusta Business. The cash consideration of approximately $35.9 million, including acquisition costs of approximately $600,000, was financed primarily through long-term borrowings under the Old Credit Facility and through the sale of the 8% Note to Bull Run. Long-term debt was $54.3 million and $82.8 million at December 31, 1995 and June 30, 1996, respectively. The balance of the Old Credit Facility was $28.4 million and $49.5 million, at December 31, 1995 and June 30, 1996, respectively. The weighted average interest rate of the Old Credit Facility was 8.94% at June 30, 1996. Principal maturities on long-term debt at December 31, 1995 included $2.9 million and $5.0 million for the years ended 1996 and 1997, respectively. The Company anticipates that its operating cash flows, together with borrowings available under the Senior Credit Facility will be sufficient to provide for such payments. For the year ended December 31, 1995, the Augusta Business reported net revenues and broadcast cash flow of $8.7 million and $2.8 million, respectively. The Phipps Business used $7.2 million and $4.9 million in cash for financing activities in 1994 and 1995, respectively. The Company was provided with $1.2 million and $31.4 million in cash by financing activities for the six months ended June 30, 1995 and 1996, respectively, due primarily to the funding of the Gwinnett Acquisition in 1995 and the Augusta Acquisition in 1996. The Phipps Business used $917,000 and $5.3 million in cash for financing activities for the six months ended June 30, 1995 and 1996, respectively.

Under the terms of the Old Credit Facility, the Company had additional borrowing capacity at June 30, 1996 of approximately $4.8 million. Borrowings under the Senior Credit Facility will be available upon the consummation of the Phipps Acquisition. The availability of funds under the Senior Credit Facility will also be subject to certain conditions, including the maintenance by the Company of certain financial ratios consisting, among others, of a total debt to operating cash flow ratio, a senior debt to operating cash flow ratio, an operating cash flow to total interest expense ratio and an operating cash flow to pro forma debt service ratio. See "Description of Certain Indebtedness-- The Senior Credit Facility." Under the Senior Credit Facility, after giving effect to the consummation of this Offering, the Concurrent Offering, the KTVE Sale and the Phipps Acquisition (of which there can be no assurance), the Company would have additional borrowing capacity of $10.0 million as of June 30, 1996. Under the terms of the Old Credit Facility, the Company was allowed to make $3.0 million of capital expenditures in 1996. The terms of the Senior Credit Facility will allow for $5.0 million of capital expenditures annually. The Company believes that cash flow from operations will be sufficient to fund such expenditures, which will be adequate for the Company's normal replacement requirements.

The Company regularly enters into program contracts for the right to broadcast television programs produced by others and program commitments for the right to broadcast programs in the future. Such programming commitments are generally made to replace expiring or canceled program rights. Payments under such contracts are made in cash or the concession of advertising spots for the program provider to resell, or a combination of both. At December 31, 1995, payments on program license liabilities due in 1996 and 1997, which will be paid with cash from operations, were $1.2 million and $110,000, respectively.

In 1995, the Company made $3.3 million in capital expenditures, relating primarily to the broadcasting operations and paid $1.8 million for program broadcast rights. During the six months ended June 30, 1996, the Company made $1.3 million in capital expenditures, relating primarily to broadcasting operations, and paid $1.3 million for program broadcast rights. During 1995, the Phipps Business made $3.2 million in capital expenditures and paid $931,000 for program broadcast rights. During the six months ended June 30, 1996, the Phipps Business made $1.6 million in capital expenditures and paid $592,000 for program broadcast rights. The Company anticipates making an aggregate of $3.0 million in capital expenditures and $2.7 million in payments for program broadcast rights during 1996. Subsequent to the consummation of the Phipps Acquisition, the Company anticipates that its annual capital expenditures will approximate $5.0 million.

In addition to the consummation of the Phipps Acquisition, the Company intends to implement the Financing to increase liquidity and improve operating and financial flexibility. Pursuant to the Financing, the Company will (i) retire approximately $49.5 million principal amount of outstanding indebtedness under the Old Credit Facility, together with accrued interest thereon, (ii) retire approximately $25.0 million aggregate principal amount of outstanding indebtedness under the Senior Note, together with accrued interest thereon and a prepayment fee, (iii) issue $10.0 million liquidation preference of its Series A Preferred Stock in exchange for the 8% Note issued to Bull Run, (iv) issue to Bull Run, J. Mack Robinson and certain of his affiliates $10.0 million liquidation preference of its Series B Preferred Stock with warrants to purchase up to 500,000 shares of Class A Common Stock (representing 10.1% of the currently issued and outstanding Class A Common Stock, after giving effect to the exercise of such warrants) for cash proceeds of $10.0 million and (v) enter into the Senior Credit Facility which will provide for a term loan and revolving credit facility aggregating $125.0 million. See "The Phipps Acquisition, the KTVE Sale and the Financing-The Financing."

The Old Credit Facility is a $54.3 million line of credit available for working capital requirements and general corporate purposes. The Old Credit Facility matures in March 2003, provides for increasing quarterly amortization, includes certain customary financial covenants and bears interest at a rate of 3.25% over LIBOR at July 31, 1996, subject to adjustment based on the Company's leverage ratio. The Old Credit Facility also requires the Company to use its annual Excess Cash Flow (as defined) to repay indebtedness thereunder at the end of each year. The Old Credit Facility and the Senior Credit Facility is and will be guaranteed by each of the Company's subsidiaries and is and will be secured by liens on substantially all of the assets of the Company and its subsidiaries. As part of the Financing the Company will enter into the Senior Credit Facility and the Company has entered into a commitment letter with respect thereto. See "Description of Certain Indebtedness -- The Senior Credit Facility."

In August 1996, the Company sold the assets of KTVE for approximately $9.5 million in cash plus the amount of the accounts receivable on the date of the closing. The Company estimates that the gain, net of estimated taxes, and the estimated taxes for the KTVE Sale will aggregate approximately $2.8 million and $2.8 million, respectively.

In connection with the Phipps Acquisition, the Company will be required to divest WALB and WJHG under current FCC regulations. However, these rules may be revised by the FCC upon conclusion of pending rulemaking proceedings. In order to satisfy applicable FCC requirements, the Company, subject to FCC approval, intends to swap such assets for assets of one or more television stations of comparable value and with comparable broadcast cash flow in a transaction qualifying for deferred capital gains treatment under the "like-kind exchange" provision of Section 1031 of the Code. If the Company is unable to effect such a swap on satisfactory terms within the time period granted by the FCC under the waivers, the Company may transfer such assets to a trust with a view towards the trustee effecting a swap or sale of such assets. Any such trust arrangement would be subject to the approval of the FCC. It is anticipated that the Company would be required to relinquish operating control of such assets to a trustee while retaining the economic risks and benefits of ownership. If the Company or such trust is required to effect a sale of WALB, the Company would incur a significant gain and related tax liability, the payment of which could have a material adverse effect on the Company's ability to acquire comparable assets without incurring additional indebtedness.

The Company and its subsidiaries file a consolidated federal income tax return and such state or local tax returns as are required. As of June 30, 1996, on a pro forma basis after giving effect to the KTVE Sale, the Concurrent Offering, the Financing, the Phipps Acquisition and this Offering (of which there can be no assurance), the Company anticipates that it will generate taxable operating losses for the foreseeable future.

The Company 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.

BUSINESS

The Company owns and operates seven network-affiliated television stations in medium-size markets in the southeastern United States, six of which are ranked number one in their respective markets (which includes two television stations that are part of the Phipps Business). Five of the stations are affiliated with CBS and two are affiliated with NBC. In connection with the Phipps Acquisition, the Company will be required under current regulations of the FCC to divest its NBC affiliates in Albany, Georgia and Panama City, Florida. For a discussion of the Company's plans regarding such divestiture, see "Risk Factors -- FCC Divestiture Requirement" and "The Phipps Acquisition, the KTVE Sale and the Financing." The Company also owns and operates three daily newspapers, two shoppers and a paging business (which is part of the Phipps Business), all located in the Southeast. The Company derives significant operating advantages and cost saving synergies through the size of its television station group and the regional focus of its television and publishing operations. These advantages and synergies include (i) sharing television production facilities, equipment and regionally oriented programming, (ii) the ability to purchase television programming for the group as a whole, (iii) negotiating network affiliation agreements on a group basis and (iv) purchasing newsprint and other supplies in bulk. In addition, the Company believes that its regional focus can provide advertisers with an efficient network through which to advertise in the fast-growing Southeast.

In 1993, after the acquisition of a large block of Class A Common Stock by a new investor, the Company implemented a strategy to foster growth through strategic acquisitions. Since 1994, the Company's significant acquisitions have included three television stations and two newspapers, all located 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.

In January 1996, the Company acquired WRDW serving Augusta, Georgia for approximately $35.9 million in cash, including acquisition costs of approximately $600,000, but excluding assumed liabilities of approximately $1.3 million. In December 1995, the Company entered into an asset purchase agreement to acquire two CBS-affiliated stations, WCTV serving Tallahassee, Florida/Thomasville, Georgia and WKXT in Knoxville, Tennessee, a satellite broadcasting business and a paging business. The Company believes that the Phipps Acquisition will further enhance the Company's position as a major regional television broadcaster and is highly attractive for a number of reasons, including (i) the stations' strategic fit within the Southeast, (ii) WCTV's leading station market position and WKXT's significant growth potential, (iii) strong station broadcast cash flows, (iv) opportunities for revenue growth utilizing the Company's extensive management expertise with medium-size stations and (v) opportunities for synergies between WCTV and WKXT and the Company's existing stations with regard to revenue enhancement and cost controls. The consummation of the Phipps Acquisition is currently expected to occur by September 30, 1996, although there can be no assurance with respect thereto.

In August 1996, the Company sold the assets of KTVE, a television station serving Monroe, Louisiana/El Dorado, Arkansas, for approximately $9.5 million in cash plus the amount of the accounts receivable on the date of the closing.

For the year ended December 31, 1995, on a pro forma basis, the Company had net revenues, Media Cash Flow, operating cash flow and net (loss) of $90.6 million, $30.3 million, $28.1 million and $(3.6) million, respectively. For the six months ended June 30, 1996, on a pro forma basis, the Company had net revenues, Media Cash Flow, operating cash flow and net income of $47.3 million, $17.9 million, $16.3 million and $251,000, respectively. Net revenues, Media Cash Flow and operating cash flow on a pro forma basis for the year ended December 31, 1995 increased 148.2%, 188.4%, and 227.9% respectively, while net income decreased 230.3% from the historical amounts for the year ended December 31, 1994. Net revenues, Media Cash Flow and operating cash flow on a pro forma basis for the six months ended June 30, 1996 increased 67.1%, 114.7% and 122.8%, respectively, while net income decreased 78.7% from the historical amounts for the six months ended June 30, 1995. The Company's pro forma net income for its television stations for the year ended December 31, 1995 and for the six months ended June 30, 1996 was $1.6 million and $1.4 million, respectively.

The following table sets forth certain information for each of the Company's television stations.

STATION	NETWORK AFFILIATION	MARKET	YEAR ACQUIRED	DMA RANK(1)	CHANNEL/ FREQUENCY	STATION RANK IN DMA(2)	IN-MARKET SHARE OF HOUSEHOLDS VIEWING TV	PRO FORMA YEAR ENDED DECEMBER 31, 1995 NET REVENUES	PRO FORMA YEAR ENDED DECEMBER 31, 1995 OPERATING INCOME (6)
								(IN THOUSANDS)	
WKYT	CBS	Lexington, KY	1994	68	27/UHF (3)	1	33%	$15,553	$5,247
WYMT	CBS	Hazard, KY	1994	68	57/UHF (3)	1(4)	24	3,721	831
WRDW	CBS	Augusta, GA	1996	111	12/VHF	1	36	8,888	1,853
WALB(5)	NBC	Albany, GA	1954	152	10/VHF	1	80	9,445	4,795
WJHG(5)	NBC	Panama City, FL	1960	159	7/VHF	1	53	3,843	270
PHIPPS ACQUISITION									
WKXT	CBS	Knoxville, TN		62	8/VHF	3	22	9,269	2,204
WCTV	CBS	Tallahassee, FL Thomasville, GA		116	6/VHF	1	60	11,862	4,229

STATION	SIX MONTHS ENDED JUNE 30, 1996 NET REVENUES	SIX MONTHS ENDED JUNE 30, 1996 OPERATING INCOME (6)
	(IN THOUSANDS)	
WKYT	$7,845	$2,701
WYMT	2,107	530
WRDW	4,489	1,149
WALB(5)	5,099	2,658
WJHG(5)	2,409	476
PHIPPS A		
WKXT	4,387	903
WCTV	6,212	2,254

(1) Ranking of DMA served by a station among all DMAs is measured by the number of television households within the DMA based on the November 1995 Nielsen estimates.
(2) Represents station rank in DMA as determined by November 1995 Nielsen estimates of the number of television sets tuned to the Company's station as a percentage of the number of television sets in use in the market for the Sunday through Saturday 6 a.m. to 2 a.m. time period.
(3) All stations in the market are UHF stations.
(4) The market area served by WYMT is an 18-county trading area, as defined by Nielsen, and is included in the Lexington, Kentucky DMA. WYMT's station rank is based upon its position in the 18-county trading area.
(5) The Company will be required under current FCC regulations to divest WALB and WJHG in connection with the Phipps Acquisition. For a discussion of the Company's plans, see "Risk Factors-FCC Divestiture Requirement" and "The Phipps Acquisition, the KTVE Sale and the Financing."
(6) Represents pro forma income before allocation of miscellaneous income (expense), corporate overhead, interest expense and income taxes.

The Company's three newspapers, THE ALBANY HERALD, THE ROCKDALE CITIZEN and the GWINNETT DAILY POST and two shoppers had net revenues and operating income (income before miscellaneous income (expense), allocation of corporate overhead, interest expense and income taxes) on a pro forma basis of $21.9 million and $660,000, respectively, for the year ended December 31, 1995, $11.3 million and $1.3 million for the six months ended June 30, 1996, respectively. The satellite broadcasting business and paging business, which are part of the Phipps Business, had net revenues and operating income (income before miscellaneous income (expense), allocation of corporate overhead, interest expense and income taxes) on a pro forma basis of $6.2 million and $542,000 for the year ended December 31, 1995 and $3.5 million and $467,000 for the six months ended June 30, 1996, respectively.

The following table sets forth certain information for each of the Company's publications:

PUBLICATION	COVERAGE AREA	CIRCULATION	PUBLISHED PER WEEK	PRO FORMA YEAR ENDED DECEMBER 31, 1995 NET REVENUES	PRO FORMA YEAR ENDED DECEMBER 31, 1995 OPERATING INCOME (LOSS) (1)	PRO FORMA SIX MONTHS ENDED JUNE 30, 1996 NET REVENUES	PRO FORMA SIX MONTHS ENDED JUNE 30, 1996 OPERATING INCOME (LOSS) (1)
					(IN THOUSANDS)		

THE ALBANY HERALD	25 counties in Southwest Georgia	34,000 daily 40,000 Sunday	7	$13,535	$2,010	$7,250	$1,929
THE ROCKDALE CITIZEN	2 counties in Georgia (metro Atlanta)	10,000	6	3,854	(212)	1,739	34
GWINNETT DAILY POST	1 county in Georgia (metro Atlanta)	13,000	5	2,432	(913)	1,400	(298)
SOUTHWEST GEORGIA SHOPPERS	10 counties in Southwest Georgia and 10 counties in North Florida	52,000	1	2,045	(224)	873	(392)

- ------------------------------

(1) Represents pro forma income before miscellaneous income (expense), allocation of corporate overhead, interest expense and income taxes.

REGIONAL FOCUS

The Company's television stations and publications are all located in the fast-growing southeastern United States. The Company believes that this regional focus provides it with significant competitive advantages and has enabled it to develop an expertise in serving medium-size southeastern markets. As a result of its ownership of seven network-affiliated television stations in the Southeast, the Company believes that there are opportunities to sell advertising to certain sponsors on all or several of its stations as a single buy. Further, the Company's ownership of multiple publications in several adjacent southeastern communities provides an attractive and efficient channel through which to sell local print advertising. The Company capitalizes on its regional presence by transferring management personnel, equipment, programming and news content among its stations and publications.

OPERATING STRATEGY

The Company has begun to introduce various operating strategies that have been successfully implemented at WKYT in Lexington, Kentucky throughout its station group. The Company's current President served as the general manager of WKYT from 1982 to 1994 and developed and successfully implemented many of the strategies being adopted at the Company's other stations. Set forth below are the Company's operating strategies.

STRONG LOCAL PRESENCE. Each of the Company's television stations seeks to achieve a distinct local identity principally through the depth and focus of its local news programming and by targeting specific audience groups with special programs and marketing events. Each station's local news franchise is the core component of the Company's strategy to strengthen audience loyalty and increase revenues and Media Cash Flow for each station. Strong local news generates high viewership and results in higher ratings both for programs preceding and following the news. All of the Company's stations that offer comprehensive local news coverage are the dominant local broadcast news source. WKXT in Knoxville, Tennessee currently does not offer significant local news coverage; the Company intends to significantly expand the news broadcast at this station after the consummation of the Phipps Acquisition.

Strong local news product also differentiates local broadcast stations from cable system competitors, which generally do not provide this service. The cost of producing local news programming generally is lower than other sources of programming and the amount of such local news programming can be increased or decreased on very short notice, providing the Company with greater programming flexibility.

The Company believes that its strong commitment to local broadcasting is integral to its ability to serve each of the communities in which it operates. In each of its markets, the Company develops information-oriented programming which expands the Company's hours of commercially valuable local programming with relatively small increases in operating expenses. In addition, each station utilizes special programming and marketing events, such as prime-time programming of local interest or sponsored community events, to strengthen community relations and increase advertising revenues. For example, certain of the Company's stations offer state governor call-in shows, local medical shows and cover local sporting events. The Company requires its senior staff to become actively involved in community affairs in an effort to better understand the issues in each community in which it operates.

A key component of the Company's publishing strategy is an emphasis on strong local content in its publications. Consequently, the Company focuses on local news, sports and lifestyle issues in order to foster reader loyalty with the objective of raising circulation and advertising rates. The Company's publications also sponsor community events such as bridal expositions with the objective of strengthening community relationships and building advertising revenues.

TARGETED MARKETING. The Company seeks to increase its advertising revenues and Media Cash Flow by expanding existing relationships with local and national advertisers and by attracting new advertisers through targeted marketing techniques and carefully tailored programming. The Company sells advertising locally through its sales employees and nationally through representative firms with which the Company enters into representation agreements. The Company works closely with advertisers to develop advertising campaigns that match specifically targeted audience segments with the advertisers' overall marketing strategies. With this information, the Company regularly refines its programming mix among network, syndicated and locally-produced shows in a focused effort to attract audiences with demographic characteristics desirable to advertisers. As a result of implementing this strategy, WKYT's share of advertising dollars exceeded its in-market share of households viewing television by 15% in 1995.

The Company's success in increasing advertising revenues at both its stations and publications is also attributable, in part, to the implementation of training programs for its marketing consultants that focus on innovative sales techniques, such as events marketing and demographic-specific projects, that target specific advertisers. The Company trains its marketing consultants to sell not only advertising spots, but also non-traditional advertising such as billboards for sponsored sports events and weather forecasts within newscasts. In addition, performance based compensation arrangements and performance accountability systems have contributed to the Company's success in increasing local advertising revenues. The Company has also benefitted from sharing ideas and information for increasing advertising revenues among its station group and publications. The Company's targeted marketing focus also includes the following key elements:

- NON-TRADITIONAL REVENUE SOURCES. The Company uses its stations' and publications' local promotional power in order to increase revenues from non-traditional sources by sponsoring and staging various special events, such as boat shows, fitness shows, bridal expositions and fishing tournaments. The Company derives revenues through the promotion, production and advertising sales generated by these events.

- VENDOR MARKETING. The Company engages in targeted vendor marketing whereby it contacts major vendors that supply a particular store or retail chain, and the management at a particular store or retail chain in order to arrange for the vendors to purchase local television advertising. The store or retail chain in turn agrees to purchase additional products from the vendor and also benefits from the increased local television advertising presence. As a result of this vendor marketing, the Company's stations are able to sell advertising to promote a local retailer, which the local retailer would not normally have purchased for itself.

COST CONTROLS. Through its strategic planning and annual budgeting processes, the Company continually seeks to identify and implement cost savings opportunities at each of its stations and publications in order to increase Media Cash Flow. The Company closely monitors expenses incurred by each of its stations and publications and continually reviews their performance and productivity. Additionally, the Company seeks to minimize its use of outside firms and consultants by relying on its in-house production and design capability.

In order to further reduce costs, the Company capitalizes on its regional focus through its ability to produce programming at one station which can be used by many of the Company's other stations. Further, the size of the Company's station group and its ownership of multiple publications gives it the ability to negotiate favorable terms with programming syndicators, newsprint suppliers, national sales representatives and other vendors. For example, the Company recently entered into a new agreement with its national sales representative, which significantly reduced the commissions payable by the Company for national advertising. Due to the proximity of the Company's operations, the Company's stations and publications share equipment, programming and management expertise. In addition, each station and publication reduces its corporate overhead costs by utilizing group benefits such as insurance and employee benefit plans provided by the Company.

ACQUISITION STRATEGY

The Company focuses on medium-size markets in the Southeast because the Company believes these markets offer superior opportunities in terms of projected population and economic growth, leading to higher advertising and circulation revenues. The Company intends to continue to consider additional acquisitions of television stations and publications that serve these markets. The Company has focused on acquiring television stations where it believes there is potential for improvements in revenue share, audience share and cost control. In assessing acquisitions, the Company targets stations where it sees specific opportunities for revenue enhancement utilizing management's significant experience in local and national advertising sales and in operating similar stations in the Southeast. In addition, projections of growth in the particular market are taken into account. The Company also targets stations and publications for which it can control expenditures as it expands the operation's revenue base. Typical cost savings arise from (i) reducing staffing levels and sharing management with other stations and publications, (ii) utilizing in-house production and design expertise, (iii) substituting more cost effective employee benefit programs, (iv) reducing travel and other non-essential expenses and (v) optimizing the purchase of newsprint and other supplies. Other than the Phipps Acquisition, the Company does not presently have any agreements to acquire any television stations or publications. See "The Phipps Acquisition, the KTVE Sale and the Financing." In appropriate circumstances, the Company will dispose of assets that it deems non-essential to its operating or growth strategy.

[Map of certain states in the southeast United States that sets forth state capitals and locations of the Company's stations]

TELEVISION BROADCASTING

THE COMPANY'S STATIONS AND THEIR MARKETS

AS USED IN THE TABLES FOR EACH OF THE COMPANY'S STATIONS IN THE FOLLOWING SECTION (I) "GROSS REVENUES" REPRESENT ALL OPERATING REVENUES EXCLUDING BARTER REVENUES; (II) "MARKET REVENUES" REPRESENT GROSS ADVERTISING REVENUES, EXCLUDING BARTER REVENUES, FOR ALL COMMERCIAL TELEVISION STATIONS IN THE MARKET, AS REPORTED IN INVESTING IN TELEVISION 1995 MARKET REPORT, 4TH EDITION JULY 1995 RATINGS PUBLISHED BY BIA PUBLICATIONS, INC., EXCEPT FOR REVENUES IN WYMT-TV'S ("WYMT") 18-COUNTY TRADING AREA WHICH IS NOT SEPARATELY REPORTED IN SUCH BIA PUBLICATIONS, INC.'S REPORT; (III) "IN-MARKET SHARE OF HOUSEHOLDS VIEWING TELEVISION" REPRESENTS THE PERCENTAGE OF THE STATION'S AUDIENCE AS A PERCENTAGE OF ALL VIEWING BY HOUSEHOLDS IN THE MARKET FROM 6 A.M. TO 2 A.M. SUNDAY THROUGH SATURDAY, INCLUDING VIEWING OF NON-COMMERCIAL STATIONS, NATIONAL CABLE CHANNELS AND OUT-OF-MARKET STATIONS BROADCAST OR CARRIED BY CABLE IN THE MARKET; AND (IV) "STATION RANK IN DMA" IS BASED ON NIELSEN ESTIMATES FOR NOVEMBER OF EACH YEAR FOR THE PERIOD FROM 6 A.M. TO 2 A.M. SUNDAY THROUGH SATURDAY.

STATION	MARKET	DMA RANK(1)	COMMERCIAL STATIONS IN DMA(2)	STATION RANK IN DMA	TELEVISION HOUSEHOLDS(3)	MARKET REVENUES IN DMA FOR 1995	IN-MARKET SHARE OF HOUSEHOLDS VIEWING TV
						(IN THOUSANDS)	
WKYT	Lexington, KY	68	5	1	387,000	$46,100	33%
WYMT (4)	Hazard, KY	68	N/A	1	169,000	4,100	24
WRDW	Augusta, GA	111	4	1	221,000	26,300	36
WALB (5)	Albany, GA	152	3	1	132,000	12,200	80
WJHG (5)	Panama City, FL	159	4	1	110,000	8,500	53
PHIPPS ACQUISITION(6)							
WKXT	Knoxville, TN	62	4	3	429,000	57,900	22
WCTV	Tallahassee, FL/ Thomasville, GA	116	4	1	210,000	19,900	60

- ------------------------------

(1) Ranking of DMA served by a station among all DMAs is measured by the number of television households based within the DMA on the November 1995 Nielsen estimates.

(2) Includes independent broadcasting stations.

(3) Based upon the approximate number of television households in the DMA as reported by the November 1995 Nielsen index.

(4) The market area served by WYMT is an 18-county trading area, as defined by Nielsen, and is included in the Lexington, Kentucky DMA. WYMT's station rank is based upon its position in the 18-county trading area.

(5) The Company will be required to divest WALB and WJHG in connection with the Phipps Acquisition. For a discussion of the Company's plans, see "Risk Factors-FCC Divestiture Requirement" and "The Phipps Acquisition, the KTVE Sale and the Financing."

(6) The closing of the Phipps Acquisition is expected to occur by September 30, 1996, although there can be no assurance with respect thereto.

The following is a description of each of the Company's stations:

WKYT, THE CBS AFFILIATE IN LEXINGTON, KENTUCKY

WKYT, acquired by the Company in September 1994, began operations in 1957. Lexington, Kentucky is the 68th largest DMA in the United States, with approximately 387,000 television households and a total population of approximately 1.1 million. Total Market Revenues in the Lexington DMA in 1995 were approximately $46.1 million, a 6% increase over 1994. WKYT's gross revenues for the year ended December 31, 1995 and the six months ended June 30, 1996 were approximately $17.6 million and $8.8 million, respectively, an increase of 14.6% and a decrease of 1.2% from the corresponding prior periods. WKYT's net income (before the allocation of corporate and administrative expenses and after estimated income taxes computed at statutory rates) for the year ended December 31, 1995 and the six months ended June 30, 1996 was approximately $1.2 million and $630,000, respectively, a decrease of 36.7% and 19.4%, respectively, for the corresponding prior periods. The Lexington DMA has five licensed commercial television stations, including WYMT, WKYT's sister station, all of which are affiliated with major networks. The Lexington DMA also has one public television station.

The following table sets forth Market Revenues for the Lexington DMA and in-market share and ranking information for WKYT:

	YEAR ENDED DECEMBER 31		
(DOLLARS IN THOUSANDS)	1993	1994	1995
Market Revenues in DMA	$39,500	$43,500	$46,100
Market Revenues growth over prior year	13%	10%	6%
In-market share of households viewing television	38%	37%	33%
Rank in market	1	1	1

MARKET DESCRIPTION. The Lexington DMA consists of 38 counties in central and eastern Kentucky. The Lexington area is a regional hub for shopping, business, healthcare, education, and cultural activities and has a comprehensive transportation network and low commercial utility rates. Major employers in the Lexington area include Toyota Motor Corp., Lexmark International, Inc., GTE Corporation, Square D Company, Ashland, Inc. and International Business Machines Corporation. Toyota Motor Corp. operates a large production facility near Lexington, employing 6,000 people and in May 1995 announced plans to build its next generation mini-van at this facility. Eight hospitals and numerous medical clinics are located in Lexington, reinforcing Lexington's position as a regional medical center. The University of Kentucky which is located in Lexington, is also a major employer with approximately 10,000 employees, and has a full time enrollment of approximately 24,000 students. In addition, Lexington is an international center of the equine industry with the Kentucky Horse Park, a 1,000 acre park that attracts approximately 700,000 visitors annually.

STATION PERFORMANCE. WKYT, which operates on channel 27, is a CBS affiliate. WKYT can be viewed on 86 cable systems in its DMA and 51 cable systems outside its DMA. In 1995, WKYT celebrated its 20th consecutive year as the Lexington DMA's most watched local news program. Every broadcast of "27 Newsfirst"-at 6 a.m., noon, 5 p.m., 5:30 p.m., 6 p.m. and 11 p.m.-continues to be the number one rated program in its time period. WKYT's news programs also provide support and coverage of local events through public service announcements, on-air bulletin boards and special reports, such as CRIMESTOPPERS, 27 ON THE TOWN and HOMETOWN HEROES. Based on the November 1995 Nielsen index, WKYT is ranked number one in its market, with a 33% in-market share of households viewing television, which is five percentage points ahead of the competition. WKYT received 38% of the Lexington DMA's Market Revenues in 1995. The station attributes its success to the experience of its senior management and local sales staff, which focus on developing strong relationships with local advertisers and devoting significant attention to the quality and content of WKYT's local news programming.

Since the 1970's WKYT has been the flagship station for the University of Kentucky Sports Network, producing sports events and coaches' shows, such as the RICK PITINO COACH'S SHOW a half-hour show featuring the University of Kentucky Basketball coach, that air on a 10-station network across Kentucky. Although WKYT focuses on the most popular University of Kentucky Wildcat sports, basketball and football, the station also features other intercollegiate sports, such as baseball, tennis and swimming/diving.

WKYT has a full mobile production unit that produces a variety of events, including sports events, beauty pageants and horse racing. In addition, WKYT has a Doppler Weather Radar System, the latest technology available in weather forecasting. In 1995, WKYT spent over $1.3 million on capital improvements, including a complete studio and master control room renovation and the addition of Maxigrid, an inventory management system.

Cross-promotion and partnerships with radio, newspapers and businesses are a source of non-traditional revenue as well as a means of community involvement. WKYT is also party to the first joint venture in the Lexington market through its production of a 10 p.m. newscast for WDKY-TV, an affiliate of the Fox Broadcasting Company ("Fox") in Lexington, which provides additional exposure for the station's news talent as well as a new source of revenue for WKYT.

Local programming produced by WKYT includes SCOTT'S PLACE, a weekly half-hour children's show which is carried on WALB, WJHG and WRDW, and DIRECTIONS and 27 NEWSMAKERS, two weekly public affairs programs dealing with minority and government and political issues, respectively. In addition, WKYT also carries programming provided by CBS and syndicated programming, including OPRAH!, JEOPARDY!, WHEEL OF FORTUNE and THE ANDY GRIFFITH SHOW.

The Company's former President and the current station manager at WALB are both former members of senior management at WKYT.

WYMT, THE CBS AFFILIATE IN HAZARD, KENTUCKY

WYMT, acquired by the Company in September 1994, began operations in 1985. WYMT has carved out a niche trading area comprising 18 counties in eastern and southeastern Kentucky. This trading area is a separate market area of the Lexington, Kentucky DMA with approximately 169,000 television households and a total population of approximately 463,000. WYMT is the only commercial television station in this 18-county trading area. WYMT's gross revenues for the year ended December 31, 1995 and the six months ended June 30, 1996 were approximately $4.1 million and $2.3 million, respectively, an increase of 8.8% and 15.8%, respectively, from the corresponding prior periods. WYMT's net income (before the allocation of corporate and administrative expenses and after estimated income taxes computed at statutory rates) for the year ended December 31, 1995 and the six months ended June 30, 1996 was approximately $32,000 and $75,000, respectively, a decrease of 88.9% and an increase of 32.6%, respectively, from the corresponding prior periods. WYMT is the sister station of WKYT and shares many resources and simulcasts some local programming with WKYT.

The following table sets forth Market Revenues for the 18-county trading area and ranking information for WYMT (based upon its position in its 18-county trading area):

	YEAR ENDED DECEMBER 31		
(DOLLARS IN THOUSANDS)	1993	1994	1995
Market Revenues in the 18-county trading area (1)	$3,500	$3,800	$4,100
Market Revenues growth over prior year	12%	8%	9%
In-market share of households viewing television	25%	20%	24%
Rank in market	1	1	1

(1) Represents the gross revenues of WYMT, which is the only commercial television station in the 18-county trading area. The Company is unable to determine the amount of Market Revenue for the 18-county trading area which may be attributable to other television stations serving the Lexington DMA.

MARKET DESCRIPTION. The mountain region of eastern and southeastern Kentucky where Hazard is located is on the outer edges of four separate markets: Bristol-Kingsport-Johnson City, Charleston-Huntington, Knoxville and Lexington. Prior to 1985, mountain residents relied primarily on satellite dishes and cable television carrying distant signals for their television entertainment and news. Established in 1985, WYMT is the only broadcast station which can be received over the air in a large portion of its 18-county trading area and may now be viewed on 100 cable systems.

The trading area's economy is centered around coal and related industries and some light manufacturing. In recent years, the coal industry has undergone a major restructuring due to consolidation in the industry and advances in technology. Approximately 10,700 manufacturing jobs exist in the Hazard trading area, most of which are concentrated in the Cumberland Valley area, a Kentucky Area Development District located in the southern portion of the 18-county trading area.

STATION PERFORMANCE. WYMT, which operates on channel 57, is a CBS affiliate. WYMT is ranked number one, based on November 1995 Nielsen estimates, in its trading area with a 24% in-market share of households viewing television, which is nine points ahead of the competition. WYMT's Mountain News at 6:30 a.m., 6 p.m. and 11 p.m. is ranked number one in the 18-county trading area. WYMT's Mountain News at 6 p.m. is ranked number two in the entire Lexington DMA by Nielsen, behind only its sister station WKYT. In addition to the Mountain News, WYMT simulcasts WKYT's 6 a.m., noon, 5 p.m. and 5:30 p.m. newscasts Monday through Friday, all of which rank number one in the 18-county trading area. WYMT includes local inserts into these simulcasted news programs in order to add an enhanced degree of local content. The station attributes its success to its position as the only commercial broadcaster in the 18-county trading area and to customer and community loyalty.

WYMT considers its news department to be a key component of its operations. The station is strategically positioned with a central newsroom in Hazard and two satellite news bureaus, one in Middlesboro, Kentucky (the Cumberland Valley) and one in Harold, Kentucky (the Big Sandy region). Microwave links to these regional news bureaus and to WYMT's sister station WKYT in Lexington, Kentucky, provide the news operation with the ability to report on, coordinate and share the latest news information and coverage throughout the mountain region and from Lexington.

In 1994 WYMT installed a state-of-the-art digital playback system in its master control room. This new system has allowed WYMT to adopt a computer-based playback format that has resulted in significant cost savings and an improved on-air appearance.

Strong local business and general community relations are an important component of WYMT's success. WYMT continues to develop partnerships with current and potential new clients through the production of various special annual events that also serve to strengthen community ties and enhance advertising revenue. Examples of such events include the Mountain Basketball Classic, the Charity Golf Classic and the Boat and RV Show.

WRDW, THE CBS AFFILIATE IN AUGUSTA, GEORGIA

WRDW, acquired by the Company in January 1996, began operations in 1954. Augusta, Georgia is the 111th largest DMA in the United States, with approximately 221,000 television households and a total population of approximately 627,000. Total Market Revenues in the Augusta DMA in 1995 were approximately $26.3 million, a 6% increase over 1994. WRDW's gross revenues for the year ended December 31, 1995 and the six months ended June 30, 1996 were approximately $9.6 million and $5.0 million, respectively, an increase of 5.7% and 6.3%, respectively, from the corresponding prior periods. WRDW's net income (before the allocation of corporate and administrative expenses and after estimated income taxes computed at statutory rates) for the year ended December 31, 1995 was approximately $1.4 million, an increase of 4.9%, from the corresponding prior period. WRDW's net loss (before the allocation of corporate and administrative expenses and after estimated income taxes computed at statutory rates) for the six months ended June 30, 1996 was approximately $372,000 as compared to net income of approximately $717,000, from the corresponding prior period. The Augusta DMA has four licensed commercial television stations, all of which are affiliated with a major network. The Augusta DMA also has two public television stations.

The following table sets forth Market Revenues for the Augusta DMA and in-market share and ranking information for WRDW:

(DOLLARS IN THOUSANDS)	YEAR ENDED DECEMBER 31 1993	1994	1995
Market Revenues in DMA	$22,800	$24,800	$26,300
Market Revenues growth over prior year	8%	9%	6%
In-market share of households viewing television	36%	36%	36%
Rank in market	1	1	1

MARKET DESCRIPTION. The Augusta DMA consists of 19 counties in eastern Georgia and western South Carolina, including the cities of Augusta, Georgia and North Augusta and Aiken, South Carolina. The Augusta, Georgia area is one of Georgia's major metropolitan/regional centers, with a particular emphasis on health services, manufacturing and the military. The Federal government employs over 12,500 military and 4,600 civilian personnel at the Department of Energy's Savannah River Site, a nuclear processing plant, and Fort Gordon, a U.S. Army military installation. Augusta has eight large hospitals which collectively employ 20,000 and reinforce Augusta's status as a regional healthcare center. Augusta is also home to the Masters Golf Tournament, which has been broadcast by CBS for 41 years.

STATION PERFORMANCE. WRDW, which operates on channel 12, is a CBS affiliate. Based on November 1995 Nielsen estimates, WRDW is ranked number one in its market, with a 36% in-market share of households viewing television, which is one share point ahead of the competition. WRDW also received 36% of the Augusta DMA's Market Revenues in 1995. WRDW can be viewed on all 29 cable systems in its DMA and nine cable systems outside of its DMA. Since 1992, WRDW has risen from a weak second-place ranking to the number one position. WRDW's weekday news programs at 6 a.m., noon, 5 p.m., 11 p.m., and four weekend slots are ranked number one in household rating and share. WRDW attributes its number one position in the market to its strong syndicated programming which leads into and out of its weekly news programs as well as its expanded local news coverage. WRDW was also the leader in prime time in the November 1995 Nielsen estimates. WRDW has positioned itself as "Your 24 Hour News Source" in the DMA. In January 1996, WRDW began providing local cut-ins to the CNN news slots on cable, with all revenues from commercial inserts going to the station. In addition, as the local CBS affiliate in the DMA, WRDW produces local Masters programming, such as THE GREEN JACKET PROGRAM, a show hosted by Paul Davis that includes interviews with many golf celebrities.

The station also produces its own local programming, including INSIDE AGRICULTURE, a weekly program and PAINE COLLEGE PRESENTS, a bi-monthly local public affairs show. In addition to carrying the programming provided by CBS, WRDW carries syndicated programming including: OPRAH!, INSIDE EDITION, WHEEL OF FORTUNE and JEOPARDY!

WALB, THE NBC AFFILIATE IN ALBANY, GEORGIA

WALB was founded by the Company and began operations in 1954. Albany, Georgia is the 152nd largest DMA in the United States with approximately 132,000 television households and a total population of approximately 380,000. Total Market Revenues in the Albany DMA in 1995 were approximately $12.2 million, a 5% increase over 1994. WALB's gross revenues for the year ended December 31, 1995 and for six months ended June 30, 1996 were approximately $10.5 million and $5.6 million, respectively, an increase of 3.5% and 7.9%, respectively, from the corresponding prior periods. WALB's net income (before the allocation of corporate and administrative expenses and after estimated income taxes computed at statutory rates) for the year ended December 31, 1995 and the six months ended June 30, 1996 was approximately $3.0 million and $1.7 million, respectively, an increase of 3.8% and 11.3%, respectively, from the corresponding prior periods. The Albany DMA has three licensed commercial television stations, two of which are affiliated with major networks. The Albany DMA also has two public television stations.

The following table sets forth Market Revenues for the Albany DMA and in-market share and ranking information for WALB:

	YEAR ENDED DECEMBER 31		
(DOLLARS IN THOUSANDS)	1993	1994	1995
Market Revenues in DMA	$10,900	$11,600	$12,200
Market Revenues growth over prior year	8%	6%	5%
In-market share of households viewing television	81%	80%	80%
Rank in market	1	1	1

MARKET DESCRIPTION. The Albany DMA, consists of 17 counties in southwest Georgia. Albany, 170 miles south of Atlanta, is a regional center for manufacturing, agriculture, education, health care and military service. Leading employers in the area include: The Marine Corps Logistics Base, Phoebe Putney Memorial Hospital, The Proctor & Gamble Company, Miller Brewing Company, Cooper Tire & Rubber Company, Bob's Candies, Coats and Clark Inc., Merck & Co., Inc., MacGregor (USA) Inc. and M&M/Mars. Albany State College, Darton College and Albany Technical Institute are located within this area.

STATION PERFORMANCE. WALB, which operates on channel 10, is the only VHF station in the Albany DMA and is an NBC affiliate. Based on the November 1995 Nielsen estimates, WALB is ranked number one in its market, with an 80% in-market share of households viewing television, which is 63 share points ahead of the competition. WALB has the strongest signal in its DMA and can be viewed on all of the 26 cable systems in its DMA and 51 cable systems outside of its DMA. WALB received 86% of the Albany DMA's Market Revenues in 1995.

WALB is known as "South Georgia's Number One News Source." The station's news is its primary focus. WALB is the number one local news source in all of its time slots. WALB is the only station in its market with both electronic and satellite news gathering trucks, allowing the Company to provide live coverage. WALB broadcasts three hours and 20 minutes of news weekdays and one hour of news each weekend day.

WALB considers its dedication to the community to be a key component of its operations. For example, WALB devoted substantial resources in 1994 to expand its local news coverage and programming. Such investment allowed WALB to provide the most extensive flood coverage available to viewers during the flood in July 1994, which was one of the largest natural disasters to occur in Georgia in recent history. This coverage made WALB one of the top-rated stations in the United States in terms of in-market share of households viewing television in July 1994, as measured by Nielsen. In addition, the Georgia Broadcasters Association presented WALB with two of its top awards in 1994: the "1994 TV Community Service Award" for its dedication to providing local community service and the "1994 TV Station Promotion of the Year" award for the station's nearly year long broadcast of its "Learn to Read" program.

The station produces its own local programming including TOWN AND COUNTRY, a live morning show that travels to various locations in Georgia and DIALOG, a weekly public affairs show focusing on minority issues. In addition to carrying programming supplied by NBC, WALB carries syndicated programming, including OPRAH!, ENTERTAINMENT TONIGHT, THE ANDY GRIFFITH SHOW, MONTEL WILLIAMS, RICKI LAKE, AMERICAN JOURNAL, and HARD COPY.

The Company will be required to divest this station pursuant to existing FCC regulations. See "Risk Factors-FCC Divestiture Requirement" and "The Phipps Acquisition, the KTVE Sale and the Financing."

WJHG, THE NBC AFFILIATE IN PANAMA CITY, FLORIDA

WJHG, acquired by the Company in 1960, began operations in 1953. Panama City, Florida is the 159th largest DMA in the United States, with approximately 110,000 television households and a total population of approximately 298,000. Total Market Revenues in the Panama City DMA in 1995 were approximately $8.5 million, a 6% increase over 1994. WJHG's gross revenues for the year ended December 31, 1995 and for the six months ended June 30, 1996 were approximately $4.3 million and $2.7 million, respectively, an increase of 7.7% and 32.2%, respectively, from the corresponding prior periods. WJHG's net income (before the allocation of corporate and administrative expenses and after estimated income taxes computed at statutory rates) for the year ended December 31, 1995 and for the six months ended June 30, 1996 was approximately $205,000 and $305,000, respectively, an increase of 84.8% and 184.1%, respectively, from the corresponding prior periods. The Panama City DMA has four licensed commercial television stations, three of which are affiliated with major networks. In addition, a CBS signal is provided by a station in Dothan, Alabama, an adjacent DMA. The Panama City DMA also has one public television station.

The following table sets forth Market Revenues for the Panama City DMA and in-market share and ranking information for WJHG:

	YEAR ENDED DECEMBER 31		
(DOLLARS IN THOUSANDS)	1993	1994	1995
Market Revenues in DMA	$7,400	$8,000	$8,500
Market Revenues growth over prior year	11%	8%	6%
In-market share of households viewing television	51%	46%	53%
Rank in market	1	1	1

MARKET DESCRIPTION. The Panama City DMA consists of nine counties in northwest Florida. The Panama City market stretches north from Florida's Gulf Coast to Alabama's southern border. The Panama City economy centers around tourism, military bases, manufacturing, education and financial services. Panama City is the county seat and principal city of Bay County. Leading employers in the area include: Tyndall Air Force Base, the Navy Coastal Systems Station, Sallie Mae Servicing Corp., Stone Container Corporation, Arizona Chemical Corporation, Russell Corporation and Gulf Coast Community College. Panama City is also a spring break destination for college students and drew approximately 550,000 students during 1995.

STATION PERFORMANCE. WJHG, which operates on channel 7, is an NBC affiliate. Based on November 1995 Nielsen estimates, WJHG is ranked number one in its market, with a 53% in-market share of households viewing television, which is 17 share points ahead of the competition. WJHG received 50% of the Panama City DMA's Market Revenues in 1995. WJHG can be viewed on all of the 36 cable systems in its DMA and on 29 cable systems outside its DMA.

WJHG dominates the Panama City market in all popular news time periods and has twice the audience viewership at 5 p.m. and 10 p.m. as does the competition. WJHG also has the number one news ranking in its market at 6:30 a.m., 6 p.m. and on weekends. WJHG's ratings success in its newscasts have allowed it to increase its overall unit rates and to negotiate for larger shares of advertisers' national budgets. WJHG considers its news department to be a key component of its operations and in 1994, devoted substantial resources to redesign the set, purchase new cameras, add new graphics, develop a new logo and reformat newscasts. As part of the continuing growth of its news product, WJHG recently introduced the first noon newscast in Panama City.

WJHG has also launched a direct mail campaign to attract new advertisers to the station. As a result of these factors, WJHG increased its gross revenues by 7.7% in 1995. WJHG is also focusing on other non-traditional revenue sources, such as developing a health exposition, a children's fair and a wedding show, all of which are scheduled to occur in 1996.

In addition to carrying programming provided by NBC, WJHG carries syndicated programming, including WHEEL OF FORTUNE, JEOPARDY!, HARD COPY, MAURY POVICH, JENNY JONES and RICKI LAKE.

The Company will be required to divest this station pursuant to existing FCC regulations. See "Risk Factors-FCC Divestiture Requirement" and "The Phipps Acquisition, the KTVE Sale and the Financing."

WKXT, THE CBS AFFILIATE IN KNOXVILLE, TENNESSEE

WKXT, which is part of the Phipps Business, began operations in 1988. The Phipps Acquisition is expected to occur in September 1996, although there can be no assurance with respect thereto. Knoxville, Tennessee is the 62nd largest DMA in the United States, with approximately 429,000 television households and a total population of approximately 1.1 million. Total Market Revenues in the Knoxville DMA in 1995 were approximately $57.9 million, a 6% increase over 1994. WKXT's gross revenues for the year ended December 31, 1995 and the six months ended June 30, 1996 were approximately $10.6 million and $5.0 million, respectively, an increase of 2.3% and a decrease of 2.2%, respectively, from the corresponding prior periods. WKXT's net income (before the allocation of corporate and administrative expenses and after estimated income taxes computed at statutory rates) for the year ended December 31, 1995 and the six months ended June 30, 1996 was approximately $1.8 million and $836,000, respectively, an increase of 8.3% and a decrease of 4.4%, respectively, from the corresponding prior periods. The Knoxville DMA has four licensed commercial television stations, all of which are affiliated with major networks. The Knoxville DMA also has two public broadcasting stations.

The following table sets forth Market Revenues for the Knoxville DMA and in-market share and ranking information for WKXT:

	YEAR ENDED DECEMBER 31		
(DOLLARS IN THOUSANDS)	1993	1994	1995
Market Revenues in DMA	$47,900	$54,600	$57,900
Market Revenues growth over prior year	14%	14%	6%
In-market share of households viewing television	24%	23%	22%
Rank in market	3	3	3

MARKET DESCRIPTION. The Knoxville DMA, consisting of 22 counties in eastern Tennessee and southeastern Kentucky, includes the cities of Knoxville, Oak Ridge and Gatlinburg, Tennessee. The Knoxville area is a center for education, manufacturing, healthcare and tourism. The University of Tennessee's main campus is located within the city of Knoxville. It employs approximately 6,400 people and has an enrollment of approximately 26,000 students. Leading manufacturing employers in the area include: Lockheed Martin Energy Systems, Inc., Levi Strauss & Company, DeRoyal Industries, Aluminum Company of North America, Phillips Consumer Electronics North America Corp., Clayton Homes and Sea Ray Boats, Inc. which employ approximately 26,800 people, collectively. The Knoxville area also has eight hospitals which employ approximately 16,900 employees. Area tourist attractions are the Great Smokey

Mountains National Park and Dollywood, a country-western theme park sponsored by Dolly Parton. The Great Smokey Mountains National Park and Dollywood had approximately 9.1 million and 2.2 million visitors, respectively during 1995. Dollywood employs approximately 1,800 people.

STATION PERFORMANCE. WKXT is a CBS affiliate and operates on channel 8. WKXT is one of three commercial VHF stations in the Knoxville DMA. Based on November 1995 Nielsen estimates, WKXT is ranked third in its market, with a 22% in-market share of households viewing television. WKXT can be viewed on 52 cable systems in its DMA and on 15 cable systems outside its DMA. WKXT received 18% of the Knoxville DMA's Market Revenues in 1995.

WKXT produces only one hour of news each day. The Company plans to implement its operating strategy at WKXT by developing comprehensive news programming upon consummation of the Phipps Acquisition.

In addition to carrying network programming supplied by CBS, WKXT carries syndicated programming including BAYWATCH, NORTHERN EXPOSURE, REGIS & KATHIE LEE, MAURY POVICH, AMERICAN JOURNAL, ENTERTAINMENT TONIGHT, HARD COPY, and THE ANDY GRIFFITH SHOW.

WCTV, THE CBS AFFILIATE IN TALLAHASSEE, FLORIDA/THOMASVILLE, GEORGIA

WCTV, which is part of the Phipps Business, began operations in 1955. The Phipps Acquisition is expected to occur in September 1996, although these can be no assurance with respect thereto. Tallahassee, Florida/Thomasville, Georgia is the 116th largest DMA in the United States, with approximately 210,000 television households and total population of approximately 586,000. Total Market Revenues in the Tallahassee/Thomasville DMA in 1995 were approximately $19.9 million, a 5% increase over 1994. WCTV's gross revenues for the year ended December 31, 1995 and the six months ended June 30, 1996 were approximately $13.3 million and $7.0 million, respectively, an increase of 3.2% and 9.8%, respectively, from the corresponding prior periods. WCTV's net income (before the allocation of corporate and administrative expenses and after estimated income taxes computed at statutory rates) for the year ended December 31, 1995 and the six months ended June 30, 1996 was approximately $3.8 million and $1.9 million, respectively, an increase of 1.4% and 6.3%, respectively, from the corresponding prior periods. The Tallahassee/Thomasville DMA has four licensed commercial television stations, all of which are affiliated with major networks. The Tallahassee/Thomasville DMA also has one public station that is owned by the Florida State University Board of Regents.

The following table sets forth Market Revenues in the Tallahassee/Thomasville DMA and in-market share and ranking information for WCTV:

	YEAR ENDED DECEMBER 31		
(DOLLARS IN THOUSANDS)	1993	1994	1995
Market Revenues in DMA	$17,200	$18,900	$19,900
Market Revenues growth over prior year	4%	10%	5%
In-market share of households viewing television	64%	65%	60%
Rank in market	1	1	1

MARKET DESCRIPTION. The Tallahassee/Thomasville DMA, consisting of 18 counties in the panhandle of Florida and southwest Georgia, includes Tallahassee, the capital of Florida, and Thomasville, Valdosta and Bainbridge, Georgia. The Tallahassee/Thomasville economy centers around state and local government as well as state and local universities which include Florida State University, Florida A&M, Tallahassee Community College and Valdosta State College. Florida State University is the largest university located in the DMA with total enrollment of approximately 29,000 students. Florida State University's main campus is located within the city of Tallahassee. State and local government agencies employ approximately 36,700 and 8,500 people, respectively, in the Tallahassee area.

STATION PERFORMANCE. WCTV is a CBS affiliate and operates on channel 6. WCTV is the only VHF station in the Tallahassee/Thomasville DMA. Based on November 1995 Nielsen estimates, WCTV is ranked number one in its market, with a 60% in-market share of households viewing television. WCTV can be viewed on 47 cable systems in its DMA and 32 cable systems outside of its DMA. WCTV received 67% of the Tallahassee/Thomasville DMA's Market Revenues in 1995.

WCTV considers its news department to be a key component of its operations; approximately 43% of its employees are devoted to its news department and a significant portion of WCTV's revenues is generated by news programming.

The station attributes its successful news programming in part to its bureaus in Tallahassee, Valdosta and Thomasville and its news gathering vehicle. WCTV produces five news programs and six news cut-ins each day which total three and one-half hours of news per weekday. All news programs are closed-captioned. The station has the number one in-market share in news at 6 a.m., noon, 5:30 p.m., 6 p.m. and 11 p.m. on weekdays and 6 p.m. and 11 p.m. on weekends.

The station produces the BOBBY BOWDEN SHOW, a coach's show for Florida State University. In addition to carrying network programming supplied by CBS, WCTV carries syndicated programming including WHEEL OF FORTUNE, JEOPARDY!, OPRAH! and SEINFELD.

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. However, the improvement of UHF transmitters and receivers, the complete elimination from the marketplace of VHF-only receivers and the expansion of cable television systems have reduced the VHF signal advantage.

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. The estimates are expressed in terms of the percentage of the total potential audience in the market viewing a station (the station's "rating") and of the percentage of households using television actually viewing the station (the station's "share"). Nielsen provides such data on the basis of total television households and selected demographic groupings in the market. Nielsen uses two methods of determining a station's ability to attract viewers. In larger geographic markets, ratings are determined by a combination of meters connected directly to selected television sets and weekly diaries of television viewing, while in smaller markets only weekly diaries are utilized. All of the Company's stations operate in markets where only weekly diaries are used.

Historically, three major broadcast networks, Capital Cities/ABC, Inc. ("ABC"), NBC and CBS, dominated broadcast television. In recent years, Fox has evolved into the fourth major network by establishing a network of independent stations whose operating characteristics are similar to the major network affiliate stations, although the number of hours of network programming produced by Fox for its affiliates is less than that of the three major networks. In addition, UPN and WB recently have been launched as new television networks. An affiliate of UPN or WB receives a smaller portion of each day's programming from its network compared to an affiliate of a major network. Currently, UPN and WB provide 10 and 11.5 hours of programming per week to their affiliates, respectively.

The affiliation of a station with one of the four major networks has a significant impact on the composition of the station's programming, revenues, expenses and operations. A typical affiliate of a major network receives the majority of each day's programming from the network. This programming, along with cash payments ("network compensation"), is provided to the affiliate by the network in exchange for a substantial majority of the advertising time sold 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, network 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, which are becoming increasingly popular with both network affiliates and independents, a national program distributor may receive advertising time in exchange for the programming it supplies, with the station paying a reduced fee for such 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 of the revenues obtained therefrom. As a result of the smaller amount of programming provided by its network, an affiliate of UPN or WB must purchase or produce a greater amount of its 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.

Through the 1970s, network television broadcasting enjoyed virtual dominance in viewership and television advertising revenues, because network-affiliated stations competed only with each other in most local markets. Beginning in the 1980s, this level of dominance began to change as the FCC authorized more local stations and marketplace choices expanded with the growth of independent stations and cable television services. See "-Federal Regulation of the Company's Business."

Cable television systems were first installed in significant numbers in the 1970s and were initially used to retransmit broadcast television programming to paying subscribers in areas with poor broadcast signal reception. In the aggregate, cable-originated programming has emerged as 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 increased during the 1970s and 1980s 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.

NEWSPAPER PUBLISHING

The Company owns and operates five publications comprising three newspapers and two shoppers, all located in the Southeast.

THE ALBANY HERALD

THE ALBANY HERALD, located in Albany, Georgia, is the only seven-day-a-week newspaper that serves southwestern Georgia. The Company changed THE ALBANY HERALD from an afternoon newspaper to a morning newspaper in 1993 and improved its graphics and layout. These changes enabled the Company to increase THE ALBANY HERALD's newsstand and subscription prices as well as its advertising rates, resulting in an increase of revenues from $10.1 million in 1993 to $13.5 million in 1995, a 33.8% increase. The Company intends to increase selectively the price and advertising rates of THE ALBANY HERALD in the future. The Albany market has four other daily newspapers with a limited circulation and market area.

THE ALBANY HERALD also publishes three other weekly editions in Georgia, THE LEE COUNTY HERALD, THE WORTH COUNTY HERALD and THE CALHOUN-CLAY HERALD, all of which provide regional news coverage. Other niche publications include (i) FARM AND PLANTATION, an agricultural paper, (ii) a monthly COUPON CLIPPER, (iii) a quarterly, direct mail coupon book called CASH CUTTERS, (iv) an annual dining guide and (v) an annual bridal book. The Company introduced these weeklies and other niche product publications in order to better utilize THE ALBANY HERALD's printing presses and infrastructure (such as sales and advertising). The printing press is approximately 19 years old and is in good working order. THE ALBANY HERALD cross-merchandises its publications, thereby increasing total revenues with only a small increase in related expenditures. The Company also seeks to increase THE ALBANY HERALD's circulation and revenues through its sponsorship of special events of local interest, such as bass fishing tournaments.

THE ROCKDALE CITIZEN AND THE GWINNETT DAILY POST

THE ROCKDALE CITIZEN and the GWINNETT DAILY POST, a six-day-a-week newspaper and a five-day-a-week newspaper, respectively, serve communities in the metro Atlanta area with complete local news, sports and lifestyles coverage together with national stories that directly impact their local communities.

THE ROCKDALE CITIZEN is located in Conyers, Georgia, the county seat of Rockdale County, which is 19 miles east of downtown Atlanta. Rockdale County's population is estimated to be 64,000 in 1996. Conyers was the site of the 1996 Olympic equestrian competition.

The GWINNETT DAILY POST, which was purchased by the Company in January 1995, is located north of Atlanta in Gwinnett County, one of the fastest growing areas in the nation. Gwinnett's population, which has more than doubled during each of the past two census periods, was estimated at 457,000 in 1995. In September 1995, the Company increased the frequency of publication of the GWINNETT DAILY POST from three to five days per week in an effort to increase circulation.

The Company's operating strategy with respect to THE ROCKDALE CITIZEN and the GWINNETT DAILY POST is to increase circulation by improving the print quality, increasing the local news content and increasing its telemarketing and promotional efforts. The Rockdale Citizen's printing press is approximately 24 years old and is in good working order. The Company has hired a new president of publishing for THE ROCKDALE CITIZEN and the GWINNETT DAILY POST in order to implement its operating strategy at these newspapers.

SOUTHWEST GEORGIA SHOPPER

The Southwest Georgia Shopper, Inc., prints and distributes two shoppers, which are direct mailed and rack distributed throughout north Florida and southwest Georgia. These two shoppers represent a consolidation of the seven shoppers that the Company purchased in 1994 and 1995. The Company believes that print quality is an important criterion to advertisers and consumers and, since their acquisition, the Company has accordingly improved the graphics of the shoppers.

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 one of the leading 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 large retailers and consolidations among large retail chains has recently resulted in reduced retail advertising expenditures. Classified advertising, which makes up approximately one-third of newspaper advertising expenditures, can be affected by an economic slowdown and its effect on employment, real estate transactions and automotive sales. However, growth in housing starts and automotive sales, although cyclical in nature, generally provide continued growth in newspaper advertising expenditures.

PAGERS AND PAGING SERVICES

THE PAGING BUSINESS

The paging business, which is a part of the Phipps Business, is based in Tallahassee, Florida and operates in Columbus, Macon, Albany and Valdosta, Georgia, in Dothan, Alabama, in Tallahassee and Panama City, Florida and in certain contiguous areas. In 1995 the population of this geographic coverage area was approximately 2.3 million. In June 1996, the Company's paging business had approximately 44,000 units in service, representing a penetration rate of approximately 1.9%.

The Company's paging system operates by connecting a telephone call placed to a local telephone number with a local paging switch. The paging switch processes a caller's information and sends the information to a link transmitter which relays the processed information to paging transmitters, which in turn alert an individual pager by means of a coded radio signal. This process provides service to a "local coverage area." To enhance coverage further to its customer base, all of the Company's local coverage areas are interconnected or networked, providing for "wide area coverage" or "network coverage." A pager's coverage area is programmable and can be customized to include or exclude any particular paging switch and its respective geographic coverage area, thereby allowing the Company's paging customers a choice of coverage areas. In addition, the Company is able to network with other paging companies which share the Company's paging frequencies in other markets, by means of an industry standard network paging protocol, in order to increase the geographic coverage area in which the Company's customers can receive paging service.

A subscriber to the Company's paging services either owns a pager, thereby paying solely for the use of the Company's paging services, or leases a pager, thereby paying a periodic charge for both the pager and the paging services. Of the Company's pagers currently in service, approximately 72% are owned and maintained by subscribers ("COAM") with the remainder being leased. In recent years, prices for pagers have fallen considerably, and thus there has been a trend toward subscriber ownership of pagers, allowing the Company to maintain lower inventory and fixed asset levels. COAM customers historically stay on service longer, thus enhancing the stability of the subscriber base and earnings. The Company is focusing its marketing efforts on increasing its base of COAM users. The Company purchases all of its pagers from two suppliers, Panasonic and Motorola, with Motorola supplying a majority of such pagers. Due to the high demand from the Company's customers for Motorola pagers, the Company believes that its ability to offer Motorola pagers is important to its business.

The Company's goal is to increase the number of pagers in service, revenues and cash flow from operations by implementing a plan that focuses on improved operating methods and controls and innovative marketing programs. The Company's paging business has grown in recent years by: (i) increasing the number of business customers; (ii) expanding its resale program; (iii) increasing its retail operations; and (iv) increasing geographical coverage.

INDUSTRY BACKGROUND.

Paging is a method of wireless communication which uses an assigned radio frequency to contact a paging subscriber within a designated service area. A subscriber carries a pager which receives messages by the broadcast of a radio signal. To contact a subscriber, a message is usually sent by placing a telephone call to the subscriber's designated telephone number. The telephone call is received by an electronic paging switch which generates a signal that is sent to radio transmitters in the subscriber's service area. The transmitters broadcast a coded signal that is unique to the pager carried by the subscriber and alerts the subscriber through a tone or vibration that there is a voice, numeric, alphanumeric or other message. Depending upon the topography of the service area, the operating radius of a radio transmitter typically ranges from three to 20 miles.

Three tiers of carriers have emerged in the paging industry: (i) large nationwide providers serving multiple markets throughout the United States; (ii) regional carriers, like the Company's paging business, which operate in regional markets such as several contiguous states in one geographic region of the United States; and (iii) small, single market operators. The Company believes that the paging industry is undergoing consolidation.

The paging industry has traditionally marketed its services through direct distribution by sales representatives. In recent years, additional channels of distribution have evolved, including: (i) carrier-operated retail stores; (ii) resellers, who purchase paging services on a wholesale basis from carriers and resell those services on a retail basis to their own customers; (iii) independent sales agents who solicit customers for carriers and are compensated on a commission basis; and (iv) retail outlets that often sell a variety of merchandise, including pagers and other telecommunications equipment.

SATELLITE BROADCASTING

The Company's satellite broadcasting business provides broadcast and production services through mobile and fixed production units as well as C-band and Ku-band satellite transmission facilities. Clients include The Walt Disney Company, The Golf Channel, USA Network, Turner Broadcasting System, CBS, ABC, PGA Tour Productions and The Children's Miracle Network.

ADDITIONAL INFORMATION ON BUSINESS SEGMENTS

Reference is made to Note J of Notes to Consolidated Financial Statements of the Company for additional information regarding business segments. Reference is made to Note 11 of Notes to Financial Statements of the Phipps Business for additional 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. The broadcasting industry is faced continually with technological change and innovation, the possible rise in popularity of competing entertainment and communications media and governmental restrictions or actions of federal regulatory bodies, including the FCC and the Federal Trade Commission, any of which could have a material effect on the Company's operations. In addition, since early 1994, there have been a number of network affiliation changes in many of the top 100 television markets. As a result, the major networks have sought longer terms in their affiliation agreements with local stations and generally have increased the compensation payable to the local stations in return for such longer term agreements. During the same time period, the rate of change of ownership of local television stations has increased over past periods.

AUDIENCE. Stations compete for audience on the basis of 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 with which each station is affiliated. 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 self-produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only.

Independent stations, whose number has increased significantly over the past decade, have also emerged as viable competitors for television viewership shares. In addition, UPN and WB have been launched recently as new television networks. The Company is unable to predict the effect, if any, that such networks will have on the future results of the Company's operations.

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. Through the 1970s, television broadcasting enjoyed virtual dominance in viewership and television advertising revenues because network-affiliated stations competed only with each other in most local markets. Although cable television systems initially retransmitted broadcast television programming to paying subscribers in areas with poor broadcast signal reception, significant increases in cable television penetration in areas that did not have signal reception problems occurred throughout the 1970s and 1980s. As the technology of satellite program delivery to cable systems advanced in the late 1970s, development of programming for cable television accelerated dramatically, resulting in the emergence of multiple, national-scale program alternatives and the rapid expansion of cable television and higher subscriber growth rates. Historically, cable operators have not sought to compete with broadcast stations for a share of the local news audience. Recently, however, certain cable operators have elected to compete for such audiences and the increased competition could have an adverse effect on the Company's advertising revenues.

Other sources of competition include home entertainment systems (including video cassette recorder and playback systems, video discs and television game devices), "wireless cable" services, satellite master antenna television systems, low power television stations, television translator stations and, more recently, DBS video distribution services, which transmit programming directly to homes equipped with special receiving antennas, and video signals delivered over telephone lines. Public broadcasting outlets in most communities compete with commercial television stations for audience but not for advertising dollars, although this may change as the United States Congress considers alternative means for the support of public television.

Further advances in technology may increase competition for household audiences and advertisers. Video compression techniques are expected to reduce the bandwidth required for television signal transmission. These compression techniques, as well as other technological developments, are applicable to all video delivery systems, including over-the-air broadcasting, and have the potential to provide vastly expanded programming to highly targeted audiences.

Reduction in the cost of creating additional channel capacity could lower entry barriers for new channels and encourage the development of increasingly specialized "niche" programming. This ability to reach very narrowly defined audiences is expected to alter the competitive dynamics for advertising expenditures. In addition, competition in the television industry in the future may come from interactive video and information and data services that may be delivered by commercial television stations, cable television, DBS, multipoint distribution systems, multichannel multipoint distribution systems or other video delivery systems. The Company is unable to predict the effect that these or other technological changes will have on the broadcast television industry or the future results of the Company's operations.

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 ROSEANNE) and first-run product (such as ENTERTAINMENT TONIGHT). Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. Competition exists for exclusive news stories and features as well.

ADVERTISING. Advertising rates are based upon the size of the market in which the station operates, a 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. Typically, independent stations achieve a greater proportion of the television market advertising revenues than network affiliated stations relative to their share of the market's audience, because independent stations have greater amounts of available advertising time. The stations also compete for advertising revenues with other media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail 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 and television, as well as other newspapers, which also compete for readers with the Company's publications. Many of the Company's newspaper competitors are significantly larger than the Company. The Company attempts to differentiate its publications from other newspapers by focusing on local news and local sports coverage in order to compete with its larger competitors. The Company also seeks to establish its publications as the local newspaper by sponsoring special events of particular community interest.

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 competes by maintaining competitive pricing of its product and service offerings, by providing high-quality, reliable transmission networks and by furnishing subscribers a superior level of customer service.

The Company's primary competitors include those paging companies that provide wireless service in the same geographic areas in which the Company operates. The Company experiences competition from one or more competitors in all locations in which it operates. Some of the Company's competitors have greater financial and other resources than the Company.

The Company's paging services also compete with other wireless communications services such as cellular service. The typical customer uses paging as a low cost wireless communications alternative either on a stand-alone basis or in conjunction with cellular services. Future technological developments in the wireless communications industry and enhancements of current technology, however, could create new products and services, such as personal communications services and mobile satellite services, which are competitive with the paging services currently offered by the Company. Recent and proposed regulatory changes by the FCC are aimed at encouraging such technological developments and new services and promoting competition. There can be no assurance that the Company's paging business would not be adversely affected by such technological developments or regulatory changes.

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 payment 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. The NBC affiliation agreements for WALB and WJHG are renewed automatically every five years on September 1 unless the station notifies NBC otherwise. The CBS affiliation agreements for WKYT, WYMT, WRDW, WCTV and WKXT expire on December 31, 2004, December 31, 2004, March 31, 2005, December 31, 1999, and December 31, 1999, respectively.

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 and 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 five years (recently extended to eight years by the Telecommunications Act) 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. The broadcast licenses for WALB, WJHG, WKYT, WYMT, WRDW, WCTV and WKXT are effective until April 1, 1997, February 1, 1997, August 1, 1997, August 1, 1997, April 1, 1997, February 1, 1997 and August 1, 1997, respectively. The Telecommunications Act requires a broadcast license to be renewed if the FCC finds that: (i) the station has served the public interest, convenience and necessity; (ii) there have been no serious violations of either the Telecommunications Act or the FCC's rules and regulations by the licensee; and (iii) there have been no other violations, which taken together would constitute a pattern of abuse. At the time an application is made for renewal of a television license, parties in interest may file petitions to deny, and such parties, including members of the public, may comment upon the service the station has provided during the preceding license term and urge denial of the application. If the FCC finds that the licensee has failed to meet the above-mentioned requirements, it could deny the renewal application or grant a conditional approval, including renewal for a lesser term. The FCC will not consider competing applications contemporaneously with a renewal application. Only after denying a renewal application can the FCC accept and consider competing applications for the license. Although in substantially all cases broadcast licenses are renewed by the FCC even when petitions to deny or competing applications 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.

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. The current rules limit the number of radio and television 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 more than 12 television stations. Moreover, the aggregate audience reach of co-owned television stations may not exceed 25% of all United States households. An individual or entity may hold an attributable interest in up to 14 television stations (or stations with an aggregate audience reach of 30% of all United States households) if at least two of the stations are controlled by a member of an ethnic minority. The Telecommunications Act directs the FCC to eliminate the restriction on the number of television stations which may be owned or controlled nationally and to increase the national audience reach limitation for television stations to 35%.

On a local basis, FCC rules currently allow an individual or entity to have an attributable interest in only one television station in a market. In addition, FCC rules and the Telecommunications Act generally prohibit an individual or entity from having an attributable interest in a television station and a radio station, daily newspaper or cable television system that is located in the same local market area served by the television station. Proposals currently before the FCC could substantially alter these standards. For example, in a recently initiated rulemaking proceeding, the FCC suggested narrowing the geographic scope of the local television cross-ownership rule (the so-called "duopoly rule") from Grade B to Grade A contours and possibly permitting some two-station combinations in certain markets. The FCC has also proposed eliminating the TV/radio cross-ownership restriction (the so-called "one-to-a-market" rule) entirely or at least exempting larger markets. In addition, the FCC is seeking comment on issues of control and attribution with respect to local marketing agreements entered into by television stations. It is unlikely that this rulemaking will be concluded until late 1996 or later, and there can be no assurance that any of these rules will be changed or what will be the effect of any such change. The Telecommunications Act expressly does not prohibit any local marketing agreements in compliance with FCC regulations. Furthermore, the Telecommunications Act directs the FCC to conduct a rulemaking proceeding to determine whether restricting ownership of more than one television station in the same area should be retained, modified or eliminated. It is the intent of Congress that if the FCC revises the multiple ownership rules, it should permit co-located VHF-VHF combinations only in compelling circumstances, where competition and diversity will not be harmed.

The Telecommunications Act also directs the FCC to extend its one-to-a-market waiver policy from the top 25 to any of the top 50 markets. In addition, the Telecommunications Act directs the FCC to permit a television station to affiliate with two or more networks unless such dual or multiple networks are composed of (i) two or more of the four existing networks (ABC, CBS, NBC or Fox), or (ii) any of the four existing networks and one of the two emerging networks (UPN or WBN). The Company believes that Congress does not intend for these limitations to apply if such networks are not operated simultaneously, or if there is no substantial overlap in the territory served by the group of stations comprising each of such networks. The Telecommunications Act also directs the FCC to revise its rules to permit cross-ownership interests between a broadcast network and a cable system. The Telecommunications Act further authorizes the FCC to consider revising its rules to permit common ownership of co-located broadcast stations and cable systems.

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 (but not including the Notes offered hereby) 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, as well as general partners, uninsulated limited partners and stockholders who own five percent 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 10% of the voting power of the outstanding common stock before attribution occurs. Under current FCC regulations, debt instruments, non-voting stock, certain limited partnership interests (provided the licensee certifies that the limited partners are not "materially involved" in the management and operation of the subject media property) and voting stock held by minority stockholders in cases in which there is a single majority stockholder generally are not subject to attribution. The FCC's cross-interest policy, which precludes an individual or entity from having a "meaningful" (even though not "attributable") interest in one media property and an "attributable" interest in a broadcast, cable or newspaper property in the same area, may be invoked in certain circumstances to reach interests not expressly covered by the multiple ownership rules.

In January 1995, the FCC released a NPRM designed to permit a "thorough review of [its] broadcast media attribution rules." Among the issues on which comment was sought are (i) whether to change the voting stock attribution benchmarks from five percent to 10% and, for passive investors, from 10% to 20%; (ii) whether there are any circumstances in which non-voting stock interests, which are currently considered non-attributable, should be considered attributable; (iii) whether the FCC should eliminate its single majority shareholder exception (pursuant to which voting interests in excess of five percent are not considered cognizable if a single majority shareholder owns more than 50% of the voting power); (iv) whether to relax insulation standards for business development companies and other widely-held limited partnerships; (v) how to treat limited liability companies and other new business forms for attribution purposes; (vi) whether to eliminate or codify the cross-interest policy; and (vii) whether to adopt a new policy which would consider whether multiple "cross interests" or other significant business relationships (such as time brokerage agreements, debt relationships or holdings of nonattributable interests), which individually do not raise concerns, raise issues with respect to diversity and competition. It is unlikely that this inquiry will be concluded until late 1996 at the earliest and there can be no assurance that any of these standards will be changed. Should the attribution rules be changed, the Company is unable to predict what, if any, effect it would have on the Company or its activities. To the best of the Company's knowledge, no officer, director or five percent stockholder of the Company currently holds an 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 but are prohibited from serving as officers or directors of such 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 (i) that has a non-citizen as an officer, (ii) more than one-fourth of whose directors are non-citizens or (iii) 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 (i) 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; (ii) an officer who is a non-citizen; or (iii) more than one-fourth of its board of directors consisting of non-citizens.

RECENT DEVELOPMENTS. The FCC recently decided to eliminate the prime time access rule ("PTAR"), effective August 30, 1996. PTAR limited a station's ability to broadcast network programming (including syndicated programming previously broadcast over a network) during prime time hours. The elimination of PTAR could increase the amount of network programming broadcast over a station affiliated with ABC, NBC, CBS or Fox. Such elimination also could result in (i) an increase in the compensation paid by the network (due to the additional prime time during which network programming could be aired by a network-affiliated station) and (ii) increased competition for syndicated network programming that previously was unavailable for broadcast by network affiliates during prime time. The FCC also recently announced that it was rescinding its remaining financial interest and syndication ("fin\syn") rules. The original rules, first adopted in 1970, severely restricted the ability of a network to obtain financial interests in, or participate in syndication of, prime-time entertainment programming created by independent producers for airing during the networks' evening schedules. The FCC previously lifted the financial interest rules and restraints on foreign syndication.

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, the license renewal process (particularly the weight to be given to the expectancy of renewal for an incumbent broadcast licensee and the criteria to be applied in deciding contested renewal applications), spectrum use fees, political advertising rates, potential advertising restrictions on the advertising of certain products (beer and wine, for example), the rules and policies to be applied in enforcing the FCC's equal employment opportunity regulations, reinstitution of the Fairness Doctrine (which requires broadcasters airing programming concerning controversial issues of public importance to afford a reasonable opportunity for the expression of contrasting viewpoints), and the standards to govern evaluation of television programming directed toward children and violent and indecent programming (including the possible requirement of what is commonly referred to as the "v-chip," which would permit parents to program television sets so that certain programming would not be accessible by children). 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 recent initiation of direct broadcast satellite service, and the continued establishment of wireless cable systems and low power television stations.

The FCC presently is seeking comment on its policies designed to increase minority ownership of mass media facilities. Congress also recently enacted legislation that eliminated the minority tax certificate program of the FCC, which gave favorable tax treatment to entities selling broadcast stations to entities controlled by an ethnic minority. In addition, a recent Supreme Court decision has cast doubt upon the continued validity of many of the congressional programs designed to increase minority ownership of mass media facilities.

DISTRIBUTION OF VIDEO SERVICES BY TELEPHONE COMPANIES. Recent actions by the FCC, Congress and the courts all presage significant future involvement in the provision of video services by telephone companies. The Company cannot predict either the timing or the extent of such involvement.

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 began implementing the requirements of the 1992 Cable Act in 1993 and final implementation proceedings remain pending regarding certain of the rules and regulations previously adopted. Certain statutory provisions, such as signal carriage, retransmission consent and equal employment opportunity requirements, have a direct effect on television broadcasting. Other provisions are focused exclusively on the regulation of cable television but 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 "super stations" delivered via satellite.

Under rules adopted to implement these "must carry" and retransmission consent provisions, local television stations were required to make an initial election of "must carry" or retransmission consent by June 17, 1993. Stations that failed to elect were deemed to have elected carriage under the "must carry" provisions. Other issues addressed in the FCC rules were market designations, the scope of retransmission consent and procedural requirements for implementing the signal carriage provisions. Each of the Company's stations elected "must carry" status on certain cable systems in its DMA. This election entitles the Company's stations to carriage on those systems until at least

December 31, 1996. In certain other situations, the Company's stations entered into "retransmission consent" agreements with cable systems. The Company is unable to predict whether or not these retransmission consent agreements will be extended and, if so, on what terms.

On April 8, 1993, a special three-judge panel of the U.S. District Court for the District of Columbia upheld the constitutionality of the "must carry" provisions of the 1992 Cable Act. However, on June 27, 1994, the United States Supreme Court in a 5-4 decision vacated the lower court's judgment and remanded the case to the District Court for further proceedings. Although the Supreme Court found the "must carry" rules to be content-neutral and supported by legitimate governmental interests under appropriate constitutional tests, it also found that genuine issues of material fact still remained that must be resolved in a more detailed evidentiary record. On December 12, 1995, the United States District Court for the District of Columbia upheld the "must carry" requirements compelling cable systems to carry broadcast signals. The cable industry plans to appeal this decision. In the meantime, however, the FCC's new "must carry" regulations implementing the 1992 Cable Act remain in effect.

The 1992 Cable Act also codified the FCC's basic equal employment opportunity ("EEO") rules and the use of certain EEO reporting forms currently filed by television broadcast stations. In addition, pursuant to the 1992 Cable Act's requirements, the FCC has adopted new rules providing for a review of the EEO performance of each television station at the mid-point of its license term (in addition to renewal time). Such a review will give the FCC an opportunity to evaluate whether the licensee is in compliance with the FCC's processing criteria and notify the licensee of any deficiency in its employment profile. Among the other rulemaking proceedings conducted by the FCC to implement provisions of the 1992 Cable Act have been those concerning cable rate regulation, cable technical standards, cable multiple ownership limits and competitive access to programming.

Among other provisions, the Telecommunications Act redefines the term "cable system" as "a facility that serves subscribers without using any public right of way." It eliminates a single subscriber's ability to initiate a rate complaint proceeding at the FCC and allows a cable operator to move any service off the basic tier in its discretion, other than local broadcast signals and access channels required to be carried on the basic tier.

ADVANCED TELEVISION SERVICE. The FCC has proposed the adoption of rules for implementing advanced television ("ATV") service in the United States. Implementation of digital ATV will improve the technical quality of television signals receivable by viewers and will provide broadcasters the flexibility to offer new services, including high-definition television ("HDTV"), simultaneous broadcasting of multiple programs of standard definition television ("SDTV") and data broadcasting.

The FCC must adopt ATV service rules and a table of ATV allotments before broadcasters can provide these services enabled by the new technology. On July 28, 1995, the FCC announced the issuance of a NPRM to invite comment on a broad range of issues related to the implementation of ATV, particularly the transition to digital broadcasting. The FCC announced that the anticipated role of digital broadcasting will cause it to revisit certain decisions made in an earlier order. The FCC also announced that broadcasters will be allowed greater flexibility in responding to market demand by transmitting a mix of HDTV, SDTV and perhaps other services. The FCC also stated that the NPRM would be followed by two additional proceedings and that a Final Report and Order which will launch the ATV system is anticipated in 1996.

The Telecommunications Act directs the FCC, if it issues licenses for ATV, to limit the initial eligibility for such licenses to incumbent broadcast licensees. It also authorizes the FCC to adopt regulations that would permit broadcasters to use such spectrum for ancillary or supplementary services. It is expected that the FCC will assign all existing television licensees a second channel on which to provide ATV simultaneously with their current NTSC service. It is possible after a period of years that broadcasters would be required to cease NTSC operations, return the NTSC channel to the FCC, and broadcast only with the newer digital technology. Some members of Congress have advocated authorizing the FCC to auction either NTSC or ATV channels; however, the Telecommunications Act allows the FCC to determine when such licenses will be returned and how to allocate returned spectrum.

Under certain circumstances, conversion to ATV operations would reduce a station's geographical coverage area but the majority of stations will obtain service areas that match or exceed the limits of existing operations. Due to additional equipment costs, implementation of ATV will impose some near-term financial burdens on television stations providing the service. At the same time, there is a potential for increased revenues to be derived from ATV.

Although the Company believes the FCC will authorize ATV in the United States, the Company cannot predict precisely when or under what conditions such authorization might be given, when NTSC operations must cease, or the overall effect the transition to ATV might have on the Company's business.

DIRECT BROADCASTING SATELLITE SYSTEMS. The FCC has authorized DBS, a service which provides video programming via satellite directly to home subscribers. Local broadcast stations and broadcast network programming are not carried on DBS systems. Proposals recently advanced in the Telecommunications Act include a prohibition on restrictions that inhibit a viewer's ability to receive video programming through DBS services. The FCC has exclusive jurisdiction over the regulation of DBS service. The Company cannot predict the impact of this new service upon the Company's business.

PAGING

FEDERAL REGULATION. The Company's paging operations (which are part of the Phipps Business) are subject to regulation by the FCC under the Communications Act. The FCC has granted the Company licenses to use the radio frequencies necessary to conduct its paging operations. Licenses issued by the FCC to the Company set forth the technical parameters, such as signal strength and tower height, under which the Company is authorized to use those frequencies.

LICENSE GRANT AND RENEWAL. The FCC licenses granted to the Company are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. The Company currently has 23 FCC licenses for its paging business. Five of such licenses will expire in 1997, 12 will expire in 1999, four will expire in 2000, one will expire in 2001 and one is currently awaiting renewal. In the past, paging license renewal applications generally have been granted by the FCC in most cases upon a demonstration of compliance with FCC regulations and adequate service to the public. 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 operation of licensed facilities or to revoke or modify licenses. None of the Company's licenses has ever been revoked or modified involuntarily.

The FCC has enacted regulations regarding auctions for the award of radio spectrum licenses. Pursuant to such rules, the FCC at any time may require auctions for new or existing services prior to the award of any license. Accordingly, there can be no assurance that the Company will be able to procure additional frequencies, or to expand existing paging networks operating on frequencies for which the Company is currently licensed into new geographical areas. In March 1994, the FCC adopted rules pursuant to which the FCC will utilize competitive bidding to select Commercial Mobile Radio Service ("CMRS") licensees when more than one entity has filed a timely application for the same license. These competitive bidding rules could require that FCC licensees make significant investments in order to obtain spectrum. While the FCC has not yet applied these rules to paging licenses, it could do so at any time. The Company also believes that this rule change may increase the number of competitors which have significant financial resources and may provide an added incentive to build out their systems quickly.

RECENT DEVELOPMENTS. On February 8, 1996, the FCC announced a temporary cessation in the acceptance of applications for new paging stations, and placed certain restrictions on the extent to which current licensees can expand into new territories on an existing channel. The FCC has initiated an expedited comment period in which it will consider whether these interim processing procedures should be relaxed. The FCC is also considering whether CMRS operators should be obligated to interconnect their systems with others and be prohibited from placing restrictions on the resale of their services.

The FCC recently adopted rules generally revising the classification of the services offered by paging companies. Traditionally, paging companies have been classified either as Private Common Carriers or Private Carrier Paging Operators or as resellers. Pursuant to the FCC's recently adopted rules, which aim to reduce the disparities in the regulatory treatment of similar mobile services, the Company's paging services are or will be classified as CMRS. The Company believes that such parity will remove certain regulatory advantages which private carrier paging competitors have enjoyed under the previous classification scheme.

The recently enacted Telecommunications Act may affect the Company's paging business. Some aspects of the new statute could have beneficial effect on the Company's paging business. For example, proposed federal guidelines regarding antenna siting issues may remove local and state barriers to the construction of communications facilities, and efforts to increase competition in the local exchange and interexchange industries may reduce the cost to the Company of acquiring necessary communications services and facilities. On the other hand, some provisions relating to common carrier interconnection, telephone number portability, equal access, the assignment of new area codes, resale requirements and auction authority may place additional burdens upon the Company or subject the Company to increased competition.

In addition to regulation by the FCC, paging systems are subject to certain Federal Aviation Administration regulations with respect to the height, location, construction, marking and lighting of towers and antennas.

STATE REGULATION. As a result of the enactment by Congress of the Omnibus Budget Reconciliation Act of 1993, the authority of the states to regulate the Company's paging operations was severely curtailed as of August 1994. At this time the Company is not aware of any proposed state legislation or regulations which would have a material adverse impact on the Company's paging business. There can be no assurance, however, that such legislation or regulations will not be passed in the future.

EMPLOYEES

As of June 30, 1996, the Company (excluding KTVE) had 648 full-time employees, of which 376 were employees of the Company's stations, 260 were employees of the Company's publications and 12 were corporate and administrative personnel. As of June 30, 1996, the Phipps Business had 201 employees. None of the Company's employees are represented by unions. The Company believes that its relations with its employees are satisfactory.

PROPERTIES

The Company's principal executive offices are located at 126 North Washington Street, Albany, Georgia 31701, which is owned by The Albany Herald Publishing Company, Inc. (the "Albany Herald"). The Albany Herald also owns the adjacent building on the corner of Pine Avenue in Albany. The building located at 126 North Washington Street contains administration, news and advertising offices and the adjacent buildings located on Pine Avenue contain the printing press and production facilities, as well as paper storage and maintenance. These buildings contain approximately 83,000 square feet. In addition, the parking lot for the employees and customers of THE ALBANY HERALD is located immediately across Pine Avenue from the administration offices.

The types of properties required to support television stations include offices, studios, transmitter sites and antenna sites. The types of properties required to support newspaper publishing include offices, facilities for the printing press and production and storage. 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 following table sets forth certain information regarding the Company's properties.

TELEVISION BROADCASTING

STATION/APPROXIMATE PROPERTY LOCATION	USE	OWNED OR LEASED	APPROXIMATE SIZE	EXPIRATION OF LEASE
WKYT				
Lexington, KY	Office, studio and transmission tower site	Owned	34,500 sq. ft. building on 20 acres	-
WYMT				
Hazard, KY	Office and studio	Owned	21,200 sq. ft. building	-
Hazard, KY	Transmission tower site	Leased	-	June 2015
Hazard, KY	Transmitter building and improvements	Owned	1,248 sq. ft.	-
WRDW				
North Augusta, SC	Office and studio	Owned	17,000 sq. ft.	-
	Transmission tower site	Owned	143 acres	-
WALB				
Albany, GA	Office and studio	Owned	13,700 sq. ft.	-
Albany, GA	Transmission tower site	Owned	21 acres	-
WJHG				
Panama City, FL	Office and studio	Owned	14,000 sq. ft.	-
Youngstown, FL	Transmission tower site	Owned	17 acres	-
WKXT				
Knoxville, TN	Office and studio	Owned	18,300 sq. ft.	--
Knoxville, TN	Transmission tower site	Leased	Tower space	Dec. 1998
WCTV				
Tallahassee, FL	Office and studio	Leased	22,000 sq. ft.	Dec. 2014
Metcalf, GA	Transmission tower site	Owned	182 acres	--

PUBLISHING

COMPANY/PROPERTY LOCATION	USE	OWNED OR LEASED	APPROXIMATE SIZE	EXPIRATION OF LEASE
The Albany Herald Publishing Company, Inc.	See above	See above	See above	See above
The Rockdale Citizen Publishing Company				
Conyers, GA	Offices, printing press and production facility for THE ROCKDALE CITIZEN	Owned	20,000 sq. ft.	-
Lawrenceville, GA	Offices and production facilities of the GWINNETT DAILY POST	Leased	11,000 sq. ft.	Nov. 1997
The Southwest Georgia Shoppers Inc.				
Tallahassee, FL	Offices	Owned	5,500 sq. ft.	--

PAGING

PROPERTY LOCATION	USE	OWNED OR LEASED	APPROXIMATE SIZE	EXPIRATION OF LEASE
Albany GA	Office	Leased	800 sq. ft.	March 1997
Columbus, GA	Office	Leased	1,000 sq. ft.	July 1997
Dothan, AL	Office	Leased	800 sq. ft.	Feb. 1997
Macon, GA	Office	Leased	1,260 sq. ft.	July 1998
Tallahassee, GA	Office	Leased	2,400 sq. ft.	Month to month
Thomasville, GA	Office	Leased	300 sq. ft.	Month to month
Valdosta, GA	Office	Leased	400 sq. ft.	May 1997
Panama City, FL	Office	Leased	1,050 sq. ft.	Jan. 1998

LEGAL PROCEEDINGS

The Company is not 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.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is certain information concerning each of the directors and executive officers of the Company and its subsidiaries.

NAME	AGE	TITLE
J. Mack Robinson*+	73	President, Chief Executive Officer and Director
Robert S. Prather, Jr.*+	51	Executive Vice President-Acquisitions and Director
William A. Fielder III	37	Vice President and Chief Financial Officer
Sabra H. Cowart	30	Controller, Chief Accounting Officer and Assistant Secretary
Robert A. Beizer	56	Vice President for Law and Development and Secretary
Thomas J. Stultz	45	Vice President
Joseph A. Carriere	62	Vice President-Corporate Sales
William E. Mayher III*	57	Chairman of the Board of Directors
Richard L. Boger*+	49	Director
Hilton H. Howell, Jr.**	34	Director
Howell W. Newton**	49	Director
Hugh Norton	64	Director

* Member of the Executive Committee
** Member of the Audit Committee
\+ Member of the Management Personnel Committee

MR. ROBINSON was appointed President and Chief Executive Officer on September 10, 1996 to succeed the late Ralph W. Gabbard. Mr. Robinson has been chairman of the board of Bull Run since March 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 1974 until 1995 and chairman of the board of Atlantic American Corporation since 1974. He is also a director of the following corporations: Bull Run, Atlantic American Life Insurance Company, Bankers Fidelity Life Insurance Company, Delta Life Insurance Company, Delta Fire and Casualty Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company and American Safety Insurance Company and director EMERITUS of Wachovia Corporation. He has been a director of the Company since 1993.

MR. PRATHER was appointed Executive Vice President-Acquisitions on September 11, 1996. Mr Prather has been the President and chief executive officer of Bull Run since July 1992 and a director of Bull Run since 1992. Prior to that time, he was President and chief executive officer of Phoenix Corporation, a steel service center. Mr. Prather has been a director of the Company since 1993.

MR. FIELDER has been a Vice President and the Chief Financial Officer of the Company since August 1993. From April 1991 until his appointment as Chief Financial Officer, he was Controller of the Company. Prior to being appointed controller of the Company in April 1991, he was employed by Ernst & Young LLP, an accounting firm, which are the independent auditors of the Company.

MS. COWART has been Controller and Chief Accounting Officer of the Company since April 1995. In February 1996 Ms. Cowart was appointed Assistant Secretary of the Company. From March 1994 until her appointment as Controller and Chief Accounting Officer, Ms. Cowart was the corporate accounting manager for the Company. Prior to joining the Company, she was employed by Deloitte & Touche LLP, an accounting firm, from 1989 to 1994.

MR. BEIZER has been Vice President for Law and Development and Secretary of the Company since February 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 at the law firm of Sidley & Austin and was head of its communications practice group in Washington, D.C. He has represented newspaper and broadcasting companies, including the Company, before the Federal Communications Commission for over 25 years. He is a past president of the Federal Communications Bar Association and a member of the ABA House of Delegates.

MR. STULTZ has been a Vice President of the Company and the President of the Company's publishing division since February 1996. From 1990 to 1995, he was employed by Multimedia, Inc. as a vice president and from 1988 to 1990, as vice president of marketing.

MR. CARRIERE has been Vice President of Corporate Sales since February 1996. From November 1994 until his appointment as Vice President, he served as President and General Manager of KTVE Inc., a subsidiary of the Company. Prior to joining the Company in 1994, Mr. Carriere was employed by Withers Broadcasting Company of Colorado as General Manager from 1991 to 1994. He has served as a past chairman of the CBS Advisory Board and the National Association of Broadcasters.

DR. MAYHER has been a surgeon since prior to 1991 and has been a director of the Company since 1990. He has served as Chairman of the Board of Directors since August 1993.

MR. BOGER has been the President and chief executive officer of Export Insurance Services, Inc., an insurance company, and a director of CornerCap Group of Funds, a "Series" investment company since prior to 1991. He has been a director of the Company since 1991.

MR. HOWELL has been President and Chief Executive Officer of Atlantic American Corporation, an insurance holding company, since May 1995. He has been Executive Vice President of Delta Life Insurance Company and Delta Fire and Casualty Insurance Company since 1994, and Executive Vice President of Atlantic American Life Insurance Company, Bankers Fidelity Life Insurance Company and Georgia Casualty & Surety Company since 1992. In addition, since 1994, he has served as a Vice President and Secretary of Bull Run, a designer and manufacturer of dot matrix printers. He is also a director of the following corporations: Bull Run, Atlantic American Corporation, Atlantic American Life Insurance Company, Bankers Fidelity Life Insurance Company, Delta Life Insurance Company, Delta Fire and Casualty Insurance Company, Georgia Casualty & Surety Company, American Southern Insurance Company and American Safety Insurance Company. From 1989 to 1991, Mr. Howell practiced law in Houston, Texas with the law firm of Liddell, Sapp, Zivley, Hill & LaBoon. He has been a director of the Company since 1993. He is the son-in-law of J. Mack Robinson.

MR. NEWTON has been the President and Treasurer of Trio Manufacturing Co., a textile manufacturing company, since prior to 1991 and a director of the Company since 1991.

MR. NORTON has been the President of Norco, Inc., an insurance agency, since prior to 1991 and a director of the Company since 1987.

Each director holds office until the Company's next annual meeting of the shareholders and until his successor is elected and qualified. Officers are elected annually by the Board of Directors and hold office at the discretion of the Board.

EXECUTIVE COMPENSATION

GENERAL. The following table sets forth a summary of the compensation of the Company's former President, its former chief executive officer and the other executive officers whose total annual compensation exceeded $100,000 during the year ended December 31, 1995 ("named executives"). John T. Williams resigned as President, Chief Executive Officer and director and was replaced by Ralph W. Gabbard effective December 1, 1995. Mr. Gabbard died in September 1996.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY	BONUS	LONG TERM COMPENSATION AWARDS RESTRICTED STOCK AWARDS	SECURITIES UNDERLYING OPTIONS/ SARS(#)	ALL OTHER COMPENSATION
John T. Williams,	1995	$ 285,000	$ -	$2,700,000(2)	-	$ 606,601(3)
Former President, Chief Executive	1994	271,817	49,410	-	-	3,942(4)
Officer and Director (1)	1993	258,400	103,750	-	-	1,252(13)
Ralph W. Gabbard,	1995(5)	260,949	150,000	-	15,000	12,628(6)
Former President and Director	1994	76,611	168,117	1,200,000(7)	30,509	-
	1993(8)	-	-	-	-	
William A. Fielder, III,	1995	106,050	21,000	-	3,000	9,407(9)
Vice President and Chief Financial	1994	95,127	-	-	-	6,695(10)
Officer	1993	84,600	-	-	7,500	5,991(11)
Joseph A. Carriere,	1995	115,075	65,847	-	3,750	878(13)
Vice President Corporate Sales	1994(12)	6,635	-	-	-	-
	1993(8)	-	-	-	-	-

- -----------------------------

(1) Mr. Williams resigned his position as President, Chief Executive Officer and director of the Company effective December 1, 1995.

(2) Pursuant to Mr. Williams' employment agreement, Mr. Williams received three restricted stock awards (the "Common Stock Award") from the Company aggregating 150,000 shares of Class A Common Stock in 1995. In connection with Mr. Williams' resignation from the Company, the Company removed the restrictions on the Common Stock Award in December 1995 and the shares subject to such Common Stock Award became fully vested. The Company paid dividends on such shares.

(3) Upon Mr. Williams' resignation, the Company entered into a separation agreement dated December 1, 1995 (the "Separation Agreement"), which provided, among other things, for the payment of $596,000 over a two-year period ending November 1997 as consideration for consulting services, his resignation and certain non-compete and confidentiality agreements. $3,750, $2,117 and $4,734 represent payments by the Company for matching contributions to the 401(k) plan, term life insurance premiums and long term disability premiums, respectively. The Company expensed the entire $596,000 in 1995.

(4) $2,112 and $1,830 represent payments or accruals by the Company for term life insurance premiums and matching contributions to the 401(k) plan, respectively.

(5) Mr. Gabbard was elected President and director of the Company in December 1995 and served as such until his death in September 1996. Prior to this election he served as Vice President of the Company and President and Chief Operating Officer of the Company's broadcast operations from September 2, 1994 to December 1995.

(6) $3,750, $2,736 and $6,142 represent payments by the Company for matching contributions to the 401(k) plan, term life insurance premiums and long term disability premiums, respectively.

(7) Mr. Gabbard had an employment agreement with the Company which provided him with 122,034 shares of Class A Common Stock if his employment with the Company continued until September 1999. The market value of such shares at December 31, 1995 was $2,181,358. Approximately $80,000 and $240,000 of compensation expense was recorded in 1994 and 1995, respectively. The Company paid dividends on such shares.

(8) Not employed by the Company during this year.

(9) $5,765, $2,625, $378 and $639 represent payments or accruals by the Company for supplemental retirement benefits, matching contributions to the 401(k) plan, term life insurance premiums and long term disability premiums, respectively.

(10) $5,717, $338 and $640 represent payments or accruals by the Company for supplemental retirement benefits, term life insurance premiums, and matching contributions to the 401(k) plan, respectively.

(11) $5,700 and $291 represent payments or accruals by the Company for supplemental retirement benefits and term life insurance premiums, respectively.

(12) Mr. Carriere joined the Company in November 1994 as President and General Manager of KTVE.

(13) Represents payments by the Company for term life insurance premiums.

STOCK OPTIONS GRANTED. The following table contains information on stock options granted to the Company's President and the named executives during the year ended December 31, 1995. Under the Company's 1992 Long Term Incentive Plan (the "Incentive Plan") all officers and key employees are eligible for grants of stock options and other stock-based awards. Options granted are exercisable over a three year period beginning on the second anniversary of the grant date and expire one month after termination of employment. The total number of shares of

Class A Common Stock issuable under the Incentive Plan is not to exceed 600,000 shares, subject to adjustment in the event of any change in the outstanding shares of such stock by reason of a stock dividend, stock split, recapitalization, merger, consolidation or other similar changes generally affecting stockholders of the Company.

The Incentive Plan is administered by the members of the Management Personnel Committee of the Board of Directors (the "Committee") who are not eligible for selection as participants under the Incentive Plan. The Incentive Plan is intended to provide additional incentives and motivation for the Company's employees. The Committee, by majority action thereof, is authorized in its sole discretion to determine the individuals to whom the benefits will be granted, the type and amount of such benefits and the terms thereof; and to prescribe, amend and rescind rules and regulations relating to the Incentive Plan, among other things.

OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SHARE)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(1)	
					5%($)	10%($)
Ralph W. Gabbard	15,000	25.8%	$13.33	3/30/00	$55,242	$122,071
William A. Fielder, III	3,000	5.2%	$13.33	3/30/00	$11,048	$24,414
Joseph A. Carriere	3,750	6.5%	$13.33	3/30/00	$13,811	$30,518

- ------------------------

(1) Amounts reported in these columns represent amounts that may be realized upon exercise of options immediately prior to the expiration of their term assuming the specified compounded rates of appreciation (5% and 10%) on the Class A Common Stock over the term of the options. These numbers are calculated based on rules promulgated by the Commission and do not reflect the Company's estimate of future stock price growth. Actual gains, if any, on stock option exercises and Class A Common Stock holdings are dependent on the timing of such exercise and the future performance of the Class A Common Stock. There can be no assurance that the rates of appreciation assumed in this table can be achieved or that the amounts reflected will be received by the option holder.

STOCK OPTIONS EXERCISED. The following table sets forth information about unexercised stock options held by the named executives. No stock options were exercised by such officers during 1995.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

NAME	NUMBER OF UNEXERCISED OPTIONS AT FY END(#) EXERCISABLE/UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FY END($) EXERCISABLE/ UNEXERCISABLE(1)
Ralph W. Gabbard	0/45,509	$0/$318,553
William A. Fielder, III	7,500/3,000	$61,562/$13,625
Joseph A. Carriere	0/3,750	$0/$17,031

- ------------------------

(1) Closing price of Class A Common Stock at December 31, 1995 was $17 7/8 per share.

SUPPLEMENTAL PENSION PLAN. The Company has entered into agreements with certain key employees to provide these employees with supplemental retirement benefits. The benefits are disbursed after retirement in contractually predetermined payments of equal monthly amounts over the employee's life, or the life of a surviving eligible spouse for a maximum of 15 years. The Company maintains life insurance coverage on these individuals in adequate amounts to fund the agreements.

RETIREMENT PLAN. The Company sponsors a defined benefit pension plan, intended to be tax qualified, for certain of its employees and the employees of any of its subsidiaries which have been designated as participating companies under the plan. A participating employee who retires on or after attaining age 65 and who has completed five years of service upon retirement may be eligible to receive during his lifetime, in the form of monthly payments, an annual pension equal to (i) 22% of the employee's average earnings for the highest five consecutive years during the employee's final 10 years of employment multiplied by a factor, the numerator of which is the employee's years of service credited under the plan before 1994, the denominator of which is the greater of 25 or the years of service credited under the plan, plus (ii) .9% of the employee's monthly average earnings for the highest five consecutive years in the employee's final ten years of employment added to .6% of monthly average earnings in excess of Social Security covered compensation, and multiplied by the employee's years of service credited under the plan after 1993, with a maximum of 25 years minus years of service credited under (i) above. For participants as of December 31, 1993, there is a minimum benefit equal to the projected benefit under (i) at that time. For purposes of illustration, pensions estimated to be payable upon retirement of participating employees in specified salary classifications are shown in the following table:

PENSION PLAN TABLE

	YEARS OF SERVICE					
REMUNERATION(1)	10	15	20	25	30	35
$ 15,000	$1,326	$1,986	$2,646	$3,306	$3,300	$3,300
25,000	2,210	3,310	4,410	5,510	5,500	5,500
50,000	4,709	6,909	9,109	11,309	11,000	11,000
75,000	7,219	10,519	13,819	17,119	16,500	16,500
100,000	9,729	14,129	18,529	22,929	22,000	22,000
150,000	14,749	21,349	27,949	34,549	33,000	33,000
200,000	18,269	27,069	35,869	44,669	41,067	41,486
250,000 and above	19,622	29,268	38,914	48,560	45,014	45,473

- ------------------------

(1) Five-year average annual compensation

Employees may become participants in the plan, provided that they have attained age 21 and have completed one year of service. Average earnings are based upon the salary paid to a participating employee by a participating company. Pension compensation for a particular year as used for the calculation of retirement benefits includes salaries, overtime pay, commissions and incentive payments received during the year and the employee's contribution to the Capital Accumulation Plan (as defined). Pension compensation for 1995 differs from compensation reported in the Summary Compensation Table in that pension compensation includes any annual incentive awards received in 1995 for services in 1994 rather than the incentive awards paid in 1996 for services in 1995. The maximum annual compensation considered for pension benefits under the plan in 1995 was $150,000.

As of December 31, 1995, full years of actual credited service in this plan are Mr. Williams-3 years; Mr. Fielder-4 years; and Mr. Carriere-1 year. Mr. Gabbard had no full years of credited service under the plan at December 31, 1995.

CAPITAL ACCUMULATION PLAN. Effective October 1, 1994, the Company adopted the Gray Communications Systems, Inc. Capital Accumulation Plan (the "Capital Accumulation Plan") for the purpose of providing additional retirement benefits for substantially all employees. The Capital Accumulation Plan is intended to meet the requirements of section 401(k) of the Code.

Contributions to the Capital Accumulation Plan are made by the employees of the Company. The Company matches a percentage of each employee's contribution which does not exceed 6% of the employee's gross pay. The percentage match is made with a contribution of Class A Common Stock and is declared by the Board of Directors before the beginning of each Capital Accumulation Plan year. The percentage match declared for the year ended December 31, 1995 was 50%. The Company's matching contributions vest based upon the employees' number of years of service, over a period not to exceed five years. The Company has registered 150,000 shares of Class A Common Stock for issuance to the Capital Accumulation Plan.

DIRECTORS' COMPENSATION

Directors who are not employed by the Company receive an annual fee of $6,000. Non-employee directors are paid $500 for attendance at meetings of the Board of Directors and $500 for attendance at meetings of Committees of the Board. Committee chairmen, not employed by the Company, receive an additional fee of $800 for each meeting they attend. Any outside director who serves as Chairman of the Board receives an annual retainer of $12,000. Outside directors are paid 40% of the usual fee arrangement for attending any special meeting of the Board of Directors or any Committee thereof conducted by telephone. In addition, the Company has a Non-Qualified Stock Option Plan for non-employee directors that currently provides for the annual grant of options to purchase up to 7,500 shares of Class A Common Stock at a price per share approximating the recent market price at the time of grant. Such options are exercisable until the end of the first month following the close of the Company's fiscal year. The Company, subject to approval by the Company's shareholders, intends to amend such Non-Qualified Stock Option Plan to provide for the issuance of Class B Common Stock in lieu of Class A Common Stock.

EMPLOYMENT AGREEMENTS

In 1995, pursuant to Mr. Williams' employment agreement, Mr. Williams received the Common Stock Award. In December 1995, Mr. Williams resigned his position as President, Chief Executive Officer and director of the Company. Upon his resignation, the Company entered into the Separation Agreement with Mr. Williams which provides for the payment of $596,000 over a two-year period ending November 1, 1997 as consideration for Mr. Williams' agreement to (i) resign from the Company and terminate his employment agreement, (ii) be available as a consultant to the Company from December 1, 1995 until November 30, 1997 and (iii) not compete with the Company's business and to keep all information regarding the Company confidential while he is a consultant. In addition, under the Separation Agreement, Mr. Williams is to receive health and life insurance coverage with premiums paid by the Company while he is available as a consultant. Finally, the Separation Agreement provides that the restrictions on the Common Stock Award were removed and such Common Stock Award became fully vested.

Ralph W. Gabbard and the Company entered into an employment agreement, dated September 3, 1994, for a five year term. The agreement provided for annual compensation of $250,000 during the term of the agreement (subject to yearly inflation adjustment) and entitled Mr. Gabbard to certain fringe benefits. In addition to his annual compensation, Mr. Gabbard was entitled to participate in an annual incentive compensation plan and the Incentive Plan. Under the annual incentive compensation plan, Mr. Gabbard was eligible to receive additional compensation if the operating profits of the broadcasting group of the Company reached or exceeded certain goals. Under the Incentive Plan, Mr. Gabbard received non-qualified stock options to purchase 30,509 shares of Class A Common Stock. The exercise price for such options is $9.66.

In February 1996, the Board of Directors approved an amendment to Mr. Gabbard's employment agreement to increase Mr. Gabbard's base salary from $250,000 to $300,000, effective January 1, 1996 and to establish a new annual compensation plan (the "Annual Compensation Plan") to be based upon the achievement by the Company of a certain operating profit, the amount of which was to be established by the Board of Directors. Under the Annual Compensation Plan, if the Company achieved the targeted amount of operating profit in any given year, Mr. Gabbard would receive $200,000 as additional compensation. The Annual Compensation Plan further provided that if the Company exceeded the targeted amount of operating profit in any given year, Mr. Gabbard would be entitled to receive additional compensation in excess of $200,000, as determined by the Board of Directors.

William A. Fielder, III, Vice President and Chief Financial Officer of the Company, has an employment agreement with the Company dated April 1991, which was amended March 1993, to provide for the continuation of his annual salary (currently $135,000) for a period of one year in the event of termination without cause.

Robert A. Beizer and the Company entered into an employment agreement dated as of February 12, 1996, for a two-year term which automatically renews for three successive one-year periods, subject to certain termination provisions. The agreement provides that Mr. Beizer shall be employed as Vice President for Law and Development of the Company, with an initial annual base salary of $200,000 and a grant of options to purchase 15,000 shares of Class A Common Stock with an exercise price of $19.375 per share under the Incentive Plan at the inception of his employment. Mr. Beizer's base salary shall be increased yearly, based upon a cost of living index and he will receive non-qualified options to purchase 7,000 shares of Class A Common Stock annually during the term of the agreement at an exercise price per share equal to the fair market value of the Class A Common Stock on the date of the grant. All options granted are exercisable over a three year period beginning upon the second anniversary of the grant date. If there is a "change of control" of the Company, Mr. Beizer will be paid a lump sum amount equal to his then current base salary for the remaining term of the agreement and will be granted any remaining stock options to which he would have been entitled. For purposes of the agreement, "change of control" is defined as any change in the control of the Company that would be required to be reported in response to Item 6(e) of Schedule 14A promulgated under the Exchange Act. Mr. Beizer has agreed that during the term of his agreement and for two years thereafter, he will be subject to certain non-competition provisions.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Richard L. Boger, Robert S. Prather, Jr. and J. Mack Robinson are the members of the Management Personnel Committee of the Board of Directors.

Gray Kentucky Television, Inc., a subsidiary of the Company ("Gray Kentucky") is a party to a rights sharing agreement with Host Communications, Inc. ("Host") and certain other parties not affiliated with the Company, pursuant to which the parties agreed to exploit Host's rights to broadcast and market certain University of Kentucky football and basketball games and related activities. Pursuant to such agreement, Gray Kentucky is licensed to broadcast certain University of Kentucky football and basketball games and related activities. Under this agreement, Gray Kentucky also provides Host with production and certain marketing services and Host provides accounting and various marketing services. During the year ended December 31, 1995, the Company received approximately $332,000 from this joint venture.

Bull Run currently owns 51.5% of the outstanding common stock of Capital Sports Properties, Inc. ("CSP"). CSP's assets consist of all of the outstanding preferred stock of Host and warrants to purchase Host common stock. Bull Run also owns approximately 9.4% of Host's currently outstanding common shares directly, thereby giving Bull Run total direct and indirect ownership of Host of approximately 29.7%. Robert S. Prather, Jr., Executive Vice President-Acquisitions and a director of the Company, is also a member of the boards of directors of both CSP and Host.

The Company's Board of Directors approved payments to Bull Run of finders fees for the acquisition of the GWINNETT DAILY POST, the Augusta Acquisition and the Phipps Acquisition. The Company agreed to pay finders fees of $75,000 and $360,000 for the acquisition of the GWINNETT DAILY POST and Augusta Acquisitions, respectively. The Board of Directors has agreed to pay a finders fee of 1% of the proposed purchase price of the Phipps Acquisition for services performed, of which $550,000 and $950,000 was due and included in accounts payable at December 31, 1995 and June 30, 1996, respectively.

On January 3, 1996, Bull Run purchased for $10 million from the Company (i) the 8% Note in the principal amount of $10 million due in January 2005, with interest payable quarterly beginning March 31, 1996 and (ii) warrants to purchase 487,500 shares of Class A Common Stock at $17.88 per share, (subject to customary antidilution provisions) 300,000 of which are currently fully vested, with the remaining warrants vesting in five equal annual installments commencing January 3, 1997, provided that the 8% Note is outstanding. On January 3, 1996, the closing price of the Class A Common Stock on the NYSE was $17.75. The warrants (which represent 9.8% of the currently issued and outstanding shares of Class A Common Stock, after giving effect to the exercise of such warrants) expire in January 2006 and may not be exercised unless shareholder approval of the issuance of the warrants is obtained, which is expected to occur at the Company's 1996 annual meeting of shareholders. The Company obtained an opinion from The Robinson-Humphrey Company, Inc., one of the underwriters of this Offering and the Concurrent Offering, stating that the terms and conditions of the 8% Note were fair from a financial point of view, to the shareholders of the Company. The proceeds from the sale of the 8% Note and the warrants were used to fund, in part, the Augusta Acquisition.

In connection with the issuance by the Company of the $10 million letter of credit in the Phipps Acquisition, J. Mack Robinson, a director of the Company (and subsequently appointed the President and Chief Executive Officer of the Company) executed a put agreement in favor of the letter of credit issuer, for which he received no consideration from the Company. Pursuant to such agreement, in the event that such letter of credit is drawn upon by the sellers of the Phipps Business and the Company defaults on the repayment of such amounts so drawn under the letter of credit, Mr. Robinson has agreed to pay such amounts to the issuer of the letter of credit.

ISSUANCES OF PREFERRED STOCK

As part of the Financing, the 8% Note will be retired and the Company will issue to Bull Run, in exchange therefor, 1,000 shares of Series A Preferred Stock. Subject to certain limitations, holders of the Series A Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors, out of funds of the Company legally available for payment, cumulative cash dividends at an annual rate of $800 per share. The Series A Preferred Stock has priority as to dividends over the Common Stock and any other series or class of the Company's stock which ranks junior as to dividends to the Series A Preferred Stock. In case of the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of the Series A Preferred Stock will be entitled to receive a liquidation price of $10,000 per share, plus an amount equal to any accrued and unpaid dividends to the payment date, before any payment or distribution is made to the holders of Common Stock or any other series or class of the Company's stock which ranks junior as to liquidation rights to the Series A Preferred Stock. The Series A Preferred Stock may be redeemed at the option of the Company, in whole or in part at any time, at $10,000 per share, plus an amount equal to any accrued and unpaid dividends to the redemption date and such redemption price may be paid, at the Company's option, in cash or in shares of Class A Common Stock. The holders of shares of Series A Preferred Stock will not be entitled to vote on any matter except (i) with respect to the authorization or issuance of capital stock ranking senior to, or on a parity with, the Series A Preferred Stock and with respect to certain amendments to the Company's Articles of Incorporation, (ii) if the Company shall have failed to declare and pay dividends on the Series A Preferred Stock for any six quarterly payment periods, in which event the holders of the Series A Preferred Stock shall be entitled to elect two directors to the Company's Board of Directors until the full dividends accumulated have been declared and paid and (iii) as required by law. The warrants issued with the 8% Note will vest in accordance with the schedule described above, provided that the Series A Preferred Stock remains outstanding.

In addition, as part of the Financing, the Company will issue to Bull Run, J. Mack Robinson and certain of his affiliates for $10 million, 1,000 shares of Series B Preferred Stock. Subject to certain limitations, holders of the Series B Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors, out of funds of the Company legally available for payment, cumulative dividends at an annual rate of $600 per share, except that the Company at its option may pay such dividends in cash or in additional shares of Series B Preferred Stock valued, for the purpose of determining the number of shares (or fraction thereof) of such Series B Preferred Stock to be issued, at $10,000 per share. The Series B Preferred Stock has priority as to dividends over the Common Stock and any other series or class of the Company's stock which ranks junior as to dividends to the Series B Preferred Stock. In case of the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of the Series B Preferred Stock will be entitled to receive a liquidation price of $10,000 per share, plus an amount equal to any accrued and unpaid dividends to the payment date, before any payment or distribution is made to the holders of Common Stock or any other series or class of the Company's stock which ranks junior as to liquidation rights to the Series B Preferred Stock. The Series B Preferred Stock may be redeemed at the option of the Company, in whole or in part at any time, at $10,000 per share, plus an amount equal to any accrued and unpaid dividends to the redemption date and such redemption price may be paid, at the Company's option, in cash or in shares of Class A Common Stock. The holders of shares of Series B Preferred Stock will not be entitled to vote on any matter except (i) with respect to the authorization or issuance of capital stock ranking senior to, or on a parity with, the Series B Preferred Stock and with respect to certain amendments to the Company's Articles of Incorporation, (ii) if the Company shall have failed to declare and pay dividends on the Series B Preferred Stock for any six quarterly payment periods, in which event the holders of the Series B Preferred Stock shall be entitled to elect two directors to the Company's Board of Directors until the full dividends accumulated have been declared and paid and (iii) as required by law. The shares of the Series A Preferred Stock and Series B Preferred Stock will rank pari passu as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up of the Company.

In connection with the issuance of the Series B Preferred Stock as part of the Financing, (i) the Company will issue to the purchasers of the Series B Preferred Stock warrants entitling the holders thereof to purchase an aggregate of 500,000 shares of Class A Common Stock at an exercise price of $24.00 per share (subject to customary antidilution provisions), representing 10.1% of the currently issued and outstanding shares of Class A Common Stock, after giving effect to the exercise of such warrants. Of these warrants, an aggregate of 300,000 will vest upon issuance, with the remaining warrants vesting in five equal installments commencing on the first anniversary of the date of issuance. The warrants may not be exercised prior to the second anniversary of the date of issuance and will expire on the tenth anniversary of the date of issuance. The Company has obtained a written opinion from The Robinson-Humphrey Company, Inc., one of the underwriters of this Offering and the Concurrent Offering, stating that the terms and conditions of the Series B Preferred Stock and the warrants are fair to the shareholders of the Company from a financial point of view.

SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to stockholders who are known by the Company to be the beneficial owners of more than 5% of the outstanding Class A Common Stock and the number of shares of Class A Common Stock beneficially owned by directors and named executive officers of the Company, individually, and all directors and executive officers of the Company as a group as of July 31, 1996. Except as indicated below, none of such shareholders own, or have the right to acquire any shares of Class B Common Stock.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED	PERCENT OF CLASS
Bull Run Corporation (1)	1,211,590	27.1%
George H. Nader (2)	240,899	5.4%
Ralph W. Gabbard	31,427	*
William A. Fielder III (3)	8,629	*
Sabra H. Cowart	216	*
Robert A. Beizer	--	*
Thomas J. Stultz	1,500	*
Joseph A. Carriere	642	*
William E. Mayher III (3)	16,500	*
Richard L. Boger (3)	24,150	*
Hilton H. Howell, Jr. (3)(4)(5)(6)	1,280,740	28.6%
Howell W. Newton (3)	9,250	*
Hugh Norton (3)	16,500	*
Robert S. Prather, Jr. (3)(4)(7)	1,242,340	27.8%
J. Mack Robinson (3)(4)(6)(8)	2,003,530	44.8%
John T. Williams (9)	78,752	1.8%
All directors and executive officers as a group (14 persons)	2,290,996(4)-(8), (10)	50.6%

* Less than 1%.

(1) Owned by Bull Run through its wholly-owned subsidiary, Datasouth Computer Corporation. The address of Bull Run is 4370 Peachtree Road, Atlanta, Georgia 30319. Does not include warrants to be issued as part of the Financing. See "Management -- Compensation Committee Interlocks and Insider Participation."

(2) Mr. Nader's address is P.O. Box 271, 1011 Fifth Avenue, West Point, Georgia 31833.

(3) Includes 7,500 shares subject to currently exercisable options.

(4) Includes 1,211,590 shares owned by Bull Run as described in footnote (1) above, because Messrs. Howell, Prather and Robinson are directors and officers of Bull Run and Messrs. Prather and Robinson are principal shareholders of Bull Run and as such, may be deemed to have the right to vote or dispose of such shares. However, each of Messrs. Howell, Prather and Robinson disclaims beneficial ownership of the shares owned by Bull Run.

(5) Includes 39,050 shares owned by Mr. Howell's wife, as to which shares Mr. Howell disclaims beneficial ownership. Excludes 63,000 shares held in trust for Mr. Howell's wife.

(6) Excludes as to Mr. Howell, and includes as to Mr. Robinson, an aggregate of 297,540 shares owned by certain companies of which Mr. Howell is an officer and director and Mr. Robinson is an officer, director and a principal or sole stockholder.

(7) Includes 150 shares owned by Mr. Prather's wife, as to which shares Mr. Prather disclaims beneficial ownership.

(8) Includes an aggregate of 256,650 shares owned by Mr. Robinson's wife directly and as trustee for their daughters, as to which shares Mr. Robinson disclaims beneficial ownership. Mr. Robinson's address is 4370 Peachtree Road, Atlanta, Georgia 30319.

(9) Mr. Williams resigned his position as President and Chief Executive Officer of the Company effective December 1, 1995.

(10) Includes 60,000 shares subject to currently exercisable options.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

J. Mack Robinson, President, Chief Executive Officer and a director of the Company, is Chairman of the Board of Bull Run and the beneficial owner of approximately 28% of the outstanding shares of common stock, par value $.01 per share ("Bull Run Common Stock"), of Bull Run (including certain shares as to which such beneficial ownership is disclaimed by Mr. Robinson). Robert S. Prather, Jr., Executive Vice President-Acquisitions and a director of the Company, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of approximately 12% of the outstanding shares of Bull Run Common Stock (including certain shares as to which such beneficial ownership is disclaimed by Mr. Prather). Mr. Prather is also a member of the Board of Directors of CSP and Host. Hilton H. Howell, Jr. a director of the Company, is Vice President, Secretary and a director of Bull Run. See "Management -- Compensation Committee Interlocks and Insider Participation" for a description of certain business relationships between the Company and Messrs. Prather and Robinson, Host, CSP and Bull Run.

DESCRIPTION OF CERTAIN INDEBTEDNESS

THE SENIOR CREDIT FACILITY

The Company has executed a commitment letter with respect to the Senior Credit Facility. However, there can be no assurance that the Company will enter into the Senior Credit Facility on the terms described herein or at all.

As of June 30, 1996, approximately $49.5 million of indebtedness (excluding accrued interest) was outstanding under the Old Credit Facility. As part of the Financing, the Company will retire all of the outstanding indebtedness under the Old Credit Facility and will enter into the Senior Credit Facility.

The Senior Credit Facility will provide for borrowings of up to an aggregate of $125.0 million in the form of a seven-year reducing revolving credit facility in the amount of $53.5 million ("Facility A") and a seven-year reducing revolving credit/term facility in the amount of $71.5 million ("Facility B"). The Senior Credit Facility will also provide for the issuance of standby letters of credit in an aggregate amount of up to $15.0 million to the extent that there is borrowing availability under the Senior Credit Facility.

Funds available under the Senior Credit Facility will be available upon consummation of the Phipps Acquisition to retire indebtedness under the Old Credit Facility and under the Senior Note, to finance certain acquisitions, to fund the optional redemption of the Notes and for capital expenditures and working capital needs. In addition, the Senior Credit Facility may be used to fund, in part, the Phipps Acquisition.

Commitments under Facility A will be reduced in quarterly amounts commencing on March 31, 1997 with a final maturity of June 30, 2003. Facility B will convert to a term loan at December 31, 1998, the outstanding balance of which must thereafter be repaid on a quarterly basis with a final maturity of June 30, 2003.

Interest under the Senior Credit Facility will be payable, at the Company's option, at LIBOR or the prime rate, in each case, plus a floating percentage tied to the Company's ratio of total debt to operating cash flow, ranging from LIBOR plus 3.25% or the prime rate plus 1.0%, based upon a 6.75 to 1 ratio, to LIBOR plus 1.50% or the prime rate, based upon a 4 to 1 ratio. Pursuant to the Senior Credit Facility, the Company will be required to enter into interest rate swap agreements for the purpose of interest rate protection covering an amount of borrowings thereunder of no less than 50% of the outstanding principal amount of all indebtedness.

The Senior Credit Facility will be secured by the pledge of all of the stock of the subsidiaries of the Company and a first lien on all of the assets of the Company and its subsidiaries. Each of the subsidiaries of the Company will guarantee the Company's obligations under the Senior Credit Facility.

The Senior Credit Facility will contain restrictions on the Company's ability to pay dividends and make certain acquisitions. The Senior Credit Facility will also contain provisions requiring the Company to maintain certain financial ratios, including a total debt to operating cash flow ratio, a senior debt to operating cash flow ratio, an operating cash flow to total interest expense ratio, an operating cash flow to pro forma debt service ratio and a fixed charge coverage ratio.

The Senior Credit Facility will require the Company to apply at the end of each fiscal year, commencing on December 31, 1997, 50% (if the Company's total debt to operating cash flow ratio at the end of such year is 4.5 to 1 or greater) of its "Excess Cash Flow" to reduce outstanding debt, on a pro rata basis, under Facilities A and B. In addition, the Company will be required to apply from the proceeds of any permitted equity issuance an amount sufficient to reduce the Company's leverage to specified levels. The Senior Credit Facility will require the Company to use the proceeds from certain asset sales to repay indebtedness under the Senior Credit Facility. The Senior Credit Facility will also contain a number of customary covenants including, among others, limitations on investments and advances, mergers and sales of assets, liens on assets, affiliate transactions and changes in business.

DESCRIPTION OF THE NOTES

GENERAL

The Notes will be issued under an Indenture (the "Indenture"), to be dated as of September 25, 1996, by and among the Company, the Subsidiary Guarantors and Bankers Trust Company, as trustee (the "Trustee"). The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), as in effect on the date of the Indenture. The Notes are subject to all such terms, and holders of Notes are referred to the Indenture and the Trust Indenture Act for a statement of those terms.

The following is a summary of the material provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to the detailed provisions of, and is qualified in its entirety by reference to, the Notes and the Indenture. A copy of the proposed form of Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The definitions of terms used in the following summary, if not defined in such summary, are set forth below under "-Certain Definitions."

MATURITY AND INTEREST

The Notes will be general unsecured obligations of the Company limited in aggregate principal amount to $160.0 million and will mature on October 1, 2006. Interest on the Notes will accrue at the rate of 10 5/8% per annum and will be payable semi-annually in arrears on April 1 and October 1 in each year, commencing on April 1, 1997, to holders of record on the immediately preceding March 15 and September 15, respectively. Interest on the Notes will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from the date of the original issuance of the Notes (the "Issue Date"). Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, premium, if any, and interest on the Notes will be payable at the office or agency of the Company maintained for such purpose within the City of New York or, at the option of the Company, payment of interest may be made by check mailed to the holders of the Notes at their respective addresses as set forth in the register of holders of Notes. Until otherwise designated by the Company, the Company's office or agency in the City of New York will be the office of the Trustee maintained for such purpose. The Notes will be issued in fully registered form, without coupons, and in denominations of $1,000 and integral multiples thereof.

SUBORDINATION

The payment of principal of, premium, if any, and interest on the Notes will be subordinated in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment in full in cash or any other form acceptable to the holders of Senior Debt, of all Senior Debt of the Company, whether outstanding on the Issue Date or incurred thereafter. As of June 30, 1996, after giving pro forma effect to this Offering, the Concurrent Offering, the KTVE Sale, the Financing, and the application of the net proceeds therefrom, and to the Phipps Acquisition, the Company would have had approximately $23.6 million of Senior Debt outstanding. The Indenture will, subject to certain financial tests, permit the Company and its Subsidiaries to incur additional Indebtedness, including Senior Debt. See "Description of Certain Indebtedness--The Senior Credit Facility" and "-Covenants-Limitation on Incurrence of Indebtedness."

Upon any payment or distribution of cash, securities or other property of the Company to creditors upon any liquidation, dissolution or winding up of the Company, or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property or securities, the holders of any Senior Debt of the Company will be entitled to receive payment in full, in cash or any other form acceptable to the holders of Senior Debt, of all Obligations due in respect of such Senior Debt before the holders of the Notes will be entitled to receive any payment or distribution with respect to the Notes (excluding certain equity or subordinated debt securities).

The Company also may not make any payment or distribution of any assets or securities of the Company or any Subsidiary Guarantor of any kind or character (including, without limitation, cash, property and any payment or distribution which may be payable or deliverable by reason of the payment of any other debt of the Company or the Subsidiary Guarantors being subordinated to the payment of the Notes) upon or in respect of the Notes (excluding certain equity or subordinated debt securities) if the Trustee has received written notice (a "Payment Blockage

Notice") from the representative of any holders of Designated Senior Debt that (x) a default (whether or not any requirement for the giving of notice, the lapse of time or both, or any other condition to such default becoming an event of default, has occurred) in the payment of principal of (or premium if any) or interest on or any other amount payable in connection with any Designated Senior Debt has occurred and is continuing (a "Payment Default") or (y) any other default has occurred and is continuing with respect to any Designated Senior Debt (whether or not any requirement for the giving of notice, the lapse of time or both, or any other condition to such default becoming an event of default, has occurred) (a "Non-Payment Default"). Payments on the Notes shall resume (and all past due amounts on the Notes, with interest thereon as specified in the Indenture, shall be paid) (i) in the case of a Payment Default, on the date on which such Payment Default is cured or waived, and (ii) in the case of a Non-Payment Default, on the earliest of (a) the date on which such Non-Payment Default is cured or waived or shall have ceased to exist or the Designated Senior Debt related thereto shall have been discharged or paid in full in cash or any other manner acceptable to the holders of such Designated Senior Debt, (b) 179 days after the date on which the Payment Blockage Notice with respect to such default was received by the Trustee, unless the maturity of the Designated Senior Debt under the Senior Credit Facility has been accelerated and (c) the date such Payment Blockage Notice is terminated by written notice to the Trustee from a representative of the holders of the Designated Senior Debt that gave such Payment Blockage Notice. During any consecutive 365-day period, the aggregate number of days in which payments due on the Notes may not be made as a result of Non-Payment Defaults on Designated Senior Debt (a "Payment Blockage Period") shall not exceed 179 days, only one Payment Blockage Period may be commenced and there shall be a period of at least 186 consecutive days when such payments are not prohibited. No event or circumstance that creates a default under any Designated Senior Debt that (i) gives rise to the commencement of a Payment Blockage Period or (ii) exists at the commencement of or during any Payment Blockage Period shall be made the basis for the commencement of any subsequent Payment Blockage Period, whether or not within a period of 365 consecutive days, unless such default has been cured or waived for a period of not less than 90 consecutive days following the commencement of the initial Payment Blockage Period.

If the Company fails to make any payment on the Notes when due or within any applicable grace period, whether or not on account of the payment blockage provisions referred to above, such failure will constitute an Event of Default under the Indenture and will enable the holders of the Notes to accelerate the maturity thereof. See "-Events of Default."

As a result of the subordination provisions described above, in the event of liquidation or insolvency of the Company, holders of Notes may recover less ratably than unsubordinated creditors of the Company. In such circumstances, funds which would otherwise be payable to the holders of the Notes will be paid to the holders of the Senior Debt to the extent necessary to pay the Senior Debt in full in cash or any other manner acceptable to the holders of such Senior Debt, and the Company may be unable to meet its obligations fully with respect to the Notes.

The subordination provisions described above will cease to be applicable to the Notes upon any defeasance or covenant defeasance of the Notes. See "-Defeasance."

SUBSIDIARY GUARANTEES

The Company's payment obligations under the Notes will be guaranteed, jointly and severally and fully and unconditionally, on a senior subordinated basis (the "Subsidiary Guarantees") by the Subsidiary Guarantors. The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee will be unconditional and absolute, irrespective of any invalidity, illegality, unenforceability of any Note or the Indenture or any extension, compromise, waiver or release in respect of any obligation of the Company or any other Subsidiary Guarantor under any Note or the Indenture, or any modification or amendment of or supplement to the Indenture.

The obligations of any Subsidiary Guarantor under its Subsidiary Guarantee will be subordinated, to the same extent as the obligations of the Company in respect of the Notes, to the prior payment in full of all Guarantor Senior Debt of such Subsidiary Guarantor (which will include any guarantee issued by such Subsidiary Guarantor of any Senior Debt, including Indebtedness represented by guarantees under the Senior Credit Facility) in cash or any other manner acceptable to the holders of such Guarantor Senior Debt. See "-Subordination."

Upon the sale or disposition (whether by merger, stock purchase, asset sale or otherwise) of a Subsidiary Guarantor (or substantially all of its assets) to an entity which is not a Subsidiary of the Company, which sale or other disposition is otherwise in compliance with the Indenture, such Subsidiary Guarantor shall be deemed released from all its obligations under its Subsidiary Guarantee; PROVIDED that any such termination shall occur only to the extent that all obligations of such Subsidiary Guarantor under all of its guarantees of, and under all of its pledges of assets or other security interests which secure, other Indebtedness of the Company shall also terminate upon such release, sale or transfer.

In addition, each Subsidiary Guarantor may consolidate with or merge into or sell its assets to the Company or another Subsidiary Guarantor without limitation. The Indenture will further provide that a Subsidiary Guarantor may consolidate with or merge into or sell its assets to a corporation other than the Company or another Subsidiary Guarantor (whether or not affiliated with such Subsidiary Guarantor, but subject to the provisions described in the immediately preceding paragraph), provided that (a) if the surviving person is not the Subsidiary Guarantor, the surviving person agrees to assume such Subsidiary Guarantor's obligations under its Subsidiary Guarantee and all its obligations under the Indenture and (b) such transaction does not (i) violate any covenants set forth in the Indenture or (ii) result in a Default or Event of Default under the Indenture immediately thereafter that is continuing.

REDEMPTION

SPECIAL REDEMPTION. If the Phipps Acquisition is not consummated or the Minimum Equity Condition is not satisfied prior to December 23, 1996, the Company will be obligated to redeem the Notes (the "Special Redemption") on the Special Redemption Date at a redemption price (the "Special Redemption Price") equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the Special Redemption Date. At any time prior to December 23, 1996, if the Phipps Acquisition has not been consummated or the Minimum Equity Condition is not satisfied, the Company may, at its option, redeem the Notes, in whole but not in part, at a redemption price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption.

Pursuant to the Indenture, on the Issue Date the Company will deposit with the Trustee the net proceeds from the sale of the Notes plus an additional amount of cash in an amount sufficient to consummate the Special Redemption on the Special Redemption Date at the Special Redemption Price. All amounts so deposited with the Trustee (collectively, the "Trust Funds") will be pledged to and held by the Trustee pursuant to the Indenture as security for the Notes. The Indenture will provide that if, prior to the Special Redemption Date, the Company delivers to the Trustee the documentation required under the Indenture, then the Trustee will release the Trust Funds to the Company for application to the concurrent consummation of the Phipps Acquisition. Upon release of the Trust Funds, all of the Notes remaining outstanding immediately thereafter will be unsecured obligations of the Company.

Pending release of the Trust Funds as provided in the Indenture, the Trust Funds will be invested in cash or cash equivalents and any investment income therefrom will be available to the Company following release of the Trust Funds. If redemption of the Notes occurs on or prior to the Special Redemption Date, the Notes will be redeemed with the Trust Funds and any portion of the Trust Funds not required to be used for such redemption will be returned to the Company.

OPTIONAL REDEMPTION. Except as set forth under "-Special Redemption" and as described below, the Notes are not redeemable at the Company's option prior to October 1, 2001. On and after such date, the Notes will be subject to redemption at the option of the Company, in whole or in part, at the redemption prices (expressed as percentages of the principal amount of the Notes) set forth below, plus accrued and unpaid interest to the date fixed for redemption, if redeemed during the twelve-month period beginning on October 1 of the years indicated below.

YEAR	PERCENTAGE
2001	105.3125%
2002	103.5410%
2003	101.7710%
2004 and thereafter	100.0000%

Notwithstanding the foregoing, at any time prior to October 1, 1999, the Company, at its option, may redeem up to 35% of the aggregate principal amount of the Notes originally issued, with the net proceeds of one or more Public Equity Offerings, other than the Concurrent Offering (including the exercise by the underwriters of the Concurrent Offering of any over-allotment option granted by the Company to such underwriters in connection therewith), at a redemption price equal to 110.625% of the principal amount thereof, together with accrued and unpaid interest to the date fixed for redemption; PROVIDED, HOWEVER, that at least $104.0 million in aggregate principal amount of the Notes remains outstanding immediately after any such redemption.

SELECTION AND NOTICE. If less than all of the Notes are to be redeemed at any time, selection of the Notes to be redeemed will be made by the Trustee, on behalf of the Company, in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed on a securities exchange by the Trustee, on behalf of the Company, on a pro rata basis, by lot or by any other method as the Trustee shall deem fair and appropriate; PROVIDED that a redemption pursuant to the provisions relating to Public Equity Offerings will be on a pro rata basis. Notes redeemed in part shall only be redeemed in integral multiples of $1,000. Notices of any redemption (other than a redemption pursuant to the provisions described under "-Special Redemption") shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at such holder's registered address. Notices of any redemption pursuant to the provisions described under "-Special Redemption" shall be mailed by first class mail at least five business days before the redemption date to each holder of Notes to be redeemed at such holder's registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed, and the Trustee shall authenticate and mail to the holder of the original Note a new Note in principal amount equal to the unredeemed portion of the original Note promptly after the original Note has been cancelled. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption.

CHANGE OF CONTROL

In the event of a Change of Control (as defined herein), the Company will make an offer to purchase all of the then outstanding Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest to the date of purchase, in accordance with the terms set forth below (a "Change of Control Offer").

Within 30 days following the occurrence of any Change of Control, the Company shall mail to each holder of Notes at such holder's registered address a notice stating: (i) that a Change of Control has occurred and that such holder has the right to require the Company to purchase all or a portion (equal to $1,000 or an integral multiple thereof) of such holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest to the date of purchase (the "Change of Control Purchase Date"), which shall be a business day, specified in such notice, that is not earlier than 30 days or later than 60 days from the date such notice is mailed, (ii) the amount of accrued and unpaid interest as of the Change of Control Purchase Date, (iii) that any Note not tendered will continue to accrue interest, (iv) that, unless the Company defaults in the payment of the purchase price for the Notes payable pursuant to the Change of Control Offer, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date, (v) the procedures, consistent with the Indenture, to be followed by a holder of Notes in order to accept a Change of Control Offer or to withdraw such acceptance, and (vi) such other information as may be required by the Indenture and applicable laws and regulations.

On the Change of Control Purchase Date, the Company will (i) accept for payment all Notes or portions thereof tendered pursuant to the Change of Control Offer, (ii) deposit with the paying agent the aggregate purchase price of all Notes or portions thereof accepted for payment and any accrued and unpaid interest on such Notes as of the Change of Control Purchase Date, and (iii) deliver or cause to be delivered to the Trustee all Notes tendered pursuant to the Change of Control Offer. The paying agent shall promptly mail to each holder of Notes or portions thereof accepted for payment an amount equal to the purchase price for such Notes plus any accrued and unpaid interest thereon, and the Trustee shall promptly authenticate and mail to such holder of Notes accepted for payment in part a new Note equal in principal amount to any unpurchased portion of the Notes, and any Note not accepted for payment in whole or in part for any reason consistent with the Indenture shall be promptly returned to the holder of such Note. On and after a Change of Control Purchase Date, interest will cease to accrue on the Notes or portions thereof accepted for payment, unless the Company defaults in the payment of the purchase price therefor. The Company will announce the results of the Change of Control Offer to holders of the Notes on or as soon as practicable after the Change of Control Purchase Date.

The Company will comply with the applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act, and all other applicable securities laws and regulations in connection with any Change of Control Offer.

None of the provisions relating to a repurchase upon a Change of Control may be waived by the Board of Directors of the Company.

The Change of Control provision will not require the Company to make a Change of Control Offer upon the consummation of any transaction contemplated by clause (b) of the definition of Change of Control if the party that will own, directly or indirectly, more than 35% of the Voting Stock of the Company as a result of such transaction is J. Mack Robinson, Robert S. Prather, Jr. or certain other persons or entities affiliated with or controlled by either of them. See " -Certain Definitions - Permitted Holders." J. Mack Robinson and Robert S. Prather are directors of the Company. As a result of the definition of Permitted Holders, a concentration of control in the hands of Permitted Holders would not give rise to a situation where holders could have their Notes repurchased pursuant to a Change of Control Offer. As of July 31, 1996, Mr. Robinson was the beneficial owner of approximately 44.8% of the outstanding Class A Common Stock. See "Security Ownership of Certain Beneficial Owners and Management." In addition, the Change of Control provision and the other convenants that limit the ability of the Company to incur debt may not necessarily afford holders protection in the event of a highly leveraged transaction, such as a reorganization, merger or similar transaction involving the Company that may adversely affect holders, because such transactions may not involve a concentration in voting power or beneficial ownership, or, if there were such a concentration, may not involve a concentration of the magnitude required under the definition of Change of Control.

COVENANTS

LIMITATION ON INCURRENCE OF INDEBTEDNESS. The Indenture will provide that the Company will not, and will not permit any of its Subsidiaries to, create, incur, assume or directly or indirectly guarantee or in any other manner become directly or indirectly liable for ("incur") any Indebtedness (including Acquired Debt) if, at the time of and immediately after giving pro forma effect to such incurrence, the Debt to Operating Cash Flow Ratio of the Company and its Subsidiaries is more than (x) 7.0 to 1.0 if the Indebtedness is incurred prior to October 1, 1998 or (y) 6.5 to 1.0 if the Indebtedness is incurred on or after October 1, 1998.

The foregoing limitations will not apply to the incurrence of any of the following (collectively, "Permitted Indebtedness"):

(i) Indebtedness of the Company incurred under the Senior Credit Facility in an aggregate principal amount at any time outstanding not to exceed $60.0 million less (A) the aggregate amount of all principal payments made in respect of any term loans thereunder and (B) the aggregate amount of any other principal payments thereunder constituting permanent reductions of such Indebtedness pursuant to and in accordance with the covenant described under "-Limitation on Asset Sales;"

(ii) Indebtedness of any Subsidiary Guarantor consisting of a guarantee of Indebtedness of the Company under the Senior Credit Facility;

(iii) Indebtedness of the Company represented by the Notes and Indebtedness of any Subsidiary Guarantor represented by a Subsidiary Guarantee;

(iv) Indebtedness owed by any Subsidiary Guarantor to the Company or to another Subsidiary Guarantor, or owed by the Company to any Subsidiary Guarantor; PROVIDED that any such Indebtedness shall be held by a Person which is either the Company or a Subsidiary Guarantor and PROVIDED, FURTHER, that an incurrence of additional Indebtedness which is not permitted under this clause (iv) shall be deemed to have occurred upon either (a) the transfer or other disposition of any such Indebtedness to a Person other than the Company or another Subsidiary Guarantor or (b) the sale, lease, transfer or other disposition of shares of Capital Stock (including by consolidation or merger) of any such Subsidiary Guarantor to a Person other than the Company or another Subsidiary Guarantor such that such Subsidiary Guarantor ceases to be a Subsidiary Guarantor;

(v) Indebtedness of any Subsidiary Guarantor consisting of guarantees of any Indebtedness of the Company which Indebtedness of the Company has been incurred in accordance with the provisions of the Indenture;

(vi) Indebtedness arising with respect to Interest Rate Agreement Obligations incurred for the purpose of fixing or hedging interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of the Indenture to be outstanding; PROVIDED, HOWEVER, that the notional principal amount of such Interest Rate Agreement Obligation does not exceed the principal amount of the Indebtedness to which such Interest Rate Agreement Obligation relates;

(vii) any Indebtedness of the Company or a Subsidiary of the Company incurred in connection with or given in exchange for the renewal, extension, substitution, refunding, defeasance, refinancing or replacement of any Indebtedness of the Company or such Subsidiary permitted to be incurred or outstanding under the Indenture other than Indebtedness described in clauses (i), (ii), (iv), (v) and (vi) above or clause (viii) below ("Refinancing Indebtedness"); PROVIDED that (a) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of the Indebtedness so renewed, extended, substituted, refunded, defeased, refinanced or replaced (plus the premiums or other payments paid in connection therewith (which shall not exceed the stated amount of any premium or other payments required to be paid in connection with such a refinancing pursuant to the terms of the Indebtedness being renewed, extended, substituted, refunded, defeased, refinanced or replaced) and the expenses incurred in connection therewith); (b) with respect to Refinancing Indebtedness of any Indebtedness other than Senior Debt, the Refinancing Indebtedness shall have a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, extended, substituted, refunded, defeased, refinanced or replaced; and (c) with respect to Refinancing Indebtedness of Indebtedness other than Senior Debt incurred by (1) the Company, such Refinancing Indebtedness shall rank no more senior, and shall be at least as subordinated, in right of payment to the Notes as the Indebtedness being renewed, extended, substituted, refunded, defeased, refinanced or replaced, and (2) a Subsidiary Guarantor, such Refinancing Indebtedness shall rank no more senior, and shall be at least as subordinated, in right of payment to the Subsidiary Guarantee as the Indebtedness being renewed, extended, substituted, refunded, defeased, refinanced or replaced; and

(viii) Indebtedness of the Company and its Subsidiaries in addition to that described in clauses (i) through (vii) above, and any renewals, extensions, substitutions, refundings, refinancings or replacements of such Indebtedness, so long as the aggregate principal amount of all such Indebtedness incurred pursuant to this clause (viii) does not exceed $15.0 million at any one time outstanding.

LIMITATION ON RESTRICTED PAYMENTS. The Indenture will provide that the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment, unless at the time of and immediately after giving effect to the proposed Restricted Payment (with the value of any such Restricted Payment, if other than cash, to be determined by the Board of Directors of the Company in good faith and which determination shall be conclusive and evidenced by a board resolution), (i) no Default or Event of Default (and no event that, after notice or lapse of time, or both, would become an "event of default" under the terms of any other Indebtedness of the Company or its Subsidiaries) shall have occurred and be continuing or would occur as a consequence thereof, (ii) the Company could incur at least $1.00 of additional Indebtedness pursuant to the first paragraph under "-Covenants-Limitation on Incurrence of Indebtedness" and (iii) the aggregate amount of all Restricted Payments made after the Issue Date shall not exceed the sum of (a) an amount equal to the Company's Cumulative Operating Cash Flow less 1.4 times the Company's Cumulative Consolidated Interest Expense, PLUS (b) the aggregate amount of all net cash proceeds received after the Issue Date by the Company (but excluding the net cash proceeds received by the Company from the Concurrent Offering and the sale of the Series B Preferred Stock) from the issuance and sale (other than to a Subsidiary of the Company) of Capital Stock of the Company (other than Disqualified Stock) to the extent that such proceeds are not used to redeem, repurchase, retire or otherwise acquire Capital Stock or any Indebtedness of the Company or any Subsidiary of the Company pursuant to clause (ii) of the next paragraph, PLUS (c) in the case of the disposition or repayment of any Investment for cash, which Investment constituted a Restricted Payment made after the Issue Date, an amount equal to the lesser of the return of capital with respect to such Investment and the cost of such Investment, in either case, reduced (but not below zero) by the excess, if any, of the cost of the disposition of such Investment over the gain, if any, realized by the Company or such Subsidiary in respect of such disposition.

The foregoing provisions will not prohibit, so long as there is no Default or Event of Default continuing, the following actions (collectively, "Permitted Payments"):

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at such declaration date such payment would have been permitted under the Indenture, and such payment shall be deemed to have been paid on such date of declaration for purposes of clause (iii) of the preceding paragraph;

(ii) the redemption, repurchase, retirement, defeasance or other acquisition of any Capital Stock or any Indebtedness of the Company in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Subsidiary of the Company) of Capital Stock of the Company (other than any Disqualified Stock);

(iii) the repurchase, redemption or other repayment of any Subordinated Debt of the Company or a Subsidiary Guarantor in exchange for, by conversion into or solely out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of Subordinated Debt of the Company or such Subsidiary Guarantor with a Weighted Average Life to Maturity equal to or greater than the then remaining Weighted Average Life to Maturity of the Subordinated Debt repurchased, redeemed or repaid;

(iv) the payment of ordinary dividends by the Company in respect of its Capital Stock in the ordinary course of business on a basis consistent with past practice in an aggregate amount not exceeding $1.0 million; and

(v) Restricted Investments received as consideration in connection with an Asset Sale made in compliance with the Indenture.

In computing the amount of Restricted Payments for purposes of clause (iii) of the second preceding paragraph, Restricted Payments made under clauses (iv) and (v) of the preceding paragraph shall be included and Restricted Payments made under clauses (i), (ii) and (iii) of the preceding paragraph shall not be included.

LIMITATION ON ASSET SALES. The Indenture will provide that the Company will not, and will not permit any of its Subsidiaries to, make any Asset Sale unless (i) the Company or such Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (determined by the Board of Directors of the Company in good faith, which determination shall be evidenced by a board resolution) of the assets or other property sold or disposed of in the Asset Sale, and (ii) at least 75% of such consideration is in the form of cash or Cash Equivalents; PROVIDED that for purposes of this covenant "cash" shall include the amount of any liabilities (other than liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) of the Company or such Subsidiary (as shown on the Company's or such Subsidiary's most recent balance sheet or in the notes thereto) that are assumed by the transferee of any such assets or other property in such Asset Sale (and excluding any liabilities that are incurred in connection with or in anticipation of such Asset Sale), but only to the extent that such assumption is effected on a basis under which there is no further recourse to the Company or any of its Subsidiaries with respect to such liabilities.

Notwithstanding clause (ii) above, (a) all or a portion of the consideration for any such Asset Sale may consist of all or substantially all of the assets or a majority of the Voting Stock of an existing television business, franchise or station (whether existing as a separate entity, subsidiary, division, unit or otherwise) or any business directly related thereto, and (b) Asset Sales involving assets which are not television or publishing businesses, franchises or stations and having an aggregate value (as measured by the value of the consideration being paid for such assets) not in excess of $35.0 million may be made without regard to clause (ii) above; provided, that, in the case of either (a) or (b) of this sentence after giving effect to any such Asset Sale and related acquisition of assets or Voting Stock, (x) no Default or Event of Default shall have occurred or be continuing; and (y) the Net Proceeds of any such Asset Sale, if any, are applied in accordance with this covenant.

Within 360 days after any Asset Sale, the Company may elect to apply or cause to be applied the Net Proceeds from such Asset Sale to (a) permanently reduce any Senior Debt of the Company or any Guarantor Senior Debt, and/or (b) make an investment in, or acquire assets directly related to, the business of the Company and its Subsidiaries existing on the Issue Date. Pending the final application of any such Net Proceeds, the Company may temporarily reduce Senior Debt of the Company or any Guarantor Senior Debt or temporarily invest such Net Proceeds in any manner permitted by the Indenture. Any Net Proceeds from an Asset Sale not applied or invested as provided in the first sentence of this paragraph within 360 days of such Asset Sale will be deemed to constitute "Excess Proceeds" on the 361st day after such Asset Sale.

As soon as practical, but in no event later than 10 business days after any date (an "Asset Sale Offer Trigger Date") that the aggregate amount of Excess Proceeds exceeds $5.0 million, the Company shall commence an offer to purchase the maximum principal amount of Notes that may be purchased out of all such Excess Proceeds (an "Asset Sale Offer") at a price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. To the extent that any Excess Proceeds remain after completion of an Asset Sale Offer, the Company may use the remaining amount for general corporate purposes and such amount shall no longer constitute "Excess Proceeds."

Within 30 days following any Asset Sale Offer Trigger Date, the Company shall mail to each holder of Notes at such holder's registered address a notice stating: (i) that an Asset Sale Offer Trigger Date has occurred and that the Company is offering to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds, at an offer price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (the "Asset Sale Offer Purchase Date"), which shall be a business day, specified in such notice, that is not earlier than 30 days or later than 60 days from the date such notice is mailed, (ii) the amount of accrued and unpaid interest as of the Asset Sale Offer Purchase Date, (iii) that any Note not tendered will continue to accrue interest, (iv) that, unless the Company defaults in the payment of the purchase price for the Notes payable pursuant to the Asset Sale Offer, any Notes accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest after the Asset Sale Offer Purchase Date, (v) the procedures, consistent with the Indenture, to be followed by a holder of Notes in order to accept an Asset Sale Offer or to withdraw such acceptance, and (vi) such other information as may be required by the Indenture and applicable laws and regulations.

On the Asset Sale Offer Purchase Date, the Company will (i) accept for payment the maximum principal amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer that can be purchased out of Excess Proceeds from such Asset Sale, (ii) deposit with the Paying Agent the aggregate purchase price of all Notes or portions thereof accepted for payment and any accrued and unpaid interest on such Notes as of the Asset Sale Offer Purchase Date, and (iii) deliver or cause to be delivered to the Trustee all Notes tendered pursuant to the Asset Sale Offer. If less than all Notes tendered pursuant to the Asset Sale Offer are accepted for payment by the Company for any reason consistent with the Indenture, selection of the Notes to be purchased by the Company shall be in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a PRO RATA basis, by lot or by such method as the Trustee shall deem fair and appropriate; PROVIDED that Notes accepted for payment in part shall only be purchased in integral multiples of $1,000. The Paying Agent shall promptly mail to each holder of Notes or portions thereof accepted for payment an amount equal to the purchase price for such Notes plus any accrued and unpaid interest thereon, and the Trustee shall promptly authenticate and mail to such holder of Notes accepted for payment in part a new Note equal in principal amount to any unpurchased portion of the Notes, and any Note not accepted for payment in whole or in part shall be promptly returned to the holder of such Note. On and after an Asset Sale Offer Purchase Date, interest will cease to accrue on the Notes or portions thereof accepted for payment, unless the Company defaults in the payment of the purchase price therefor. The Company will announce the results of the Asset Sale Offer to holders of the Notes on or as soon as practicable after the Asset Sale Offer Purchase Date.

The Company will comply with the applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act, and all other applicable securities laws and regulations in connection with any Asset Sale Offer.

LIMITATION ON LIENS. The Indenture will provide that the Company will not, and will not permit any Subsidiary Guarantor to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom to secure any Indebtedness; PROVIDED that in addition to creating Permitted Liens on its properties or assets, (i) the Company may create any Lien upon any of its properties or assets (including, but not limited to, any Capital Stock of its Subsidiaries) if the Notes are equally and ratably secured therewith, and (ii) a Subsidiary Guarantor may create any Lien upon any of its properties or assets (including, but not limited to, any Capital Stock of its Subsidiaries) if its Subsidiary Guarantee is equally and ratably secured therewith; PROVIDED, HOWEVER, that if (a) the Company creates any Lien on its assets to secure any Subordinated Indebtedness of the Company, the Company shall also create a Lien to secure the Notes and the Lien securing such Subordinated Indebtedness shall be subordinated and junior to the Lien securing the Notes with the same or lesser priorities as the Subordinated Indebtedness shall have with respect to the Notes, and (b) a Subsidiary Guarantor creates any Lien on its assets to secure any Subordinated Indebtedness of such Subsidiary Guarantor, the Subsidiary Guarantor shall also create a Lien to secure the Subsidiary Guarantee and the Lien securing such Subordinated Indebtedness shall be subordinated and junior to the Lien securing the Subsidiary Guarantee of such Subsidiary Guarantor with the same or lesser priorities as the Subordinated Indebtedness shall have with respect to the Subsidiary Guarantee of such Subsidiary Guarantor.

LIMITATION ON DIVIDENDS AND OTHER PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES. The Indenture will provide that the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary of the Company to (i) pay dividends or make any other distributions to the Company or any other Subsidiary of the Company on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any other Subsidiary of the Company, (ii) make loans or advances to the Company or any other Subsidiary of the Company, or (iii) transfer any of its properties or assets to the Company or any other Subsidiary of the Company (collectively, "Payment Restrictions"), except for such encumbrances or restrictions existing under or by reason of (a) the Senior Credit Facility as in effect on the Issue Date, and any amendments, restatements, renewals, replacements or refinancings thereof; PROVIDED that such amendments, restatements, renewals, replacements or refinancings are no more restrictive in the aggregate with respect to such dividend and other payment restrictions than those contained in the Senior Credit Facility immediately prior to any such amendment, restatement, renewal, replacement or refinancing, (b) applicable law, (c) any instrument governing Indebtedness or Capital Stock of an Acquired Person acquired by the Company or any of its Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with such acquisition); PROVIDED that such restriction is not applicable to any Person, or the properties or assets of any Person, other than the Acquired Person, (d) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (e) purchase money Indebtedness for property acquired in the ordinary course of business that only impose restrictions on the property so acquired, (f) an agreement for the sale or disposition of the Capital Stock or assets of such Subsidiary; PROVIDED that such restriction is only applicable to such Subsidiary or assets, as applicable, and such sale or disposition otherwise is permitted under the covenant described under "-- Covenants -- Limitation on Asset Sales"; and PROVIDED, FURTHER, that such restriction or encumbrance shall be effective only for a period from the execution and delivery of such agreement through a termination date not later than 270 days after such execution and delivery, and (g) Refinancing Indebtedness permitted under the Indenture; PROVIDED that the restrictions contained in the agreements governing such Refinancing Indebtedness are not more restrictive in the aggregate than those contained in the agreements governing the Indebtedness being refinanced immediately prior to such refinancing.

LIMITATION ON TRANSACTIONS WITH AFFILIATES. The Indenture will provide that the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of the Company or any beneficial owner of ten percent or more of any class of Capital Stock of the Company or any Subsidiary Guarantor unless (i) such transaction or series of transactions is on terms that are no less favorable to the Company or such Subsidiary, as the case may be, than would be available in a comparable transaction in arm's-length dealings with an unrelated third party, and (ii) (a) with respect to any transaction or series of transactions involving aggregate payments in excess of $1.0 million, the Company delivers an officers certificate to the Trustee certifying that such transaction or series of related transactions complies with clause (i) above and such transaction or series of related transactions has been approved by a majority of the members of the Board of Directors of the Company (and approved by a majority of the Independent Directors or, in the event there is only one Independent Director, by such Independent Director), and (b) with respect to any transaction or series of transactions involving aggregate payments in excess of $5.0 million, the Company delivers to the Trustee an opinion to the effect that such transaction or series of transactions is fair to the Company or such Subsidiary from a financial point of view issued by an investment banking firm of national standing. Notwithstanding the foregoing, this provision will not apply to (i) employment agreements or compensation or employee benefit arrangements with any officer, director or employee of the Company entered into in the ordinary course of business (including customary benefits thereunder), (ii) any transaction entered into by or among the Company or any Subsidiary Guarantor and one or more Subsidiary Guarantors, and (iii) transactions pursuant to agreements existing on the Issue Date.

LIMITATION ON INCURRENCE OF SENIOR SUBORDINATED INDEBTEDNESS. The Indenture will provide that (i) the Company will not, directly or indirectly, incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated or junior in right of payment to any Indebtedness of the Company and senior in any respect in right of payment to the Notes, and (ii) the Company will not, directly or indirectly, permit any Subsidiary Guarantor to incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated or junior in right of payment to any Indebtedness of such Subsidiary Guarantor and senior in any respect in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor.

LIMITATION ON ISSUANCE AND SALE OF CAPITAL STOCK OF SUBSIDIARIES. The Indenture will provide that the Company (a) will not, and will not permit any Subsidiary of the Company to, transfer, convey, sell or otherwise dispose of any shares of Capital Stock of such Subsidiary or any other Subsidiary (other than to the Company or a Subsidiary Guarantor) except that the Company and any Subsidiary may, in any single transaction, sell all, but not less than all, of the issued and outstanding Capital Stock of any subsidiary to any Person, subject to complying with the provisions of the Indenture applicable to such sale and (b) will not permit any Subsidiary of the Company to issue shares of its Capital Stock (other than directors' qualifying shares), or securities convertible into, or warrants, rights or options to subscribe for or purchase shares of, its Capital Stock to any Person other than to the Company or a Subsidiary Guarantor.

FUTURE SUBSIDIARY GUARANTORS. The Indenture will provide that the Company shall cause each Subsidiary of the Company formed or acquired after the Issue Date to issue a Subsidiary Guarantee and execute and deliver an indenture supplemental to the Indenture as a Subsidiary Guarantor.

PROVISION OF FINANCIAL STATEMENTS. The Indenture will provide that, whether or not the Company is then subject to Section 13(a) or 15(d) of the Exchange Act, the Company will file with the Commission, so long as the Notes are outstanding, the annual reports, quarterly reports and other periodic reports which the Company would have been required to file with the Commission pursuant to such Section 13(a) or 15(d) if the Company were so subject, and such documents shall be filed with the Commission on or prior to the respective dates (the "Required Filing Dates") by which the Company would have been required so to file such documents if the Company were so subject. The Company will also in any event (i) within 15 days of each Required Filing Date, (a) transmit by mail to all holders of Notes, as their names and addresses appear in the Note register, without cost to such holders and (b) file with the Trustee copies of the annual reports, quarterly reports and other periodic reports which the Company would have been required to file with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act if the Company were subject to such Sections and (ii) if filing such documents by the Company with the Commission is prohibited under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective holder at the Company's cost.

ADDITIONAL COVENANTS. The Indenture also contains covenants with respect to the following matters: (i) payment of principal, premium and interest; (ii) maintenance of an office or agency in the City of New York; (iii) maintenance of corporate existence; (iv) payment of taxes and other claims; (v) maintenance of properties; and (vi) maintenance of insurance.

MERGER, CONSOLIDATION AND SALE OF ASSETS

The Indenture will provide that the Company shall not consolidate or merge with or into (whether or not the Company is the Surviving Person), or, directly or indirectly through one or more Subsidiaries, sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person or Persons unless (i) the Surviving Person is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the Surviving Person (if other than the Company) assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) at the time of and immediately after such Disposition, no Default or Event of Default shall have occurred and be continuing; and (iv) the Surviving Person will (A) have Consolidated Net Worth (immediately after giving effect to the Disposition on a pro forma basis) equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction, and (B) at the time of such Disposition and after giving pro forma effect thereto, the Surviving Person would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described under "-- Covenants -- Limitation on Incurrence of Indebtedness."

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Company is not the Surviving Person and the Surviving Person is to assume all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture, such Surviving Person shall succeed to, and be substituted for, and may exercise every right and power of, the Company, and the Company would be discharged from its obligations under the Indenture and the Notes; PROVIDED that solely for the purpose of calculating amounts described in clause (iii) under "-- Covenants -- Limitation on Restricted Payments," any such Surviving Person shall only be deemed to have succeeded to and be substituted for the Company with respect to the period subsequent to the effective time of such transaction (and the Company (before giving effect to such transaction) shall be deemed to be the "Company" for such purposes for all prior periods).

EVENTS OF DEFAULT

The Indenture will provide that each of the following constitutes an Event of Default:

(i) a default for 30 days in the payment when due of interest on any Note (whether or not prohibited by the subordination provisions of the Indenture);

(ii) a default in the payment when due of principal on any Note (whether or not prohibited by the subordination provisions of the Indenture), whether upon maturity, acceleration, optional or mandatory redemption, required repurchase or otherwise;

(iii) failure to perform or comply with any covenant, agreement or warranty in the Indenture (other than the defaults specified in clauses (i) and (ii) above) which failure continues for 30 days after written notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the then outstanding Notes;

(iv) the occurrence of one or more defaults under any agreements, indentures or instruments under which the Company or any Subsidiary of the Company then has outstanding Indebtedness in excess of $5.0 million in the aggregate and, if not already matured at its final maturity in accordance with its terms, such Indebtedness shall have been accelerated;

(v) except as permitted by the Indenture, any Subsidiary Guarantee shall for any reason cease to be, or be asserted in writing by any Subsidiary Guarantor or the Company not to be, in full force and effect and enforceable in accordance with its terms;

(vi) one or more judgments, orders or decrees for the payment of money in excess of $5.0 million, either individually or in the aggregate shall be entered against the Company or any Subsidiary of the Company or any of their respective properties and which judgments, orders or decrees are not paid, discharged, bonded or stayed for a period of 60 days after their entry;

(vii) any holder or holders of at least $5.0 million in aggregate principal amount of Indebtedness of the Company or any Subsidiary of the Company after a default under such Indebtedness (a) shall notify the Company or the Trustee of the intended sale or disposition of any assets of the Company or any Subsidiary of the Company with an aggregate fair market value (as determined in good faith by the Company's Board of Directors, which determination shall be evidenced by a board resolution), individually or in the aggregate, of at least $5.0 million that have been pledged to or for the benefit of such holder or holders to secure such Indebtedness or (b) shall commence proceedings, or take any action (including by way of set-off), to retain in satisfaction of such Indebtedness, or to collect on, seize, dispose of or apply in satisfaction of such Indebtedness, such assets of the Company or any Subsidiary of the Company (including funds on deposit or held pursuant to lock-box and other similar arrangements);

(viii) there shall have been the entry by a court of competent jurisdiction of (a) a decree or order for relief in respect of the Company or any Subsidiary of the Company in an involuntary case or proceeding under any applicable Bankruptcy Law or (b) a decree or order adjudging the Company or any Subsidiary of the Company bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the

Company or any Subsidiary of the Company or of any substantial part of their respective properties, or ordering the winding up or liquidation of their affairs, and any such decree or order for relief shall continue to be in effect, or any such other decree or order shall be unstayed and in effect, for a period of 60 days; or

(ix) (a) the Company or any Subsidiary of the Company commences a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent, (b) the Company or any Subsidiary of the Company consents to the entry of a decree or order for relief in respect of the Company or such Subsidiary of the Company in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, (c) the Company or any Subsidiary of the Company files a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, (d) the Company or any Subsidiary of the Company (x) consents to the filing of such petition or the appointment of or taking possession by, a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or such Subsidiary of the Company or of any substantial part of their respective property, (y) makes an assignment for the benefit of creditors or (z) admits in writing its inability to pay its debts generally as they become due or (e) the Company or any Subsidiary of the Company takes any corporate action in furtherance of any such actions in this paragraph (ix).

If any Event of Default (other than as specified in clause (viii) or (ix) of the preceding paragraph with respect to the Company or any Subsidiary Guarantor) occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may, and the Trustee at the request of such holders shall, declare all the Notes to be due and payable immediately. In the case of an Event of Default arising from the events specified in clause (viii) or (ix) of the preceding paragraph with respect to the Company or any Subsidiary Guarantor, the principal of, premium, if any, and any accrued and unpaid interest on all outstanding Notes shall IPSO FACTO become immediately due and payable without further action or notice.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. The holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the holders of all the Notes waive any existing Default or Event of Default and its consequences under the Indenture except (i) a continuing Default or Event of Default in the payment of the principal of, or premium, if any, or interest on, the Notes (which may only be waived with the consent of each holder of Notes affected), or (ii) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of each holder of Notes affected. Subject to certain limitations, holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal, premium or interest) if it determines that withholding notice is in their interest.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

DEFEASANCE

The Company may, at its option and at any time, elect to have the obligations of the Company discharged with respect to the outstanding Notes and the Subsidiary Guarantees ("legal defeasance"). Such legal defeasance means that the Company and the Subsidiary Guarantors shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes and the Subsidiary Guarantees and to have satisfied all other obligations under the Notes, the Subsidiary Guarantees and the Indenture, except for (i) the rights of holders of the outstanding Notes to receive, solely from the trust fund described below, payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due, (ii) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes, and the maintenance of an office or agency for payment and money for security payments held in trust, (iii) the rights, powers, trusts, duties and immunities of the Trustee under the Indenture and (iv) the defeasance provisions of the Indenture. In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Subsidiary Guarantors released with respect to certain covenants that are described in the Indenture ("covenant defeasance") and any omission to comply with such obligations shall not constitute a Default or an Event of Default with respect to the Notes.

In order to exercise either legal defeasance or covenant defeasance, (i) the Company shall irrevocably deposit with the Trustee, as trust funds in trust for the benefit of the holders of the Notes, cash in United States dollars, U.S. Government Obligations, or a combination thereof, maturing as to principal and interest in such amounts as will be sufficient, without consideration of any reinvestment of such interest, in the opinion of a nationally recognized firm of independent public accountants or a nationally recognized investment banking firm, to pay and discharge the principal of, premium, if any, and interest on the outstanding Notes on the stated maturity of such principal or installment of principal or interest; (ii) in the case of legal defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred; (iii) in the case of covenant defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; (iv) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or insofar as clauses (viii) and (ix) under the first paragraph under "-Events of Default" are concerned, at any time during the period ending on the 91st day after the date of deposit; (v) such legal defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default under, the Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound; (vi) the Company shall have delivered to the Trustee an opinion of counsel to the effect that (A) the trust funds will not be subject to any rights of holders of Senior Debt or Guarantor Senior Debt of any Subsidiary Guarantor, including, without limitation, those arising under the Indenture, after the 91st day following the deposit and (B) after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (vii) the Company shall have delivered to the Trustee an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the holders of the Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; (viii) no event or condition shall exist that would prevent the Company from making payments of the principal of, premium, if any, and interest on the Notes on the date of such deposit or at any time ending on the 91st day after the date of such deposit; (ix) the Company shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to either the legal defeasance or the covenant defeasance, as the case may be, have been complied with; and (x) such deposit shall not violate the provisions described under "-Subordination."

SATISFACTION AND DISCHARGE

The Indenture will cease to be of further effect (except as to surviving rights of registration, transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (i) either (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid) have been delivered to the Trustee for cancellation or (b) all Notes not theretofore delivered for cancellation have become due and payable and the Company has irrevocably deposited or caused to be deposited with the Trustee an amount in United States dollars sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for the principal of, premium, if any, and interest to the date of payment; (ii) the Company has paid or caused to be paid all other sums payable under the Indenture by the Company; and (iii) the Company has delivered to the Trustee an officers' certificate and an opinion of counsel each stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with and that such deposit does not violate the provisions described under "-Subordination."

MODIFICATIONS AND AMENDMENTS

Modifications and amendments of the Indenture or the Notes may be made by the Company, the Subsidiary Guarantors and the Trustee with the written consent of the holders of not less than a majority in aggregate principal amount of the then outstanding Notes; PROVIDED, HOWEVER, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby: (i) change the stated maturity of the principal of, or any installment of interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency or the manner in which the principal of any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); (ii) extend the time for payment of interest on the Notes; (iii) alter the redemption provisions in the Notes or the Indenture in a manner adverse to any holder of the Notes; (iv) amend, change or modify the obligation of the Company to make and consummate a Change of Control Offer in the event of a Change of Control or modify any of the provisions or definitions with respect thereto; (v) reduce the percentage in principal amount of outstanding Notes, the consent of whose holders is required for any amended or supplemental indenture or the consent of whose holders is required for any waiver of compliance with any provision of the Indenture or any Default thereunder and their consequences provided for in the Indenture; (vi) modify any of the provisions of the Indenture relating to any amended or supplemental indentures requiring the consent of holders or relating to the waiver of past defaults or relating to the waiver of any covenant, except to increase the percentage of outstanding Notes required for such actions or to provide that any other provision of the Indenture cannot be modified or waived without the consent of the holder of each Note affected thereby; (vii) except as otherwise permitted under "-Merger, Consolidation and Sale of Assets," consent to the assignment or transfer by the Company of any of its rights and obligations under the Indenture; (viii) modify any of the provisions of the Indenture relating to the subordination of the Notes or the Subsidiary Guarantees in a manner adverse to the holders of the Notes; (ix) release any Subsidiary Guarantor from any of its obligations under its Subsidiary Guarantee other than in accordance with the terms of the Indenture; or (x) modify certain provisions of the Indenture with respect to the redemption of the Notes on or prior to the Special Redemption Date or, on or prior to the Special Redemption Date, any of the definitions related thereto in a manner adverse to any holder or Notes; and PROVIDED, FURTHER, that no such modification or amendment to any of the subordination provisions of the Indenture or the Notes may be made without the consent of a majority in interest of the holders of Senior Debt.

Notwithstanding the foregoing, without the consent of any holder of Notes, the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture or the Notes to (i) cure any ambiguity, defect or inconsistency, (ii) provide for uncertificated Notes in addition to or in place of certificated Notes, (iii) provide for the assumption of the Company's obligations to the holders of the Notes in the event of any Disposition involving the Company that is permitted under the provisions of "-Merger, Consolidation and Sale of Assets" in which the Company is not the Surviving Person, (iv) make any change that would provide any additional rights or benefits to the holders of the Notes or does not adversely affect the interests of any holder, (v) comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act or (vi) add additional Subsidiary Guarantors.

THE TRUSTEE

In the event that the Trustee becomes a creditor of the Company, the Indenture contains certain limitations on the rights of the Trustee to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as Trustee, or resign.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that, in case an Event of Default has occurred and has not been cured, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder shall have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by one or more fully registered global notes (each a "Global Note"). Each Global Note will be deposited on the date of the closing of the sale of the Notes offered hereby with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC.

THE GLOBAL NOTE

Ownership of beneficial interests in a Global Note will be limited to persons that have accounts with DTC ("participants") or persons that may hold interests through participants. The Company expects that pursuant to procedures established by DTC (i) upon deposit of a Global Note, DTC will credit the accounts of participants designated by the Underwriters with the respective principal amount of the Global Note beneficially owned by such participant and (ii) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons holding through participants).

So long as DTC, or its nominee, is the registered owner or holder of the Notes, DTC or such nominee will be considered the sole owner or holder of the Notes represented by the Global Note for all purposes under the Indenture. No beneficial owner of an interest in the Global Note will be able to transfer such interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture with respect to the Notes.

Payments of the prinicipal of, premium (if any) and interest on the Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Company, the Trustee nor any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

The Company expects that DTC or its nominee, upon receipt of any payment of the principal of, premium (if any) and interest on the Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in any such Global Note held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered to the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same day funds. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in certificated form. Such laws may impair the ability to own, transfer or pledge beneficial interests in a Global Note. If a holder requires physical delivery of a certificated note for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the applicable Global Note in accordance with the normal procedures of DTC and, with respect to the Notes, with the procedures set forth in the Indenture.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Indenture, DTC will exchange the Global Note for certificated notes representing the Notes, which it will distribute to its participants.

DTC has advised the Company as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations.

Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

CERTIFICATED NOTES

If DTC is at any time unwilling or unable to continue as a depositary for any Global Note and a successor depositary is not appointed by the Company within 30 days, certificated notes will be issued in exchange for Global Notes.

CERTAIN DEFINITIONS

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for the definition of all other terms used in the Indenture.

"ACQUIRED DEBT" means, with respect to any specified Person, Indebtedness of any other Person (the "Acquired Person") existing at the time the Acquired Person merges with or into, or becomes a Subsidiary of, such specified Person, including Indebtedness incurred in connection with, or in contemplation of, the Acquired Person merging with or into, or becoming a Subsidiary of, such specified Person.

"AFFILIATE" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with") of any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"ASSET SALE" means (i) any sale, lease, conveyance or other disposition by the Company or any Subsidiary of the Company of any assets (including by way of a sale-and-leaseback) other than in the ordinary course of business (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company shall not be an "Asset Sale" but instead shall be governed by the provisions of the Indenture described under "-Merger, Consolidation and Sale of Assets") or (ii) the issuance or sale of Capital Stock of any Subsidiary of the Company, in each case, whether in a single transaction or a series of related transactions, to any Person (other than to the Company or a Subsidiary Guarantor); PROVIDED that the term "Asset Sale" shall not include any disposition or dispositions during any twelve-month period of assets or property having a fair market value of less than $300,000 in the aggregate.

"BANKRUPTCY LAW" means Title 11, United States Bankruptcy Code of 1978, as amended, or any similar United States federal or state law relating to bankruptcy, insolvency, receivership, winding up, liquidation, reorganization or relief of debtors, or any amendment to, succession to or change in any such law.

"CAPITAL LEASE OBLIGATIONS" of any Person means the obligations to pay rent or other amounts under a lease of (or other Indebtedness arrangements conveying the right to use) real or personal property of such Person which are required to be classified and accounted for as a capital lease or liability on the face of a balance sheet of such Person in accordance with GAAP. The amount of such obligations shall be the capitalized amount thereof in accordance with GAAP and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"CAPITAL STOCK" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person, including any Preferred Stock.

"CASH EQUIVALENTS" means (i) marketable direct obligations issued or guaranteed by the United States of America, or any governmental entity or agency or political subdivision thereof (PROVIDED, that the full faith and credit of the United States of America is pledged in support thereof) maturing within one year of the date of purchase; (ii) commercial paper issued by corporations, each of which shall have a consolidated net worth of at least $500 million, maturing within 180 days from the date of the original issue thereof, and rated "P-1" or better by Moody's Investors Service or "A-1" or better by Standard & Poor's Corporation or an equivalent rating or better by any other nationally recognized securities rating agency; and (iii) certificates of deposit issued or acceptances accepted by or guaranteed by any bank or trust company organized under the laws of the United States of America or any state thereof or the District of Columbia, in each case having capital, surplus and undivided profits totalling more than $500 million, maturing within one year of the date of purchase and (iv) any money market fund sponsored by a registered broker dealer or mutual fund distributor (including the Trustee) that invests solely in the securities specified in the foregoing clauses (i), (ii) or (iii).

"CHANGE OF CONTROL" means the occurrence of any of the following events:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), disregarding the Permitted Holders, becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of Capital Stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of more than 35% of the total voting power represented by the outstanding Voting Stock of the Company;

(b) the Company merges with or into another Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, or any Person merges with or into the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company is converted into or exchanged for cash, securities or other property, other than any such transaction where (x) the outstanding Voting Stock of the Company is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee corporation and (y) immediately after such transaction no "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), disregarding the Permitted Holders, is the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of Capital Stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of more than 35% of the total voting power represented by the outstanding Voting Stock of the surviving or transferee corporation;

(c) during any consecutive two-year period, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by the Board of Directors of the Company or whose nomination for election by the stockholders of the Company was approved by (x) a vote of at least a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved (as described in this clause (x) or in the following clause (y)) or (y) Permitted Holders that are "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of a majority of the total voting power represented by the outstanding Voting Stock of the Company) cease for any reason to constitute a majority of the Board then in office; or

(d) the Company is liquidated or dissolved or adopts a plan of liquidation.

"CONSOLIDATED INTEREST EXPENSE" means, with respect to any period, the sum of (i) the interest expense of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP consistently applied, including, without limitation, (a) amortization of debt discount, (b) the net payments, if any, under interest rate contracts (including amortization of discounts), (c) the interest portion of any deferred payment obligation and (d) accrued interest, plus (ii) the interest component of the Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by the Company during such period, and all capitalized interest of the Company and its Subsidiaries plus (iii) cash dividends declared or paid in respect of any Preferred Stock of the Company and its Subsidiaries during such period, in each case as determined on a consolidated basis in accordance with GAAP consistently applied. For purposes of this definition, the amount of any cash dividends declared or paid will be deemed to be equal to the amount of such dividends multiplied by a fraction, the numerator of which is one and the denominator of which is one minus the maximum statutory combined Federal, state, local and foreign income tax rate then applicable to the Company and its Subsidiaries (expressed as a decimal between one and zero) on a consolidated basis.

"CONSOLIDATED NET INCOME" means, with respect to any period, the net income (or loss) of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP consistently applied, adjusted, to the extent included in calculating such net income (or loss), by excluding, without duplication, (i) all extraordinary gains but not losses, (ii) the portion of net income (or loss) of the Company and its Subsidiaries allocable to interests in unconsolidated Persons, except to the extent of the amount of dividends or distributions actually paid to the Company or its Subsidiaries by such other Person during such period, (iii) net income (or loss) of any Person combined with the Company or any of its Subsidiaries on a "pooling of interests" basis attributable to any period prior to the date of combination, (iv) net gain but not losses in respect of Asset Sales, or (v) the net income of any Subsidiary to the extent that the declaration of dividends or similar distributions by that Subsidiary of that income to the Company is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary or its stockholders.

"CONSOLIDATED NET WORTH" means, with respect to any Person on any date, the equity of the common and preferred stockholders of such Person and its Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP consistently applied.

"CUMULATIVE CONSOLIDATED INTEREST EXPENSE" means, as of any date of determination, Consolidated Interest Expense from the last day of the month immediately preceding the Issue Date to the last day of the most recently ended month prior to such date, taken as a single accounting period.

"CUMULATIVE OPERATING CASH FLOW" means, as of any date of determination, Operating Cash Flow from the last day of the month immediately preceding the Issue Date to the last day of the most recently ended month prior to such date, taken as a single accounting period.

"DEBT TO OPERATING CASH FLOW RATIO" means, with respect to any date of determination, the ratio of (i) the aggregate principal amount of all outstanding Indebtedness of the Company and its Subsidiaries as of such date on a consolidated basis to (ii) Operating Cash Flow of the Company and its Subsidiaries on a consolidated basis for the four most recent full fiscal quarters ending on or immediately prior to such date, determined on a pro forma basis after giving pro forma effect to (a) the incurrence of all Indebtedness to be incurred on such date and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, at the beginning of such four-quarter period; (b) the incurrence, repayment or retirement of any other Indebtedness by the Company and its Subsidiaries since the first day of such four-quarter period as if such Indebtedness was incurred, repaid or retired at the beginning of such four-quarter period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average balance of such Indebtedness at the end of each month during such four-quarter period); (c) in the case of Acquired Debt, the related acquisition as if such acquisition had occurred at the beginning of such four-quarter period; and (d) any acquisition or disposition by the Company and its Subsidiaries of any company or any business or any assets out of the ordinary course of business, or any related repayment of Indebtedness, in each case since the first day of such four-quarter period, assuming such acquisition or disposition had been consummated on the first day of such four-quarter period. In addition, the consolidated net income of a Person with outstanding Indebtedness or Capital Stock providing for a Payment Restriction which is permitted to exist by reason of clause (c) of the covenant described under "-Covenants-Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries" shall not be taken into account in determining whether any Indebtedness is permitted to be incurred under the Indenture.

"DEFAULT" means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

"DESIGNATED SENIOR DEBT" means (i) any Senior Debt outstanding under the Senior Credit Facility and (ii) if no Senior Debt is outstanding under the Senior Credit Facility, any other Senior Debt of the Company permitted to be incurred under the Indenture the principal amount of which is $50.0 million or more at the time of the designation of such Senior Debt as "Designated Senior Debt" by the Company in a written instrument delivered to the Trustee.

"DISPOSITION" means, with respect to any Person, any merger, consolidation or other business combination involving such Person (whether or not such Person is the Surviving Person) or the sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of such Person's assets.

"DISQUALIFIED STOCK" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part on or prior to the stated maturity of the Notes.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FILM CONTRACTS" means contracts with suppliers that convey the right to broadcast specified films, videotape motion pictures, syndicated television programs or sports or other programming.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

"GUARANTEE" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (ii) to purchase property, securities or services for the purpose of assuring the holder of such Indebtedness of the payment of such Indebtedness, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness (and "guaranteed," "guaranteeing" and "guarantor" shall have meanings correlative to the foregoing); PROVIDED, HOWEVER, that the guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business.

"GUARANTOR SENIOR DEBT" means, with respect to any Subsidiary Guarantor, (i) the principal of, premium, if any, and interest on and all other monetary Obligations of every kind or nature due on or in connection with any Indebtedness of such Subsidiary Guarantor outstanding under or in respect of the Senior Credit Facility that is permitted to be incurred under the Indenture, (ii) principal of and premium, if any, and interest on and all other monetary Obligations of every kind or nature due on or in connection with all Indebtedness of such Subsidiary Guarantor that is permitted to be incurred under the Indenture that is not by its terms PARI PASSU with or subordinated to the Subsidiary Guarantee of such Subsidiary Guarantor, (iii) all Obligations of such Subsidiary Guarantor with respect to the Indebtedness referred to in the foregoing clauses (i) and (ii), including, in the case of Indebtedness outstanding under the Senior Credit Facility, Post-Petition Interest, and (iv) all (including all subsequent) renewals, extensions, amendments, refinancings, repurchases or redemptions, modifications, supplements, replacements, increases or refundings thereof (whether or not coincident therewith), in whole or in part under one or more agreements or instruments, that are not prohibited by the Indenture. Notwithstanding the foregoing, Guarantor Senior Debt shall not include (a) any Indebtedness for federal, state, local or other taxes, (b) any Indebtedness among or between the Company, any Subsidiary and/or their Affiliates, (c) any accounts payable or other liability to trade creditors arising in the ordinary course of business, (d) any Indebtedness that is incurred in violation of the Indenture, (e) Indebtedness evidenced by the Subsidiary Guarantee of such Subsidiary Guarantor, (f) Indebtedness of a Subsidiary Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness of such Subsidiary Guarantor, (g) Indebtedness of such Subsidiary Guarantor representing a guarantee of Subordinated Debt or Pari Passu Indebtedness or (h) Indebtedness of such Subsidiary Guarantor representing a guarantee of the Old Credit Facility or the Senior Note. In addition, notwithstanding the foregoing, for so long as the Trust Funds are held by the Trustee on behalf of the holders of the Notes, no Indebtedness of any Subsidiary Guarantor shall constitute Guarantor Senior Indebtedness.

"INDEBTEDNESS" means, with respect to any Person, without duplication, and whether or not contingent, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services or which is evidenced by a note, bond, debenture or similar instrument, (ii) all Capital Lease Obligations of such Person, (iii) all obligations of such Person in respect of letters of credit or bankers' acceptances issued or created for the account of such Person, (iv) all Interest Rate Agreement Obligations of such Person, (v) all liabilities secured by any Lien on any property owned by such Person even if such Person has not assumed or otherwise become liable for the payment thereof to the extent of the lesser of (x) the amount of the Obligation so secured and (y) the fair market value of the property subject to such Lien, (vi) all obligations to purchase, redeem, retire, or otherwise acquire for value any Capital Stock of such Person, or any warrants, rights or options to acquire such Capital Stock, now or hereafter outstanding, (vii) to the extent not included in (vi), all Disqualified Stock issued by such Person, valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends thereon, and (viii) to the extent not otherwise included, any guarantee by such Person of any other Person's indebtedness or other obligations described in clauses (i) through (vii) above. "Indebtedness" of the Company and its Subsidiaries shall not include current trade payables incurred in the ordinary course of business and payable in accordance with customary practices, and non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business which are not more than 90 days past due. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by the fair market value of, such Disqualified Stock, such fair market value is to be determined in good faith by the board of directors of the issuer of such Disqualified Stock.

"INDEPENDENT DIRECTOR" means a director of the Company other than a director (i) who (apart from being a director of the Company or any Subsidiary) is an employee, associate or Affiliate of the Company or a Subsidiary or has held any such position during the previous five years, or (ii) who is a director, employee, associate or Affiliate of another party to the transaction in question.

"INSOLVENCY OR LIQUIDATION PROCEEDING" means, with respect to any Person, any liquidation, dissolution or winding up of such Person, or any bankruptcy, reorganization, insolvency, receivership or similar proceeding with respect to such Person, whether voluntary or involuntary.

"INTEREST RATE AGREEMENT OBLIGATIONS" means, with respect to any Person, the Obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"INVESTMENTS" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates of such Person) in the form of loans, guarantees, advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business) purchases or other acquisitions for consideration of Indebtedness, Capital Stock or other securities and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. "Investments" shall exclude extensions of trade credit (including extensions of credit in respect of equipment leases) by the Company and its Subsidiaries in the ordinary course of business in accordance with normal trade practices of the Company or such Subsidiary, as the case may be.

"ISSUE DATE" means the date of original issuance of the Notes.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in any asset and any filing of, or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"MINIMUM EQUITY CONDITION" means the receipt by the Company of gross proceeds of not less than $65.0 million from one or more public or private offerings (including, but not limited to, the Concurrent Offering) of Capital Stock (other than Disqualified Stock) of the Company subsequent to the Issue Date and for closing on or prior to December 23, 1996.

"NET PROCEEDS" means, with respect to any Asset Sale by any Person, the aggregate cash proceeds received by such Person and/or its Affiliates in respect of such Asset Sale, which amount is equal to the excess, if any, of (i) the cash received by such Person and/or its Affiliates (including any cash payments received by way of deferred payment pursuant to, or monetization of, a note or installment receivable or otherwise, but only as and when received) in connection with such Asset Sale, over (ii) the sum of (a) the amount of any Indebtedness that is secured by such asset and which is required to be repaid by such Person in connection with such Asset Sale, plus (b) all fees, commissions and other expenses incurred by such Person in connection with such Asset Sale, plus (c) provision for taxes, including income taxes, attributable to the Asset Sale or attributable to required prepayments or repayments of Indebtedness with the proceeds of such Asset Sale, plus (d) a reasonable reserve for the after-tax cost of any indemnification payments (fixed or contingent) attributable to seller's indemnities to purchaser in respect of such Asset Sale undertaken by the Company or any of its Subsidiaries in connection with such Asset Sale plus (e) if such Person is a Subsidiary of the Company, any dividends or distributions payable to holders of minority interests in such Subsidiary from the proceeds of such Asset Sale.

"OBLIGATIONS" means any principal, interest (including, without limitation, in the case of Senior Debt under the Senior Credit Facility, Post-Petition Interest), penalties, fees, indemnifications, reimbursement obligations, damages and other liabilities payable under the documentation governing any Indebtedness.

"OLD CREDIT FACILITY" means the credit agreement, dated as of April 22, 1994, as amended and modified as of January 3, 1996, among the Company, Bank South, as administrative agent, and the lenders named therein.

"OPERATING CASH FLOW" means, with respect to any period, the Consolidated Net Income of the Company and its Subsidiaries for such period, plus (i) extraordinary net losses and net losses realized on any sale of assets during such period, to the extent such losses were deducted in computing Consolidated Net Income, plus (ii) provision for taxes based on income or profits, to the extent such provision for taxes was included in computing such Consolidated Net Income, and any provision for taxes utilized in computing the net losses under clause (i) hereof, plus (iii) Consolidated Interest Expense of the Company and its Subsidiaries for such period, to the extent deducted in computing such Consolidated Net Income, plus (iv) depreciation, amortization and all other non-cash charges, to the extent such depreciation, amortization and other non-cash charges were deducted in computing such Consolidated Net Income (including amortization of goodwill and other intangibles, including Film Contracts and write-downs of Film Contracts), but excluding any such charges which represent any accrual of, or a reserve for, cash charges for a future period, minus (v) any cash payments contractually required to be made with respect to Film Contracts (to the extent not previously included in computing such Consolidated Net Income), minus (vi) non-cash items increasing Consolidated Net Income (to the extent included in computing such Consolidated Net Income).

"PARI PASSU INDEBTEDNESS" means any Indebtedness of the Company or a Subsidiary Guarantor which ranks PARI PASSU in right of payment with the Notes or the Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be (whether or not such Indebtedness is secured by any Lien).

"PERMITTED HOLDERS" means (i) each of J. Mack Robinson and Robert S. Prather, Jr.; (ii) their spouses and lineal descendants; (iii) in the event of the incompetence or death of any of the Persons described in clauses (i) and (ii), such Person's estate, executor, administrator, committee or other personal representative; (iv) any trusts created for the benefit of the Persons described in clause (i) or (ii); or (v) any Person controlled by any of the Persons described in clause (i), (ii), or (iv). For purposes of this definition, "control," as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or by agreement or otherwise.

"PERMITTED INVESTMENTS" means (i) any Investment in the Company or any Subsidiary Guarantor; (ii) any Investments in Cash Equivalents; (iii) any Investment in a Person (an "Acquired Person") if, as a result of such Investment, (a) the Acquired Person becomes a Subsidiary Guarantor, or (b) the Acquired Person either (1) is merged, consolidated or amalgamated with or into the Company or a Subsidiary Guarantor and the Company or such Subsidiary Guarantor is the Surviving Person, or (2) transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Subsidiary Guarantor; (iv) Investments in accounts and notes receivable acquired in the ordinary course of business; and (v) Interest Rate Agreement Obligations permitted pursuant to the second paragraph of the covenant described under "-Covenants-LIMITATION ON INCURRENCE OF INDEBTEDNESS".

"PERMITTED LIENS" means (i) Liens on assets or property of the Company that secure Senior Debt of the Company, either existing on the Issue Date or which such Senior Debt is permitted to be incurred under the Indenture, and Liens on assets or property of a Subsidiary Guarantor that secure Guarantor Senior Debt of such Subsidiary Guarantor, either existing on the Issue Date or which such Guarantor Senior Debt is permitted to be incurred under the Indenture; (ii) Liens securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Company or a Subsidiary of the Company, PROVIDED that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of such Person; (iii) Liens on property acquired by the Company or a Subsidiary, PROVIDED that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any other property; (iv) Liens in favor of the Company or any Subsidiary of the Company; (v) Liens incurred, or pledges and deposits in connection with, workers' compensation, unemployment insurance and other social security benefits, and leases, appeal bonds and other obligations of like nature incurred by the Company or any Subsidiary of the Company in the ordinary course of business; (vi) Liens imposed by law, including, without limitation, mechanics', carriers', warehousemen's, materialmen's, suppliers' and vendors' Liens, incurred by the Company or any Subsidiary of the Company in the ordinary course of business; (vii) Liens for ad valorem, income or property taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Company has set aside on its books reserves to the extent required by GAAP; (viii) Liens securing Senior Debt or Guarantor Senior Debt under the Senior Credit Facility; (ix) Liens created under the Indenture; (x) Liens permitted under the Senior Credit Facility; and (xi) Liens securing the Old Credit Facility and the Senior Note.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"POST-PETITION INTEREST" means, with respect to any Indebtedness of any Person, all interest accrued or accruing on such Indebtedness after the commencement of any Insolvency or Liquidation Proceeding against such Person in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing such Indebtedness whether or not the claim for such interest is allowed as a claim in such Insolvency or Liquidation Proceeding.

"PREFERRED STOCK" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Capital Stock of any other class of such Person.

"PUBLIC EQUITY OFFERING" means an underwritten public offering of Capital Stock (other than Disqualified Stock) of the Company subsequent to the Issue Date (excluding the Concurrent Offering and any other underwritten public offering consummated in satisfaction of the Minimum Equity Condition), pursuant to an effective registration statement filed under the Securities Act, the net proceeds of which to the Company (after deducting any underwriting discounts and commissions) exceed $25.0 million.

"RESTRICTED INVESTMENT" means an Investment other than a Permitted Investment.

"RESTRICTED PAYMENT" means (i) any dividend or other distribution declared or paid on any Capital Stock of the Company or any of its Subsidiaries (other than dividends or distributions payable solely in Capital Stock (other than Disqualified Stock) of the Company or such Subsidiary or dividends or distributions payable to the Company or any Subsidiary Guarantor); (ii) any payment to purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or any Subsidiary of the Company or other Affiliate of the Company (other than any Capital Stock owned by the Company or any Subsidiary Guarantor); (iii) any payment to purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Indebtedness prior to the scheduled maturity thereof; or (iv) any Restricted Investment.

"SENIOR CREDIT FACILITY" means the credit agreement, to be entered into as of September 23, 1996, among the Company, the lenders named therein, KeyBank National Association, as Agent and NationsBank, N.A. (South), as Co-Agent, as the same may be amended, modified, renewed, refunded, replaced or refinanced from time to time, including (i) any related notes, letters of credit, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time, and (ii) any notes, guarantees, collateral documents, instruments and agreements executed in connection with any such amendment, modification, renewal, refunding, replacement or refinancing.

"SENIOR DEBT" means (i) the principal of, premium, if any, and interest on and all other monetary Obligations of every kind or nature due on or in connection with any Indebtedness outstanding under the Senior Credit Facility that is permitted to be incurred under the Indenture, (ii) principal of and premium, if any, and interest on and all other monetary Obligations of every kind or nature due on or in connection with all Indebtedness that is permitted to be incurred under the Indenture and that is incurred after the Issue Date that is not by its terms PARI PASSU with or subordinated to the Notes, (iii) all Obligations of the Company with respect to Indebtedness referred to in the foregoing clauses (i) and (ii), including, in the case of Indebtedness outstanding under the Senior Credit Facility, Post-Petition Interest, and (iv) all (including all subsequent) renewals, extensions, amendments, refinancings, repurchases or redemptions, modifications, supplements, replacements, increases or refundings thereof (whether or not coincident therewith), in whole or in part under one or more agreements or instruments, that are not prohibited by the Indenture. Notwithstanding the foregoing, Senior Debt shall not include (a) any Indebtedness for federal, state, local or other taxes, (b) any Indebtedness among or between the Company, any Subsidiary of the Company and/or their Affiliates, (c) any accounts payable or other liability to trade creditors arising in the ordinary course of business, (d) any Indebtedness that is incurred in violation of the Indenture, (e) Indebtedness evidenced by the Notes, (f) Indebtedness of the Company that is expressly subordinate or junior in right of payment to any other Indebtedness of the Company or (g) Indebtedness of the Company outstanding under the Old Credit Facility or the Senior Note. In addition, notwithstanding the foregoing, for so long as the Trust Funds are held by the Trustee on behalf of the holders of the Notes, no Indebtedness of the Company shall constitute Senior Debt.

"Senior Note" means the note purchase agreement dated as of April 15, 1994 between the Company and Teachers Insurance and Annuity Association of America, as amended by Amendments No. 1, 2, 3 and 4 between the parties thereto.

"Series B Preferred Stock" means the $10 million liquidation preference of Series B Preferred Stock of the Company being sold by the Company to certain Permitted Holders for closing concurrently with the offering of the Notes.

"SUBORDINATED INDEBTEDNESS" means any Indebtedness of the Company or a Subsidiary Guarantor if the instrument creating or evidencing such Indebtedness or pursuant to which such Indebtedness is outstanding expressly provides that such Indebtedness is subordinated in right of payment to the Notes or the Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be.

"SUBSIDIARY" of any Person means (i) any corporation more than 50% of the outstanding Voting Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof, or (ii) any limited partnership of which such Person or any Subsidiary of such Person is a general partner, or (iii) any other Person (other than a corporation or limited partnership) in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries thereof, directly or indirectly, has more than 50% of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof.

"SUBSIDIARY GUARANTOR" means (i) each Subsidiary of the Company existing on the Issue Date, (ii) each of the Company's Subsidiaries which becomes a guarantor of the Notes in compliance with the provisions set forth under "-Covenants-Future Subsidiary Guarantors," and (iii) each of the Company's Subsidiaries executing a supplemental indenture in which such Subsidiary agrees to be bound by the terms of the Indenture.

"VOTING STOCK" means, with respect to any Person, Capital Stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"WEIGHTED AVERAGE LIFE TO MATURITY" means, with respect to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required scheduled payment of principal, including payment as final maturity, in respect thereof, with (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding aggregate principal amount of such Indebtedness.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated September 20, 1996 (the "Underwriting Agreement"), J.P. Morgan Securities Inc. ("J.P. Morgan"), Allen & Company Incorporated ("Allen & Company"), and The Robinson-Humphrey Company, Inc. ("Robinson-Humphrey" and, collectively with J.P. Morgan and Allen & Company, the "Underwriters") have severally agreed to purchase from the Company, and the Company has agreed to sell to them, severally, the principal amount of Notes set forth opposite their names below. Under the terms and conditions of the Underwriting Agreement, the Underwriters are obligated to take and pay for the entire principal amount of the Notes if any Notes are purchased.

	PRINCIPAL AMOUNT
J.P. Morgan Securities Inc.	$
Allen & Company Incorporated	16,000,000
The Robinson-Humphrey Company, Inc.	40,000,000
Total	$160,000,000

The Underwriters propose initially to offer the Notes directly to the public at the price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of 1.00% of the principal amount of the Notes. The Underwriters may allow, and such dealers may reallow, a concession not in excess of 0.25% of the principal amount of the Notes to certain other dealers. After the initial public offering of the Notes, the offering price and such concession may be changed.

Each of the Company and the Subsidiary Guarantors has agreed, jointly and severally, to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act.

There is currently no trading market for the Notes. The Company does not intend to list the Notes on any securities exchange. The Company has been advised by the Underwriters that the Underwriters currently intend to make a market in the Notes, however, the Underwriters are not obligated to do so and may discontinue any such market making activities at any time without notice. No assurance can be given as to the development or liquidity of any trading market for the Notes.

J.P. Morgan, Allen & Company and Robinson-Humphrey are acting as underwriters in connection with the Concurrent Offering and will receive customary fees in connection therewith. Robinson-Humphrey will be rendering investment banking services with regard to the conversion of the 8% Note to the Series A Preferred Stock and the Company's sale of the Series B Preferred Stock and warrants and will receive customary fees in connection therewith. In addition, Robinson-Humphrey has previously rendered investment banking services to the Company and certain of its affiliates and received customary fees in connection therewith.

LEGAL MATTERS

The validity of the Notes offered hereby will be passed upon for the Company by Proskauer Rose Goetz & Mendelsohn LLP, New York, New York. Certain legal matters in connection with the offering made hereby will be passed upon for the Underwriters by Cahill Gordon & Reindel (a partnership including a professional corporation), New York, New York.

EXPERTS

The consolidated financial statements and schedule of Gray Communications Systems, Inc. at December 31, 1995 and 1994, and for each of the three years in the period ended December 31, 1995, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The financial statements of WRDW-TV at December 31, 1995 and for the year then ended appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing. The financial statements of WRDW-TV (an operating station of Television Station Partners, L.P.) at December 31, 1994 and for the years ended December 31, 1993 and 1994 included in this Prospectus and Registration Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report thereon appearing elsewhere herein and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements and schedule of the Broadcasting and Paging Operations of John H. Phipps, Inc. at December 31, 1995 and 1994, and for each of the three years in the period ended December 31, 1995, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	DECEMBER 31, 1995	JUNE 30, 1996
Current Assets		
Cash and cash equivalents	$559,991	$1,287,096
Trade accounts receivable, less allowance for doubtful accounts of $450,000 and $537,000, respectively	9,560,274	10,817,791
Recoverable income taxes	1,347,007	797,455
Inventories	553,032	109,028
Current portion of program broadcast rights	1,153,058	710,424
Other current assets	263,600	758,808
	13,436,962	14,480,602
Property and equipment	37,618,893	40,178,694
Less allowance for depreciation	(20,601,819)	(21,380,407)
	17,017,074	18,798,287
Other assets		
Deferred acquisition costs (includes $910,000 and $1,050,000 to Bull Run Corporation at December 31, 1995 and June 30, 1996, respectively) (NOTE C)	3,330,481	2,818,851
Deferred loan costs (NOTE C)	1,232,261	1,881,648
Goodwill and other intangibles (NOTE C)	42,004,050	73,299,223
Other	1,219,650	1,237,021
	47,786,442	79,236,743
	$78,240,478	$112,515,632
Current liabilities:		
Trade accounts payable (includes $670,000 and $950,000 payable to Bull Run Corporation at December 31, 1995 and June 30, 1996, respectively)	$3,752,742	$3,169,283
Accrued expenses	5,839,007	7,063,971
Current portion of program broadcast obligations	1,205,784	709,782
Current portion of long-term debt	2,861,672	0
	13,659,205	10,943,036
Long-term debt (including a $10,000,000 principal amount 8% Note to Bull Run Corporation at June 30, 1996) (NOTES C AND D)	51,462,645	82,845,688
Non-current liabilities	4,133,030	4,913,624
Commitments and Contingencies (NOTE E)		
Stockholders' Equity (NOTE B AND D)		
Class A Common Stock, no par value; authorized 10,000,000 shares; issued 5,082,756 and 5,130,385 shares, respectively	6,795,976	10,000,365
Retained earnings	8,827,906	10,451,203
	15,623,882	20,451,568
Treasury stock, 663,180 shares at cost	(6,638,284)	(6,638,284)
	8,985,598	13,813,284
	$78,240,478	$112,515,632

See notes to condensed consolidated financial statements.

GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	SIX MONTHS ENDED JUNE 30	
	1995	1996
Operating revenues:		
Broadcasting (net of agency commissions)	$18,260,940	$24,251,901
Publishing	10,046,114	11,261,792
	28,307,054	35,513,693
Expenses:		
Broadcasting	11,409,511	14,418,200
Publishing	8,589,861	9,192,751
Corporate and administrative	1,012,024	1,570,806
Depreciation and amortization	1,821,700	2,900,724
Non-cash compensation paid in common stock (NOTE B)	816,474	120,000
	23,649,570	28,202,481
	4,657,484	7,311,212
Miscellaneous income	68,514	81,361
	4,725,998	7,392,573
Interest expense	2,768,187	4,444,878
Income before income taxes	1,957,811	2,947,695
Income tax expense	776,000	1,146,000
Net earnings	$1,181,811	$1,801,695
Average outstanding common shares	4,383,263	4,656,691
Net earnings per common share-primary	$0.27	$0.39
Net earnings per common share-fully diluted	$0.27	$0.38

See notes to condensed consolidated financial statements.

GRAY COMMUNICATIONS SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	CLASS A COMMON STOCK		TREASURY STOCK			
	SHARES	AMOUNT	SHARES	AMOUNT	RETAINED EARNINGS	TOTAL
Balance at December 31, 1995	5,082,756	$6,795,976	(663,180)	$(6,638,284)	$8,827,906	$8,985,598
Net income for the six months ended June 30, 1996	-0-	-0-	-0-	-0-	1,801,695	1,801,695
Cash dividends ($.04 per share)	-0-	-0-	-0-	-0-	(178,398)	(178,398)
Issuance of common stock warrants (Note C)	-0-	2,600,000	-0-	-0-	-0-	2,600,000
Income tax benefits relating to stock plans	-0-	62,000	-0-	-0-	-0-	62,000
Issuance of Class A Common Stock:						
401(k) Plan	7,129	139,640	-0-	-0-	-0-	139,640
Directors stock plan	22,500	228,749	-0-	-0-	-0-	228,749
Non-qualified stock plan	18,000	174,000	-0-	-0-	-0-	174,000
Balance at June 30, 1996	5,130,385	$10,000,365	(663,180)	$(6,638,284)	$10,451,203	$13,813,284

See notes to condensed consolidated financial statements.

GRAY COMMUNICATIONS SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	SIX MONTHS ENDED JUNE 30	
	1995	1996
Operating activities		
Net income	$1,181,811	$1,801,695
Items which did not use (provide) cash:		
Depreciation	1,233,847	1,648,014
Amortization of intangible assets	587,853	1,252,710
Amortization of program broadcast rights	767,964	1,279,357
Amortization of original issue discount on subordinated note	0	144,444
Payments for program broadcast rights	(902,858)	(1,309,364)
Income tax benefit relating to stock plan	0	62,000
Compensation paid in Class A common stock	816,474	120,000
Supplemental employee benefits	(154,216)	(203,708)
Class A common stock contributed to 401(k) Plan	168,023	139,640
Deferred income taxes	109,000	676,059
(Gain) loss on disposal of assets	1,952	(17,968)
Changes in operating assets and liabilities:		
Receivables, inventories, and other current assets	(599,165)	1,081,052
Accounts payable and other current liabilities	616,978	126,622
Net cash provided by operating activities	3,827,663	6,800,553
Investing activities		
Acquisition of newspaper business	(1,232,509)	0
Acquisition of television business	0	(34,330,365)
Purchases of property and equipment	(1,852,431)	(1,317,345)
Deferred acquisition costs	(2,033,892)	(1,797,772)
Proceeds from asset sales	2,742	113,297
Other	(261,233)	(157,538)
Net cash used in investing activities	(5,377,323)	(37,489,723)
Financing activities		
Dividends paid	(172,110)	(178,398)
Class A common stock transactions	0	402,749
Proceeds from settlement of interest rate swap	0	215,000
Proceeds from borrowings of long-term debt	2,200,000	36,725,000
Payments on long-term debt	(820,281)	(5,748,076)
Net cash provided by financing activities	1,207,609	31,416,275
Increase (decrease) in cash and cash equivalents	(342,051)	727,105
Cash and cash equivalents at beginning of period	558,520	559,991
Cash and cash equivalents at end of period	$216,469	$1,287,096

See notes to condensed consolidated financial statements.

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Gray Communications Systems, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1996, are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included herein.

Certain amounts in the accompanying unaudited consolidated financial statements have been reclassified to conform to the 1996 format.

NOTE B -- EMPLOYMENT AGREEMENTS

During the quarter ended March 31, 1995, the Company awarded 150,000 shares of its Class A Common Stock to its former president and chief executive officer under his employment agreement. Compensation expense of approximately $696,000 was recognized for these awards in the six months ended June 30, 1995.

The Company has an employment agreement with its current President which provides for an award of 122,034 shares of Class A Common Stock if his employment with the Company continues until September 1999. Approximately $60,000 of expense was recognized in each quarter of 1995 and 1996 relating to this award and approximately $1.2 million of expense will be recognized over the five-year period ending in 1999.

NOTE C -- BUSINESS ACQUISITIONS

The Company's acquisitions in 1995 and 1996 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 unaudited condensed 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.

PENDING ACQUISITIONS

In December 1995 and as amended in March 1996, the Company entered into an asset purchase agreement to acquire (the "Phipps Acquisition") two CBS-affiliated stations, WCTV-TV ("WCTV") serving Tallahassee, Florida/ Thomasville, Georgia and WKXT-TV ("WKXT") in Knoxville, Tennessee, a satellite broadcasting business and a paging business (collectively, the "Phipps Business"). The purchase price is estimated at approximately $185.0 million. The Company's Board of Directors has agreed to pay Bull Run Corporation ("Bull Run"), a principal stockholder of the Company, a finder's fee equal to 1% of the proposed purchase price for services performed, of which $1.05 million is included in deferred acquisition costs and $950,000 is due and included in accounts payable at June 30, 1996.

The consummation of the Phipps Acquisition, which is expected to occur by September 1996, is subject to approval by the appropriate regulatory agencies. In connection with the Phipps Acquisition, the Company is seeking approval from the Federal Communications Commission ("FCC") of the assignment of the television broadcast licenses for WCTV and WKXT. Current FCC regulations will require the Company to divest itself of WALB-TV ("WALB") in Albany, Georgia and WJHG-TV ("WJHG") in Panama City, Florida due to common ownership restrictions on stations with overlapping signals. In order to satisfy applicable FCC requirements, the Company, subject to FCC approval, intends to swap such assets for assets of one or more television stations of comparable value and with comparable broadcast cash flow in a transaction qualifying for deferred capital gains treatment under the "like-kind exchange" provision of Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"). If the Company is unable to effect such a swap on satisfactory terms within the time period granted by the FCC, the Company may transfer such assets to a trust with a view towards the trustee effecting a swap or sale of such assets. Any such trust arrangement would be subject to the approval of the FCC.

NOTE C -- BUSINESS ACQUISITIONS (CONTINUED)
Condensed balance sheets of WALB and WJHG are as follows (in thousands):

	JUNE 30, 1996	
	WALB	WJHG
Current assets	$1,801	$ 913
Property and equipment	1,714	1,014
Other assets	66	3
Total assets	$3,581	$1,930
Current liabilities	$1,756	$ 474
Other liabilities	214	0
Stockholder's equity	1,611	1,456
Total liabilities and stockholder's equity	$3,581	$1,930

Condensed income statement data of WALB is as follows (in thousands):

	1995	1996
	SIX MONTHS ENDED JUNE 30,	
Broadcasting revenues	$4,715	$5,098
Expenses	2,356	2,440
Operating income	2,359	2,658
Other income	9	9
Income before income taxes	2,368	2,667
Net income	$1,468	$1,654

Condensed income statement data of WJHG is as follows (in thousands):

	SIX MONTHS ENDED JUNE 30,	
	1995	1996
Broadcasting revenues	$1,826	$2,409
Expenses	1,690	1,933
Operating income	136	476
Other income	31	16
Income before income taxes	167	492
Net income	$ 103	$ 305

The Phipps Acquisition will be funded with a portion of the anticipated net proceeds of proposed public offerings by the Company of $150.0 million principal amount of the Company's senior subordinated notes and 3.5 million shares of the Company's Class B Common Stock, the sale of 1,000 shares of the Company's Series B Preferred Stock ($10.0 million) and warrants to Bull Run and the sale of KTVE Inc., the Company's broadcast station in Monroe, Louisiana/El Dorado, Arkansas. Additionally, the Company plans to retire its existing bank credit facility and other senior indebtedness (See Notes E and F) and enter into a new bank credit facility.

NOTE C -- BUSINESS ACQUISITIONS (CONTINUED)

In connection with the Phipps Acquisition, a bank has provided a $10.0 million stand-by letter of credit to the seller of the Phipps Business on behalf of the Company. The letter of credit will be payable under certain conditions if the Phipps Acquisition is not completed. In connection with the issuance of the letter of credit, a stockholder of the Company has executed a put agreement which the bank can exercise if the Company defaults on repayment of any amounts that might be paid in accordance with the terms of the letter of credit.

1996 ACQUISITIONS

On January 4, 1996, the Company purchased substantially all of the assets of WRDW-TV, a CBS television affiliate serving the Augusta, Georgia television market (the "Augusta Acquisition"). The purchase price of approximately $35.9 million, excluding assumed liabilities of approximately $1.3 million, was financed primarily through long-term borrowings. The assets acquired consisted of office equipment and broadcasting operations located in North Augusta, South Carolina. Based on a preliminary allocation of the purchase price, the excess of the purchase price over the fair value of net tangible assets acquired was approximately $32.5 million. In connection with the Augusta Acquisition, the Company's Board of Directors approved the payment of a $360,000 finder's fee to Bull Run.

Funds for the Augusta Acquisition were obtained from the modification of the Company's existing bank debt to a variable rate reducing revolving credit facility (the "Senior Credit Facility") and the sale to Bull Run of an 8% subordinated note due January 3, 2005 in the principal amount of $10.0 million (the "8% Note"). In connection with the sale of the 8% Note, the Company also issued warrants to Bull Run to purchase 487,500 shares of Class A Common Stock at $17.88 per share, 300,000 shares of which are currently vested, with the remainder vesting in five equal annual installments commencing in 1997 provided that the 8% Note is outstanding. The Senior Credit Facility provides for a credit line up to $54.2 million, of which $49.5 million was outstanding at June 30, 1996. This transaction also required a modification of the interest rate of the Company's $25.0 million senior secured note (the "Senior Note") with an institutional investor from 10.08% to 10.7%.

As part of the financing arrangements for the Phipps Acquisition, the 8% Note will be retired and the Company will issue to Bull Run, in exchange for the 8% Note, 1,000 shares of Series A Preferred Stock. The warrants issued with the 8% Note will vest in accordance with the schedule described above provided the Series A Preferred Stock remains outstanding.

An unaudited pro forma statement of income for the six months ended June 30, 1995, is presented below and assumes that the Augusta Acquisition occurred on January 1, 1995.

This pro forma unaudited statement of income does not purport to represent the Company's actual results of operations had the Augusta Acquisition occurred on January 1, 1995, 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

NOTE C -- BUSINESS ACQUISITIONS (CONTINUED)

assumptions that management believes are reasonable under the circumstances at this time. Subsequent adjustments are expected upon final determination of the allocation of the purchase price. An unaudited pro form statement of income for the six months ended June 30, 1995 is as follows (in thousands, except per share data):

	SIX MONTHS ENDED JUNE 30, 1995
Operating revenues	$32,666
Expenses	23,906
Depreciation and amortization	2,396
Non-cash compensation paid in Class A Common Stock	816
	5,548
Miscellaneous income, net	33
Interest expense	4,572
Pro forma income before income taxes	1,009
Income tax expense	407
Pro forma net income	$ 602
Pro forma average shares outstanding	4,436
Pro forma earnings per share	$ 0.14

1995 ACQUISITION

On January 6, 1995, the Company purchased substantially all of the assets of the GWINNET POST-TRIBUNE and assumed certain liabilities (the "Gwinnett Acquisition"). The assets consist of office equipment and publishing operations located in Lawrenceville, Georgia. The purchase price of $3.7 million, including assumed liabilities of approximately $370,000, was paid by approximately $1.2 million in cash (financed through long-term borrowings and cash from operations), the issuance of 44,117 shares of Class A Common Stock (having fair value of $500,000), and $1.5 million payable to the sellers pursuant to non-compete agreements. The excess of the purchase price over the fair value of net tangible assets acquired was approximately $3.4 million. In connection with the Gwinnett Acquisition the Company's Board of Directors approved the payment of a $75,000 finder's fee to Bull Run.

NOTE D -- STOCKHOLDERS' EQUITY

A portion of the funds for the Augusta Acquisition was obtained from the 8% Note, which included the issuance of detachable warrants to Bull Run to purchase 487,500 shares of Class A Common Stock at $17.88 per share, 300,000 shares of which are currently vested, with the remainder vesting in five equal annual installments commencing in 1997 provided the the 8% Note is outstanding. Approximately $2.6 million of the $10.0 million of proceeds from the 8% Note was allocated to the warrants and increased Class A Common Stock. This allocation of the proceeds was based on an estimate of the relative fair values of the 8% Note and the warrants on the date of issuance. The Company is amortizing the original issue discount over the period of time that the 8% Note is to be outstanding. During the six months ended June 30, 1996, the Company recognized approximately $144,000 in amortization costs for the $2.6 million original issue discount.

NOTE E -- COMMITMENTS AND CONTINGENCIES

The Company entered into an interest rate swap agreement (the "Interest Swap") on June 2, 1995, to effectively convert a portion of its floating rate debt to a fixed rate basis. The Interest Swap is effective for five years.

NOTE E -- COMMITMENTS AND CONTINGENCIES (CONTINUED)
Approximately $25.0 million of the Company's outstanding long-term debt was subject to this Interest Swap. Effective May 14, 1996, the Company received $215,000 as settlement of this Interest Swap, which will be reflected as a reduction of interest expense over the remaining term of the original five-year Interest Swap.

Upon termination of the five-year Interest Swap, the Company entered into an interest rate cap agreement (the "Interest Cap") on May 16, 1996, which expires on September 6, 1996. Approximately $25.0 million of the Company's outstanding long-term debt is subject to this Interest Cap. This Interest Cap serves to cap the base rate of the Company's Senior Credit Facility at 7%. The base rate used to compare against the Interest Cap at June 30, 1996 was approximately 5.5%. Accordingly, the Interest Cap had no value at June 30, 1996. The effective rate of the Senior Credit Facility at June 30, 1996 was approximately 8.94%. Effective July 19, 1996 the Company's interest rates, based on a spread over LIBOR, were reduced 0.25% as the result of the attainment of certain debt provisions.

On May 15, 1996 the Company entered into an agreement with GOCOM Television of Ouachita, L.P. to sell the assets of KTVE Inc., the Company's NBC-affiliated station serving Monroe, Louisiana/El Dorado, Arkansas, for approximately $9.5 million in cash plus the amount of the accounts receivable on the date of closing (estimated to be approximately $750,000) to the extent collected by the buyer, to be paid to the Company 150 days following the date of closing. The sale agreement regarding KTVE included a number of closing conditions. The Company completed the sale of the assets of KTVE, Inc. on August 20, 1996. The Company anticipates recognizing in the quarter ended September 30, 1996, the gain, net of estimated income taxes, and the estimated income taxes on the KTVE Sale of approximately $2.8 million and $2.8 million, respectively.

A condensed balance sheet of KTVE is as follows (in thousands):

	JUNE 30, 1996
Current assets	$ 864
Property and equipment	1,540
Other assets	550
Total assets	$2,954
Current liabilities	$ 333
Other liabilities	476
Stockholders' equity	2,145
Total liabilities and stockholders' equity	$2,954

NOTE E -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

Condensed statement of operations data of KTVE is as follows (in thousands):

	SIX MONTHS ENDED JUNE 30,	
	1995	1996
Broadcasting revenues	$1,958	$2,303
Expenses	1,891	1,943
Operating income	67	360
Other income	9	1
Income before income taxes	76	361
Net income	$ 47	$ 224

NOTE F -- SUBSEQUENT EVENTS

On May 2, 1996, the Company filed a Registration Statement (subsequently amended) with the Securities and Exchange Commission (the "SEC") on Form S-1 to register the sale of 4,025,000 shares of Class B Common Stock, including an over-allotment option granted by the Company to the underwriters of such offering, subject to shareholder approval. Also on May 2, 1996, the Company filed a Registration Statement (subsequently amended) with the SEC on Form S-1 to register the sale of $150,000,000 Senior Subordinated Notes due in 2006 (the "Notes").

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Gray Communications Systems, Inc.

We have audited the accompanying consolidated balance sheets of Gray Communications Systems, Inc. as of December 31, 1994 and 1995 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gray Communications Systems, Inc. at December 31, 1994 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Columbus, Georgia
February 14, 1996, except for
Note K, as to which the
date is August 9, 1996

GRAY COMMUNICATIONS SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1994	DECEMBER 31, 1995
ASSETS		
Current assets (NOTE C):		
Cash and cash equivalents	$558,520	$559,991
Trade accounts receivable, less allowance for doubtful accounts of $694,000 and $450,000, respectively	8,448,366	9,560,274
Recoverable income taxes	-0-	1,347,007
Inventories	368,202	553,032
Current portion of program broadcast rights	1,195,633	1,153,058
Other current assets	247,687	263,600
Total current assets	10,818,408	13,436,962
Property and equipment (NOTES B AND C):		
Land	646,562	758,944
Buildings and improvements	8,594,343	8,630,694
Equipment	24,781,964	28,229,255
	34,022,869	37,618,893
Allowance for depreciation	(17,999,752)	(20,601,819)
	16,023,117	17,017,074
Other assets (NOTE C):		
Deferred acquisition costs (including $860,000 to Bull Run Corporation) (NOTE B)	-0-	3,330,481
Deferred loan costs	1,381,908	1,232,261
Goodwill and other intangibles (NOTE B)	38,538,413	42,004,050
Other	2,026,938	1,219,650
	41,947,259	47,786,442
	$68,788,784	$78,240,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable (including $670,000 payable to Bull Run Corporation at December 31, 1995)	$2,114,008	$3,752,742
Employee compensation and benefits	3,150,154	4,213,639
Accrued expenses	512,483	560,877
Accrued interest	985,955	1,064,491
Current portion of program broadcast obligations	1,687,481	1,205,784
Current portion of long term debt	1,293,481	2,861,672
Total current liabilities	9,743,562	13,659,205
Long-term debt (NOTE C)	51,646,265	51,462,645
Other long-term liabilities:		
Program broadcast obligations, less current portion	54,489	109,971
Supplemental employee benefits (NOTE D)	2,343,379	2,212,685
Deferred income taxes (NOTE F)	-0-	201,348
Other acquisition related liabilities (NOTES B AND C)	-0-	1,609,026
	2,397,868	4,133,030
Commitments and contingencies (NOTES B, C AND H)		
Stockholders' equity (NOTES B, C AND E)		
Class A Common Stock, no par value; authorized 10,000,000 shares; issued 4,841,785 and 5,082,756 shares, respectively	3,393,747	6,795,976
Retained earnings	8,245,626	8,827,906
	11,639,373	15,623,882
Treasury Stock, 663,180 shares, at cost	(6,638,284)	(6,638,284)
	5,001,089	8,985,598
	$68,788,784	$78,240,478

See accompanying notes.

GRAY COMMUNICATIONS SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31, 1993	1994	1995
Operating revenues:			
Broadcasting (less agency commissions)	$15,003,752	$22,826,392	$36,750,035
Publishing	10,109,368	13,692,073	21,866,220
	25,113,120	36,518,465	58,616,255
Expenses:			
Broadcasting	10,028,837	14,864,011	23,201,990
Publishing	7,662,127	11,198,011	20,016,137
Corporate and administrative	2,326,691	1,958,449	2,258,261
Depreciation	1,387,698	1,745,293	2,633,360
Amortization of intangible assets	177,063	396,342	1,325,526
Non-cash compensation paid in common stock (NOTE D)	-0-	80,000	2,321,250
	21,582,416	30,242,106	51,756,524
	3,530,704	6,276,359	6,859,731
Miscellaneous income, net	202,465	188,307	143,612
	3,733,169	6,464,666	7,003,343
Interest expense	984,706	1,922,965	5,438,374
Income from continuing operations before income taxes	2,748,463	4,541,701	1,564,969
Federal and state income taxes (NOTE F)	1,068,000	1,776,000	634,000
INCOME FROM CONTINUING OPERATIONS	1,680,463	2,765,701	930,969
Discontinued business (NOTE I):			
Income from operations of discontinued business, net of applicable income tax expense of $30,000	48,174	-0-	-0-
Gain on disposal of discontinued business, net of applicable income tax expense of $501,000	817,717	-0-	-0-
NET EARNINGS	$2,546,354	$2,765,701	$930,969
Average outstanding common shares	4,610,625	4,689,453	4,481,317
Earnings per common share			
Continuing operations	$.36	$.59	$.21
Discontinued operations	.01	-0-	-0-
Gain on disposal of discontinued operations	.18	-0-	-0-
NET EARNINGS PER COMMON SHARE	$.55	$.59	$.21

See accompanying notes.

GRAY COMMUNICATIONS SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	CLASS A COMMON STOCK		RESTRICTED STOCK	TREASURY STOCK		RETAINED	
	SHARES	AMOUNT	DEFERRALS	SHARES	AMOUNT	EARNINGS	TOTAL
Balance at December 31, 1992	4,610,625	$1,307,071	$-0-	-0-	$-0-	$3,542,901	$4,849,972
Net income	-0-	-0-	-0-	-0-	-0-	2,546,354	2,546,354
Cash dividends ($.07 per share)	-0-	-0-	-0-	-0-	-0-	(307,376)	(307,376)
Issuance of Common Stock- Directors' Stock Plan (NOTE E)	3,000	29,000	-0-	-0-	-0-	-0-	29,000
Balance at December 31, 1993	4,613,625	1,336,071	-0-	-0-	-0-	5,781,879	7,117,950
Net income	-0-	-0-	-0-	-0-	-0-	2,765,701	2,765,701
Cash dividends ($.07 share)	-0-	-0-	-0-	-0-	-0-	(301,954)	(301,954)
Purchase of Common Stock (NOTE E)	-0-	-0-	-0-	(663,180)	(6,638,284)	-0-	(6,638,284)
Issuance of Common Stock (NOTES B AND G):							
401(k) Plan	3,160	32,676	-0-	-0-	-0-	-0-	32,676
Rockdale Acquisition	225,000	2,025,000	-0-	-0-	-0-	-0-	2,025,000
Balance at December 31, 1994	4,841,785	3,393,747	-0-	(663,180)	(6,638,284)	8,245,626	5,001,089
Net income	-0-	-0-	-0-	-0-	-0-	930,969	930,969
Cash dividends ($.08 share)	-0-	-0-	-0-	-0-	-0-	(348,689)	(348,689)
Issuance of Common Stock (NOTES B, D, E, AND G):							
401(k) Plan	18,354	298,725	-0-	-0-	-0-	-0-	298,725
Directors' Stock Plan	23,500	238,919	-0-	-0-	-0-	-0-	238,919
Non-qualified Stock Plan	5,000	48,335	-0-	-0-	-0-	-0-	48,335
Gwinnett Acquisition	44,117	500,000	-0-	-0-	-0-	-0-	500,000
Restricted Stock Plan	150,000	2,081,250	(2,081,250)	-0-	-0-	-0-	-0-
Amortization of Restricted Stock Plan deferrals	-0-	-0-	2,081,250	-0-	-0-	-0-	2,081,250
Income tax benefits relating to stock plans	-0-	235,000	-0-	-0-	-0-	-0-	235,000
Balance at December 31, 1995	5,082,756	$6,795,976	$-0-	(663,180)	$(6,638,284)	$8,827,906	$8,985,598

See accompanying notes.

GRAY COMMUNICATIONS SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1993	1994	1995
OPERATING ACTIVITIES			
Net income	$2,546,354	$2,765,701	$930,969
Items which did not use (provide) cash:			
Depreciation	1,612,040	1,745,293	2,633,360
Amortization of intangible assets	177,063	396,342	1,325,526
Amortization of program broadcast rights	924,878	1,217,976	1,647,035
Payments for program broadcast rights	(976,150)	(1,181,598)	(1,776,796)
Compensation paid in Common Stock	-0-	80,000	2,321,250
Supplemental employee benefits	(608,729)	(454,703)	(370,694)
Common Stock contributed to 401(k) Plan	-0-	32,676	298,725
Deferred income taxes	196,000	523,000	863,000
(Gain) loss on asset sales	(52,819)	(21,419)	1,652
Changes in operating assets and liabilities:			
Trade accounts receivable	(116,526)	(1,444,159)	(852,965)
Recoverable income taxes	(1,066,422)	589,942	(1,347,007)
Inventories	(92,526)	(179,930)	(181,034)
Other current assets	(352,174)	(24,361)	(11,208)
Trade accounts payable	701,556	(306,493)	1,441,745
Employee compensation and benefits	10,755	1,246,726	1,011,667
Accrued expenses	(163,458)	(45,335)	(414,087)
Accrued interest	(97,419)	858,164	78,536
Reduction in value of net assets of discontinued business	1,135,394	-0-	-0-
Gain on disposal of warehouse operations	(2,454,111)	-0-	-0-
Net cash provided by operating activities	1,323,706	5,797,822	7,599,674
INVESTING ACTIVITIES			
Acquisitions of newspaper businesses	-0-	(3,442,836)	(2,084,621)
Acquisition of television business	(1,505,655)	(37,492,643)	-0-
Purchases of property and equipment	(2,582,225)	(1,767,800)	(3,279,721)
Proceeds from asset sales	3,076,764	103,434	2,475
Deferred acquisition costs	-0-	-0-	(3,330,481)
Deferred loan costs	-0-	(1,251,287)	-0-
Proceeds from disposals of operating units	2,922,893	1,222,697	-0-
Other	1,150,104	(141,767)	(236,904)
Net cash provided by (used in) investing activities	3,061,881	(42,770,202)	(8,929,252)
FINANCING ACTIVITIES			
Proceeds from borrowings:			
Short-term debt	650,000	-0-	1,200,000
Long-term debt	-0-	55,826,260	2,950,000
Repayments of borrowings:			
Short-term debt	(170,000)	(480,000)	(1,200,000)
Long-term debt	(5,133,349)	(11,206,281)	(1,792,516)
Dividends paid	(307,376)	(301,954)	(348,689)
Common Stock transactions	29,000	(6,638,284)	522,254
Net cash provided by (used in) financing activities	(4,931,725)	37,199,741	1,331,049
Increase (decrease) in cash and cash equivalents	(546,138)	227,361	1,471
Cash and cash equivalents at beginning of year	877,297	331,159	558,520
Cash and cash equivalents at end of year	$331,159	$558,520	$559,991

See accompanying notes.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

The Company's operations, which are located in six southeastern states, include six television stations, three daily newspapers, and six area weekly advertising only direct mail publications.

PRINCIPLES OF CONSOLIDATION

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

REVENUE RECOGNITION

The Company recognizes revenues as services are performed.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories, principally newsprint and supplies, are stated at the lower of cost or market. The Company uses the last-in, first-out ("LIFO") method of determining costs for substantially all of its inventories. Current cost exceeded the LIFO value of inventories by approximately $36,000 and $170,000 at December 31, 1994 and 1995, respectively.

PROGRAM BROADCAST RIGHTS

Rights to programs available for broadcast are initially recorded at the amounts of total license fees payable under the license agreements and are charged to operating expense on the basis of total programs available for use on the straight-line method. 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 program broadcast rights is classified as current or long-term, in accordance with the payment terms of the various licenses. The liability is not discounted for imputation of interest.

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.

INTANGIBLE ASSETS

Intangible assets are stated at cost, and with the exception of goodwill acquired prior to November 1, 1970 (approximately $2.47 million at December 31, 1994 and 1995), are amortized using the straight-line method. Goodwill is amortized over 40 years. Loan acquisition fees are amortized over the life of the applicable indebtedness. Non-compete agreements are amortized over the life of the specific agreement. Accumulated amortization of intangible assets resulting from business acquisitions was $0.4 million and $1.7 million as of December 31, 1994 and 1995, respectively.

If facts and circumstances indicate that the goodwill may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with this asset would be compared to its carrying amount to determine if a write down to fair market value or discounted cash flow value is required.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

Deferred income taxes are provided on the differences between the financial statement and income tax basis of assets and liabilities. The Company and its subsidiaries file a consolidated federal income tax return and separate state and local tax returns.

CAPITAL STOCK

The Company has authorized 10 million shares of Class B Common Stock and 20 million shares of Preferred Stock, none of which have been issued at December 31, 1995. All references made to Common Stock in the December 31, 1995 Audited Consolidated Financial Statements of the Company and the Notes thereto refer to the Company's Class A Common Stock.

On August 17, 1995, the Board of Directors declared a 50% stock dividend on the Company's Common Stock payable October 2, 1995 to stockholders of record on September 8, 1995 to effect a three for two stock split. All applicable share and per share data have been adjusted to give effect to the stock split.

EARNINGS PER COMMON SHARE

Earnings per common share are based on the weighted average common and common equivalent shares outstanding during the period determined using the treasury stock method. Common equivalent shares are attributable to a Common Stock award to be paid in 1999 and outstanding stock options (SEE NOTES D AND E).

STOCK OPTION 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 stock options. Under APB 25, if the exercise price of the stock options granted by the Company equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

CONCENTRATION OF CREDIT RISK

The Company provides 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.

INTEREST SWAP

The Company has entered into an interest rate swap agreement to modify the interest characteristics of a portion of its outstanding debt (see Note C). The agreement involves the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates over the life of the agreement without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the debt (the accrual accounting method). The related amount payable to or receivable from counter-parties is included in other liabilities or assets. The fair value of the swap agreement is not recognized in the financial statements. In the event of the early extinguishment of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income coincident with the extinguishment.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has adopted FASB Statement No. 107, DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS, which requires disclosure of fair value, to the extent practical, of certain of the Company's financial instruments. The fair value amounts do not necessarily represent the amount that could be realized in a sale or settlement. The Company's financial instruments are comprised principally of an interest rate swap and long-term debt.

The estimated fair value of long-term bank debt at December 31, 1995 approximated book value since, in management's opinion, such obligations are subject to fluctuating market rates of interest and can be settled at their

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

face amounts. The fair value of the Senior Note at December 31, 1995 was estimated by management to be its carrying value at that date. The Company amended its Senior Note at January 4, 1996 and among other things, changed its effective interest rate. 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 values due to the short-term maturities of these instruments.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In March 1995, the FASB issued Statement No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF ("Statement 121"), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. Statement 121 also addresses the accounting for long-lived assets which are expected to be disposed. The Company does not believe that the adoption of Statement 121 will have a material impact on the Company's financial position.

RECLASSIFICATIONS

Certain amounts in the accompanying consolidated financial statements have been reclassified to conform to the 1995 format.

B. BUSINESS ACQUISITIONS

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

PENDING ACQUISITIONS

In December 1995, the Company agreed to acquire certain assets owned by John H. Phipps, Inc. ("Phipps"). The assets include WCTV-TV, the CBS network affiliate serving the Tallahassee, Florida and Thomasville, Georgia television market, WKXT-TV, the CBS network affiliate in Knoxville, Tennessee, and a communications and paging business located in three southeastern states. The purchase price is estimated at approximately $185.0 million. The transaction, which is expected to close in 1996, is subject to approval by the appropriate regulatory agencies. If approved, the Company will be required to divest of certain of its broadcasting operations due to a signal overlap with WCTV, unless the rules of the Federal Communications Commission are modified to permit common ownership of television stations with overlapping signals.

The Company plans to fund the costs of this acquisition through the issuance of debt and equity securities. Additionally, the Company will amend or replace its existing bank credit facilities.

In connection with this acquisition, a bank has provided a $10.0 million letter of credit to Phipps on behalf of the Company. The letter of credit will be payable under certain conditions if this acquisition is not completed. In connection with the issuance of the letter of credit, a stockholder of the Company has executed a put agreement which the bank can exercise if the Company defaults on repayment of any amounts that might be paid in accordance with the terms of the letter of credit.

In connection with the proposed acquisition of assets owned by Phipps, the Company's Board of Directors has agreed to pay Bull Run Corporation ("Bull Run"), a stockholder, a finder's fee equal to 1% of the proposed purchase price for services performed, of which $550,000 was due and included in accounts payable at December 31, 1995.

On January 4, 1996, the Company purchased substantially all of the assets of WRDW-TV, a CBS television affiliate serving the Augusta, Georgia television market (the "Augusta Acquisition"). The purchase price of approximately $35.9 million, excluding assumed liabilities of approximately $4.0 million, was financed primarily through long-term

B. BUSINESS ACQUISITIONS (CONTINUED)

borrowings. The assets acquired consisted of office equipment and broadcasting operations located in North Augusta, South Carolina. Based on a preliminary allocation of the purchase price, the excess of the purchase price over the fair value of net tangible assets acquired was approximately $32.4 million. In connection with the Augusta Acquisition, the Company's Board of Directors approved the payment of a $360,000 finder's fee to Bull Run.

Funds for the Augusta Acquisition were obtained from the sale to Bull Run of an 8% subordinated note due January 3, 2005 in principal amount of $10.0 million (the "Subordinated Note"). In connection with the sale of the Subordinated Note, the Company also issued warrants to Bull Run to purchase 487,500 shares of Common Stock at $17.88 per share, 300,000 of which are currently vested, with the remaining warrants vesting in five equal installments commencing in 1997 provided that the Subordinated Note is outstanding. The warrants may not be exercised prior to January 3, 1998 and expire in January 2006. The Company modified its existing bank debt to a variable rate reducing revolving credit facility providing a credit line of $55.0 million (see Note C). The outstanding credit facility balance subsequent to the Augusta Acquisition was approximately $54.0 million; including $28.4 million, which was outstanding under the credit facility at December 31, 1995, $25.2 million used for the Augusta Acquisition, and $425,000 used for the Company's working capital. The transaction also required a modification of the interest rate of the Company's $25.0 million senior secured note with an institutional investor (the "Senior Note") from 10.08% to 10.7%.

An unaudited pro forma balance sheet as of December 31, 1995 and income statements for the years ended December 31, 1994 and 1995 are presented below giving effect to the Augusta Acquisition as though it had occurred on January 1, 1994.

Pro forma December 31, 1995 balance sheet (in thousands):

	GRAY	AUGUSTA ACQUISITION	PRO FORMA ADJUSTMENTS	ADJUSTED PRO FORMA
			(Unaudited)	
Current assets	$13,437	$3,061	$(594)	$15,904
Property and equipment	17,017	1,778	402	19,197
Goodwill and other intangibles	46,566	4,129	26,152	76,847
Other long-term assets	1,220	2,571	(2,518)	1,273
	$78,240	$11,539	$23,442	$113,221
Current liabilities	$13,659	$1,131	$(41)	$14,749
Long-term debt	51,462	-0-	33,729	85,191
Other long-term liabilities	4,133	2,680	(2,518)	4,295
Stockholders' equity	8,986	7,728	(7,728)	8,986
	$78,240	$11,539	$23,442	$113,221

These pro forma unaudited results of operations do not purport to represent what the Company's actual results of operations would have been if the Augusta Acquisition had occurred on January 1, 1994, 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

B. BUSINESS ACQUISITIONS (CONTINUED)

certain assumptions that management believes are reasonable under the circumstances at this time. Subsequent adjustments are expected upon final determination of the allocation of the purchase price. Pro forma statement of operations for the year ended December 31, 1994 are as follows (in thousands, except per share data):

	GRAY	AUGUSTA ACQUISITION	PRO FORMA ADJUSTMENTS	ADJUSTED PRO FORMA
			(Unaudited)	
Revenues, net	$36,518	$8,046	$255	$44,819
Expenses	30,242	5,854	935	37,031
	6,276	2,192	(680)	7,788
Miscellaneous income (expense), net	189	(55)	90	224
Interest expense	1,923	-0-	3,156	5,079
	4,542	2,137	(3,746)	2,933
Income tax expense (benefit)	1,776	-0-	(603)	1,173
NET EARNINGS	$2,766	$2,137	$(3,143)	$1,760
Average shares outstanding	4,689			4,689
Earnings per share	$.59			$.38

Pro forma statement of operations for the year ended December 31, 1995 are as follows (in thousands, except per share data):

	GRAY	AUGUSTA ACQUISITION	PRO FORMA ADJUSTMENTS	ADJUSTED PRO FORMA
			(Unaudited)	
Revenues, net	$58,616	$8,660	$227	$67,503
Expenses	51,756	6,198	944	58,898
	6,860	2,462	(717)	8,605
Miscellaneous income (expense), net	143	(220)	128	51
Interest expense	5,438	-0-	3,355	8,793
	1,565	2,242	(3,944)	(137)
Income tax expense (benefit)	634	-0-	(675)	(41)
NET EARNINGS (LOSS)	$931	$2,242	$(3,269)	$(96)
Average shares outstanding	4,481			4,354
Earnings (loss) per share	$.21			$(.02)

The pro forma results presented above include adjustments to reflect (i) the reclassification of national representative commissions as an expense consistent with the presentation of the Company, (ii) the incurrence of interest expense to fund the Augusta Acquisition, (iii) depreciation and amortization of assets acquired, and (iv) the income tax effect of such pro forma adjustments and income taxes on the earnings of the Augusta Acquisition. With respect to the Augusta Acquisition, the pro forma adjustments are based upon a preliminary allocation of the purchase price.

1995 ACQUISITIONS

On January 6, 1995, the Company purchased substantially all of the assets of The Gwinnett Post-Tribune and assumed certain liabilities (the "Gwinnett Acquisition"). The assets consisted of office equipment and publishing operations located in Lawrenceville, Georgia. The purchase price of approximately $3.7 million, including assumed liabilities of approximately $370,000, was paid by approximately $1.2 million in cash (financed through long-term

B. BUSINESS ACQUISITIONS (CONTINUED)

borrowings and cash from operations), issuance of 44,117 shares of the Company's Common Stock (having fair value of $500,000), and $1.5 million payable to the sellers pursuant to non-compete agreements. The excess of the purchase price over the fair value of net tangible assets acquired was approximately $3.4 million. In connection with the Gwinnett Acquisition, the Company's Board of Directors approved the payment of a $75,000 finder's fee to Bull Run. Pro forma results of the Gwinnett Acquisition have not been presented as the effect on prior periods is not significant.

On September 1, 1995, the Company purchased substantially all of the assets of three area weekly advertising only direct mail publications, and assumed certain liabilities (the "Tallahassee Acquisition"). The tangible assets acquired consist of land and office buildings, office equipment, mechanical equipment and automobiles used in operations located in southwest Georgia and north Florida. The purchase price of approximately $1.4 million consisted of $833,000 in cash and approximately $583,000 in assumed liabilities. The excess of the purchase price over the fair value of net tangible assets acquired was approximately $934,000. Pro forma results giving effect to the Tallahassee Acquisition have not been presented as the effect on prior periods is not significant.

1994 ACQUISITIONS

On September 2, 1994, the Company purchased substantially all of the assets of Kentucky Central Television, Inc. ("Kentucky Central") and assumed certain of its liabilities (the "Kentucky Acquisition"). Kentucky Central operated two television stations, WKYT located in Lexington, Kentucky and WYMT located in Hazard, Kentucky, both of which are affiliates of the CBS television network. The purchase price of approximately $38.1 million, excluding acquisition costs of approximately $2.1 million and assumed liabilities of approximately $2.3 million, was financed primarily through long-term borrowings. The excess of the purchase price over the fair value of net tangible assets acquired was approximately $31.4 million.

On May 31, 1994, the Company purchased substantially all of the assets of Citizens Publishing Company, Inc. and assumed certain of its liabilities (the "Rockdale Acquisition"). The acquired assets consist of land and an office building located in Conyers, Georgia, containing The Rockdale Citizen newspaper and other assets relating to the newspaper publishing business. The purchase price of approximately $4.8 million consisted of a $2.8 million cash payment financed through long-term bank borrowings, and 225,000 shares of the Company's Common Stock (with a fair value of $2.0 million at the closing date). The excess of the purchase price over the fair value of net tangible assets acquired was approximately $4.0 million.

On October 18, 1994, the Company purchased substantially all of the assets of four area weekly advertising only direct mail publications and assumed certain of their liabilities. The assets consist of land and an office building, office equipment, automobiles, and publishing operations located in southwest Georgia. The purchase price of approximately $1.5 million consisted of a $545,000 cash payment and approximately $1.0 million financed by the sellers. The excess of the purchase price over the fair value of net tangible assets acquired was approximately $1.2 million. Pro forma results giving effect to this acquisition have not been presented as the effect on prior periods is not significant.

Unaudited pro forma statements of income from continuing operations for the years ended December 31, 1993 and 1994, are presented below, giving effect to the Rockdale Acquisition and the Kentucky Acquisition (collectively the "1994 Acquisitions") as though they had occurred on January 1, 1993.

These pro forma unaudited results of operations do not purport to represent what the Company's actual results of operations would have been if the 1994 Acquisitions had occurred on January 1, 1993, and should not serve as a

B. BUSINESS ACQUISITIONS (CONTINUED)

forecast of the Company's operating results for any future periods. The pro forma adjustments are based upon certain assumptions that management believes are reasonable under the circumstances. The unaudited pro forma results of continuing operations are as follows (in thousands, except per share data):

	YEAR ENDED DECEMBER 31, 1993				
	GRAY	KENTUCKY ACQUISITION	ROCKDALE ACQUISITION	PRO FORMA ADJUSTMENTS	ADJUSTED PRO FORMA
			(UNAUDITED)		
Operating revenues	$25,113	$14,526	$2,660	$-0-	$42,299
Operating expenses	21,582	10,827	2,646	877	35,932
Operating income	3,531	3,699	14	(877)	6,367
Miscellaneous income, net	202	219	-0-	-0-	421
	3,733	3,918	14	(877)	6,788
Interest expense	985	4	9	3,187	4,185
Income from continuing operations before income taxes	2,748	3,914	5	(4,064)	2,603
Income tax expense (benefit)	1,068	1,326	-0-	(1,405)	989
Income from continuing operations	$1,680	$2,588	$5	$2,659	$1,614
Average shares outstanding	4,611				4,836
Earnings per common share from continuing operations	$.36				$.33

	YEAR ENDED DECEMBER 31, 1994				
	GRAY	KENTUCKY ACQUISITION	ROCKDALE ACQUISITION	PRO FORMA ADJUSTMENTS	ADJUSTED PRO FORMA
			(UNAUDITED)		
Operating revenues	$36,518	$10,237	$980	$-0-	$47,735
Operating expenses	30,242	7,382	930	559	39,113
Operating income	6,276	2,855	50	(559)	8,622
Miscellaneous income, net	189	19	-0-	-0-	208
	6,465	2,874	50	(559)	8,830
Interest expense	1,923	-0-	4	2,412	4,339
Income from continuing operations before income taxes	4,542	2,874	46	(2,971)	4,491
Income tax expense (benefit)	1,776	237	-0-	(208)	1,805
Net income from continuing operations	$2,766	$2,637	$46	$(2,763)	$2,686
Average shares outstanding	4,689				4,780
Earnings per common share from continuing operations	$.59				$.56

The pro forma results presented above include adjustments to reflect (i) the incurrence of interest expense to fund the 1994 Acquisitions, (ii) depreciation and amortization of assets acquired, and (iii) the income tax effect of such pro forma adjustments. Average outstanding shares used to calculate earnings per share from continuing operations for 1994 and 1993 include the 225,000 shares issued in connection with the Rockdale Acquisition.

C. LONG-TERM DEBT

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

	DECEMBER 31, 1994	DECEMBER 31, 1995
Senior Note	$25,000	$25,000
Bank Loan	26,926	28,375
Other	1,013	950
	52,939	54,325
Less current portion	(1,293)	(2,862)
	$51,646	$51,463

On September 2, 1994, the Company issued through a private placement with an institutional investor, a $25.0 million 9.33% note (the "Senior Note"). The Senior Note provides for semi-annual principal payments of $2.5 million beginning March 1999. Interest is payable semi-annually in arrears and the Senior Note, as amended on January 4, 1996, bears interest at 10.7% (see Note B). The agreement pursuant to which the Senior Note was issued contains certain restrictive provisions, which, among other things, limit capital expenditures and additional indebtedness, and require minimum levels of net worth and cash flows.

On September 2, 1994, the Company entered into a bank term loan agreement (the "Bank Loan") which provided for borrowings of approximately $21.4 million. On November 30, 1994, the Bank Loan was amended to provide for additional borrowings of $6.7 million which were used to purchase 663,180 shares of the Company's Common Stock (SEE NOTE E). The Bank Loan, as amended on January 4, 1996, bears interest, at the Company's option, at a spread over LIBOR, or at a spread over the bank's prime rate (8.96% at January 4, 1996) (see Note B). The Bank Loan is due in varying, quarterly principal payments of $750,000 to $2.0 million through September 2002 with two quarterly installments of $7 million payable starting December 2002. The Bank Loan provides for an annual loan prepayment based on the Company's cash flow as defined by the Bank Loan. Additionally, the effective interest rate of the Bank Loan can be changed based upon the Company's maintenance of certain operating ratios as defined by the Bank Loan, not to exceed the bank's prime rate plus 1.25% or LIBOR plus 3.5%. The Bank Loan contains restrictive provisions similar to the provisions of the Senior Note.

The Senior Note and the Bank Loan are secured by substantially all of the Company's existing and hereafter acquired assets.

The Company entered into a five year interest rate swap agreement on June 2, 1995, to effectively convert a portion of its floating rate debt to a fixed rate basis. Approximately $25.0 million of the Company's outstanding debt under the Bank Loan was subject to this interest rate swap agreement at December 31, 1995. The effective rate of the Bank Loan and interest rate swap at December 31, 1995, was approximately 8.64% and 9.10%, respectively. The unrealized loss for the interest rate swap was approximately $565,000 at December 31, 1995, based upon comparison to treasury bond yields for bonds with similar maturity dates as the interest rate swap.

At December 31, 1995, retained earnings of approximately $500,000 were available for dividends.

C. LONG-TERM DEBT (CONTINUED)

Aggregate minimum principal maturities on long-term debt as of December 31, 1995, were as follows (in thousands):

1996	$2,862
1997	5,039
1998	6,634
1999	12,615
2000	11,303
Thereafter	15,872
	$54,325

The Company made interest payments of approximately $902,000, $1.2 million and $5.4 million during 1993, 1994 and 1995, respectively.

D. SUPPLEMENTAL EMPLOYEE BENEFITS AND OTHER AGREEMENTS

The Company has an employment agreement with its President which provides him 122,034 shares of the Company's Common Stock if his employment with the Company continues until September 1999. The Company will recognize approximately $1.2 million of compensation expense for this award over the five year period ending in 1999 ($80,000 and $240,000 of expense was recorded in 1994 and 1995, respectively).

Pursuant to the terms of his employment agreement, Mr. Williams was awarded an aggregate of 150,000 shares of Class A Common Stock in three separate grants (the "Common Stock Award") based upon the Class A Common Stock attaining certain designated values. Upon Mr. Williams' resignation from the Company in December 1995, the Company entered into a separation agreement with him, which provided, among other things, for the payment of $596,000 over a two-year period ending November 1997 as consideration for consulting services, Mr. Williams' resignation and certain non-compete and confidentiality agreements. The Company has recorded approximately $596,000 of corporate and administrative expenses during the year ended December 31, 1995 in accordance with the terms of the separation agreement. In addition, the separation agreement provided for the removal of the restrictions on the Common Stock Award and such Common Stock Award became fully vested. Compensation expense of approximately $2.1 million (including $865,000 during the quarter ended December 31, 1995), was recognized in 1995 for the Common Stock Award.

The Company has entered into supplemental retirement benefit agreements with certain key employees. These benefits are to be paid in equal monthly amounts over the employees' life for a period not to exceed 15 years after retirement. The Company charges against operations amounts sufficient to fund the present value of the estimated lifetime supplemental benefit over each employee's anticipated remaining period of employment. The Company maintains life insurance coverage on these individuals (with a cash surrender value of approximately $280,000 at December 31, 1995) in adequate amounts to fund the agreements.

The following summarizes activity relative to certain officers' agreements and the supplemental employee benefits (in thousands):

	DECEMBER 31,		
	1993	1994	1995
Beginning liability	$3,495	$2,960	$2,518
Provision	166	184	976
Forfeitures	(399)	(266)	(169)
Net (income) expense	(233)	(82)	807
Payments	(302)	(360)	(387)
Net change	(535)	(442)	420
Ending liability	2,960	2,518	2,938
Less current portion	(162)	(175)	(725)
	$2,798	$2,343	$2,213

E. STOCKHOLDERS' EQUITY

The Company has a Stock Purchase Plan which allows outside directors to purchase up to 7,500 shares of the Company's Common Stock directly from the Company before the end of January following each calendar year. The purchase price per share approximates the market price of the Common Stock at the time of the grant. During 1993, 1994 and 1995, certain directors purchased an aggregate of 3,000, -0- and 23,500 shares of Common Stock, respectively, under this plan.

The Company has a long-term incentive plan (the "Incentive Plan") under which 600,000 shares of the Company's Common Stock are reserved for grants to key personnel for (i) incentive stock options, (ii) non-qualified stock options, (iii) stock appreciation rights, (iv) restricted stock and (v) performance awards, as defined by the Incentive Plan. 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 vest after a two year period and expire three years after full vesting. Options granted through December 31, 1995, have been granted at a price which approximates fair market value on the date of the grant.

	EXERCISE PRICE PER SHARE	
	$9.67	$13.33
Stock options granted on November 18, 1993	92,250	-0-
Forfeitures	(3,000)	-0-
Stock options outstanding at December 31, 1993	89,250	-0-
Options granted	73,559	-0-
Forfeitures	(16,500)	-0-
Stock options outstanding at December 31, 1994	146,309	-0-
Options granted	-0-	58,050
Options exercised	(5,000)	-0-
Forfeitures	(14,250)	(3,900)
Stock options outstanding at December 31, 1995	127,059	54,150

At December 31, 1995, 56,500 of the $9.67 options issued in 1993 were exercisable.

On December 1, 1994, the Company repurchased 663,180 shares of its Common Stock at a price of $10.00 per share for a total purchase price before expenses, of $6.63 million. The trading value of the Common Stock on the NASDAQ Small Cap Issues Market was $10.83 on December 1, 1994. The Common Stock was purchased from The Prudential Insurance Company of America and Sandler Associates (420,000 and 243,180 shares, respectively). The purchase was funded by a bank loan (SEE NOTE C).

F. INCOME TAXES

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

F. INCOME TAXES (CONTINUED)

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

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
Current			
Federal	$982	$1,093	$(253)
State	181	160	24
Deferred	436	523	863
	$1,599	$1,776	$634

The total provision for income taxes for 1993 included $531,000 for discontinued operations.

The components of deferred income tax expense for federal and state and local income taxes resulted from the following (in thousands):

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
Accelerated depreciation for tax purposes	$50	$19	$349
Accelerated amortization for tax purposes	-0-	164	726
Employee benefits and other agreements	181	96	(150)
Temporary difference related to loss on sales of assets	174	248	-0-
Excess of book over tax deductions for lease	7	91	-0-
Other	24	(95)	(62)
	$436	$523	$863

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

	DECEMBER 31,		
	1993	1994	1995
Deferred tax liabilities:			
Net book value of property and equipment	$704	$723	$1,069
Goodwill	-0-	164	890
Other	120	120	120
Total deferred tax liabilities	824	1,007	2,079
Deferred tax assets:			
Liability under supplemental retirement plan	1,125	1,029	1,127
Allowance for doubtful accounts	168	335	195
Difference in basis of assets held for sale	1,189	941	941
Other	135	117	368
Total deferred tax assets	2,617	2,422	2,631
Valuation allowance for deferred tax assets	(753)	(753)	(753)
Net deferred tax assets	1,864	1,669	1,878
Deferred tax assets (liabilities)	$1,040	$662	$(201)

F. INCOME TAXES (CONTINUED)

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

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
Statutory rate applied to income	$1,409	$1,544	$532
State and local taxes, net of federal tax benefits	164	195	91
Other items, net	26	37	11
	$1,599	$1,776	$634

The Company made income tax payments of approximately $2.1 million, $1.5 million and $742,000 during 1993, 1994 and 1995, respectively. At December 31, 1995, the Company had current recoverable income taxes of approximately $1.3 million.

G. RETIREMENT PLANS

PENSION PLAN

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

The net pension expense includes the following (in thousands):

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
Service costs-benefits earned during the year	$224	$204	$221
Interest cost on projected benefit obligation	374	359	384
Actual return on plan assets	(377)	(91)	(655)
Net amortization and deferral	(63)	(338)	187
Net pension expense	$158	$134	$137
Assumptions:			
Discount rate	8.0%	7.0%	8.0%
Expected long-term rate of return on assets	8.0%	7.0%	8.0%
Estimated rate of increase in compensation levels	6.0%	5.0%	6.0%

G. RETIREMENT PLANS (CONTINUED)

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

	DECEMBER 31, 1994	DECEMBER 31, 1995
Actuarial present value of accumulated benefit obligation is as follows:		
Vested	$4,452	$5,308
Other	66	135
	$4,518	$5,443
Plan assets at fair value, primarily mutual funds and an unallocated insurance contract	$5,307	$5,680
Projected benefit obligation	(5,015)	(5,904)
Plan assets in excess of (less than) projected benefit obligation	292	(224)
Unrecognized net (gain) loss	(135)	190
Unrecognized net asset	(409)	(355)
Pension liability included in consolidated balance sheet	$(252)	$(389)
Assumptions:		
Discount rate	8.0%	7.0%
Estimated rate of increase in compensation levels	6.0%	5.0%

Effective December 31, 1995, the Company changed certain assumptions utilized in the actuarially computed costs and liabilities. The effect of such changes was to increase the present value of the projected benefit obligations by approximately $613,000.

CAPITAL ACCUMULATION PLAN

Effective October 1, 1994, the Company adopted the Gray Communications Systems, Inc. Capital Accumulation Plan (the "Capital Accumulation Plan") for the purpose of providing 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.

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 is made by a contribution of the Company's Common Stock, in an amount declared by the Company's Board of Directors before the beginning of each plan year. The Company's percentage match was 50% for both the year ended December 31, 1995 and the three months ended December 31, 1994. The Company contributions vest, based upon each employee's number of years of service, over a period not to exceed five years. The Company has reserved 150,000 shares of its Common Stock for issuance under the Capital Accumulation Plan.

Company matching contributions aggregating $32,676 and $298,725 were charged to expense for 1994 and 1995, respectively, for the issuance of 3,160 and 18,354 shares, respectively of the Company's Common Stock.

H. COMMITMENTS AND CONTINGENCIES

The Company has various operating lease commitments for equipment, land and office space which expire through the year 2027. Future minimum payments under operating leases with initial or remaining non-cancelable lease terms in excess of one year are not material.

H. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company has entered into commitments for various television film exhibition rights for which the license periods have not yet commenced. Obligations under these commitments are payable in the following years:

1996	$491,360
1997	1,431,983
1998	1,351,273
1999	1,133,860
2000	456,733
	$4,865,209

The Company is subject to legal proceedings and claims which 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.

I. DISCONTINUED OPERATIONS

On April 13, 1994, the Company completed the sale of the assets of Gray Air Service (an operation discontinued in 1993) for approximately $1.2 million, and used the proceeds to reduce the Company's outstanding debt. During the year ended December 31, 1993, the Company sold its investment in undeveloped farmland, another asset held for sale, for approximately $2.0 million.

On March 31, 1993, the Company completed the sale of its warehouse operations to Gray Distribution Services, Inc., a Georgia corporation, owned by a former director and officer of the Company. The net sales price of approximately $2.9 million was paid in cash at the date of closing. The Company recognized a gain of approximately $1.5 million, net of income tax expense of approximately $932,000, relative to the disposal of the warehouse operations. A special independent committee of the Company's Board of Directors approved the terms and conditions of the sale.

The following summarizes information relative to the discontinued business segment for the year ended December 31, 1993 (in thousands):

Operating revenues	$1,695
Operating earnings	$100
Net earnings	$48

J. INFORMATION ON BUSINESS SEGMENTS

The Company operates in two business segments: broadcasting and publishing. A transportation segment was discontinued in 1993 (see Note I). The broadcasting segment operates five television stations at December 31, 1995. The Publishing segment operates three daily newspapers in three different markets, and six area weekly advertising only direct mail publications in southwest Georgia and north Florida. The following tables present certain financial information concerning the Company's two operating segments and its discontinued segment (in thousands).

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
OPERATING REVENUE			
Broadcasting	$15,004	$22,826	$36,750
Publishing	10,109	13,692	21,866
	$25,113	$36,518	$58,616

J. INFORMATION ON BUSINESS SEGMENTS (CONTINUED)

	YEAR ENDED DECEMBER 31, 1993	1994	1995
OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS			
Broadcasting	$2,491	$5,241	$7,822
Publishing	1,040	1,036	(962)
Total operating profit from continuing operations	3,531	6,277	6,860
Miscellaneous income and expense, net	202	188	144
Interest expense	(985)	(1,923)	(5,439)
Income from continuing operations before income taxes	$2,748	$4,542	$1,565

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

	YEAR ENDED DECEMBER 31, 1993	1994	1995
DEPRECIATION AND AMORTIZATION EXPENSE			
Broadcasting	$904	$1,326	$2,723
Publishing	438	690	1,190
	1,342	2,016	3,913
Corporate	223	126	46
	1,565	2,142	3,959
Discontinued operations	224	-0-	-0-
Total depreciation and amortization expense	$1,789	$2,142	$3,959
CAPITAL EXPENDITURES			
Broadcasting	$787	$1,330	$2,285
Publishing	755	366	973
	1,542	1,696	3,258
Corporate	124	72	22
	1,666	1,768	3,280
Discontinued operations	916	-0-	-0-
Total capital expenditures	$2,582	$1,768	$3,280

J. INFORMATION ON BUSINESS SEGMENTS (CONTINUED)

	DECEMBER 31, 1993	1994	1995
IDENTIFIABLE ASSETS			
Broadcasting	$9,984	$53,173	$54,022
Publishing	4,753	11,878	18,170
	14,737	65,051	72,192
Corporate	5,699	3,738	6,048
	20,436	68,789	78,240
Discontinued operations	936	-0-	-0-
Total identifiable assets	$21,372	$68,789	$78,240

K. SUBSEQUENT EVENTS

On May 2, 1996, the Company filed a Registration Statement with the Securities and Exchange Commission (the "SEC") on Form S-1 to register the sale of 4,025,000 shares of Class B Common Stock, including an over-allotment option granted by the Company to the underwriters of such offering. Also on May 2, 1996, the Company filed a Registration Statement with the SEC on Form S-1 to register the sale of $150,000,000 Senior Subordinated Notes due in 2006 (the "Notes"). On May 13, July 9, and August 9, 1996, the Company filed amendments to such Registration Statements. The Notes will be 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 will be subordinated, to the same extent as the obligations of the Company in respect of the 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 asset or operations, other than its investment in its subsidiaries. The Subsidiary Guarantors are, directly or indirectly, wholly-owned subsidiaries of the Company and the Subsidiary Guarantees will be full, unconditional and joint and several. All of the current and future direct and indirect subsidiaries of the Company will be guarantors of the Notes. Accordingly, separate financial statements of each of the Subsidiary Guarantors are not presented because management has determined that they are not material to investors.

REPORT OF INDEPENDENT AUDITORS

Partners of Television Station Partners, L.P.

We have audited the accompanying balance sheet of WRDW-TV, an operating station of Television Station Partners, L.P., as of December 31, 1995, and the related statements of income, partnership's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 financial position of WRDW-TV at December 31, 1995, and the results of its operations and its cash flows for the year then ended in conformity with the generally accepted accounting principles.

ERNST & YOUNG LLP

Atlanta, Georgia
January 26, 1996

WRDW-TV
(THE AUGUSTA BUSINESS)
BALANCE SHEETS
DECEMBER 31, 1995

ASSETS	
Current assets:	
Cash	$333,658
Accounts receivable, net of allowance for doubtful accounts of approximately $117,380	1,748,208
Television film exhibition rights	924,107
Prepaid and other current assets	55,342
Total current assets	3,061,315
Property, buildings and equipment-net (NOTE 3):	1,778,429
Television film exhibition rights	2,570,850
Intangible assets-net	4,128,730
Total	$11,539,324
LIABILITIES AND PARTNERSHIP'S EQUITY	
Current liabilities:	
Accounts payable and accrued expenses (NOTE 4)	$233,197
Obligations for television film exhibition rights	898,251
Total current liabilities	1,131,448
Obligations for television film exhibition rights	2,680,267
Commitments and contingencies (NOTE 5)	
Partnership's equity (NOTES 1 AND 7)	7,727,609
Total	$11,539,324

SEE ACCOMPANYING NOTES.

WRDW-TV
(THE AUGUSTA BUSINESS)
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1995

REVENUES:	
Broadcasting revenues	$10,059,555
Less:	
Advertising agency commissions	1,171,595
National sales representative commissions	227,368
Total advertising agency and national sales representative commissions	1,398,963
Net operating revenues	8,660,592
OPERATING EXPENSES:	
Operating, technical and programming costs	3,142,280
Selling, general and administrative	2,631,952
Depreciation	272,298
Amortization of intangible assets	151,620
Total operating expenses	6,198,150
INCOME BEFORE OTHER EXPENSES	2,462,442
Other-expenses, net	220,211
Net income	$2,242,231

SEE ACCOMPANYING NOTES.

WRDW-TV
(THE AUGUSTA BUSINESS)
STATEMENT OF PARTNERSHIP'S EQUITY
YEAR ENDED DECEMBER 31, 1995

Balance at December 31, 1994	$7,410,422
Net income	2,242,231
Distribution to Television Station Partners, L.P.	(1,925,044)
Balance at December 31, 1995	$7,727,609

SEE ACCOMPANYING NOTES.

WRDW-TV
(THE AUGUSTA BUSINESS)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1995

CASH FLOW FROM OPERATING ACTIVITIES	
Net income	$2,242,231
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,359,415
Provision for bad debt (recoveries)	(14,000)
Net trade barter revenue	(59,356)
Gain on sale of property and equipment	(12,868)
Changes in operating assets and liabilities:	
Accounts receivable	(60,155)
Prepaid and other assets	102,937
Accounts payable and accrued expenses	(359,296)
Payments of obligations for television film exhibition rights	(1,017,754)
Other	274,956
Net cash provided by operating activities	2,456,110
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property and equipment	12,868
Capital expenditures	(121,987)
Net cash used in investing activities	(109,119)
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash transferred to Partnership	(2,200,000)
Net cash used in financing activities	(2,200,000)
NET INCREASE IN CASH	146,991
CASH AT BEGINNING OF YEAR	186,667
CASH AT END OF YEAR	$333,658

SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING, INVESTING AND FINANCIAL ACTIVITIES	
Television film exhibition obligations were incurred when the Station entered into contracts for film exhibition rights totaling:	$387,450
Property and equipment was acquired in exchange for advertising time totaling:	$59,356

SEE ACCOMPANYING NOTES.

WRDW-TV
(THE AUGUSTA BUSINESS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. STATION ORGANIZATION AND BASIS OF PRESENTATION

WRDW-TV (the "Station") is a commercial television station located in North Augusta, South Carolina. The Station was owned and operated by Television Station Partners, L.P. (the "Partnership") from July 7, 1989 to January 4, 1996-See Note 8. The Partnership is a Delaware limited partnership which was organized on May 24, 1989 for the sole purpose of acquiring, owning, operating and, at such time as GP Station Partners (the "general partner" of the Partnership) determines is appropriate, reselling or otherwise disposing of its television stations.

The Station was acquired by the Partnership on July 7, 1989 pursuant to an Exchange Agreement dated May 24, 1989 between the Partnership and Television Station Partners, a New York partnership ("TSP"). The Exchange Agreement provided for the transfer to the partnership of all of TSP's assets in exchange for all of the units of partnership interest in the Partnership, followed by the liquidation and distribution of those units to the partners of TSP. For tax and accounting purposes, the Partnership has been treated as a continuation of TSP. The Station had been operated by TSP since March 23, 1983.

The financial statements of the Station are prepared on the accrual basis of accounting, and include only those assets, liabilities, and results of operations that relate to the business of the Station.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

TELEVISION FILM EXHIBITION RIGHTS

Television film exhibition rights are recorded at the amount of the license fees payable when purchased and amortized using the straight-line method based on the license period or usage, whichever yields the greater accumulated amortization. Television film exhibition rights are classified based upon the portion of the unamortized balance expected to be broadcast within the current year.

PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment is stated at cost less accumulated depreciation. Depreciation is provided principally by the straight-line method over the estimated useful lives of the assets. Any gains or losses realized on disposition are reflected in operations. Maintenance and repairs, as well as minor renewals and betterments, are charged to operating expenses directly as incurred.

INTANGIBLE ASSETS

Intangible assets are comprised principally of Federal Communications Commission licenses and network affiliation agreements and are amortized on the straight-line basis, primarily over 40 years. Intangible assets are periodically evaluated for impairments using a measurement of fair value, calculated at the current market multiple times operating income. If this review indicates that the intangible assets will not be recoverable, the Company's carrying value of the intangible assets would be reduced to its estimated fair value.

TRADE/BARTER TRANSACTIONS

Trade/barter transactions involve the exchange of advertising time for products and/or services and are recorded based on the fair market value of the products and/or services received. Revenue is recorded when advertising schedules air, and expense is recognized when products and/or services are used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

No income tax provision has been included in the financial statements since income or loss of the Station is required to be reported by the partners of the Partnership on their respective income tax returns.

3. PROPERTY, BUILDINGS, AND EQUIPMENT

The major classes of property, buildings and equipment at December 31, 1995 are as follows:

Land	$190,000
Buildings and tower	2,062,613
Automobiles	136,245
Furniture and fixtures	5,999,846
Machinery and equipment	1,769,175
	10,157,879
Less accumulated depreciation	8,379,450
	$1,778,429

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at December 31, 1995 consist of the following:

Accounts payable	$10,275
Accrued state taxes	9,096
Accrued payroll, commissions, and bonuses	152,201
Other accrued expenses	61,625
	$233,197

5. COMMITMENTS AND CONTINGENCIES

FILM EXHIBITION RIGHTS

The obligations for television film exhibition rights are payable in the following years:

YEAR ENDING DECEMBER 31	AMOUNT
1996	$898,251
1997	875,838
1998	838,254
1999	672,724
2000	293,451
	$3,578,518

LITIGATION

The Station is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial statements of the Station.

5. COMMITMENTS AND CONTINGENCIES (CONTINUED)

DEBT

The Partnership had indebtedness outstanding under an Amended and Restated Credit Agreement (the "Agreement"). The Agreement is secured by a first lien on substantially all the assets of the Partnership. The Agreement required the Partnership to enter into one or more binding sales contracts for the assets of each station, satisfactory to the Banks, on or before June 30, 1995. During the latter part of 1994, the Partnership contracted the services of Media Venture Partners for the purpose of marketing the stations. On January 4, 1996, the Partnership sold the assets of the Station. (Note 8).

6. TRANSACTIONS WITH RELATED PARTIES

The Partnership pays various operating and non-operation expenses on behalf of the Station. These expenses have been allocated for the year ended December 31, 1995. The Station is allocated a portion of management fees and expenses in the amount of approximately $90,000 to RP Television for financial support services such as accounting. Additionally, the Station transfers excess cash to the Partnership's headquarters. Excess cash transferred was $2,200,000 for the year ended December 31, 1995. This money is primarily used for principal and interest payments on the Partnership's debt obligations.

7. PENSION PLAN

Effective January 1, 1993, the defined contribution pension plan was converted to a 401(k) salaried deferral plan, covering substantially all employees, with a Partnership profit sharing contribution of 3 1/2 percent of the participants' salary per annum. Annual contributions aggregating approximately $53,803 were made to the Plan during 1995.

8. SUBSEQUENT EVENT

On January 4, 1996, the Partnership sold the assets of WRDW-TV to Gray Communication Systems, Inc., for approximately $34 million plus an amount equal to the excess of the current assets over the current liabilities assumed by the buyer, as defined in the Asset Purchase Agreement.

INDEPENDENT AUDITORS' REPORT

To the Partners of
Television Station Partners, L.P.:

We have audited the accompanying balance sheets of WRDW-TV (an operating station of Television Station Partners, L.P.), (the "Station") as of December 31, 1994 and the related statements of income, partnership's equity, and cash flows for the years ended December 31, 1993 and 1994. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Station as of December 31, 1994, and the results of their operations and their cash flows for the years ended December 31, 1993 and 1994 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
New York, New York
May 12, 1995

WRDW-TV
(AN OPERATING STATION OF TELEVISION STATION PARTNERS, L.P.)
BALANCE SHEET
DECEMBER 31, 1994

	1994
ASSETS	
CURRENT ASSETS:	
Cash	$186,667
Accounts receivable, net of allowance for doubtful accounts of approximately $131,000	1,674,053
Television film exhibition rights	874,495
Prepaid and other current assets	158,279
Total current assets	2,893,494
PROPERTY, BUILDINGS AND EQUIPMENT-Net (NOTE 3):	1,869,384
TELEVISION FILM EXHIBITION RIGHTS	3,168,509
INTANGIBLE ASSETS-Net	4,280,350
TOTAL	$12,211,737
LIABILITIES AND PARTNERSHIP'S EQUITY	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses (NOTE 4)	$592,493
Obligations for television film exhibition rights (NOTE 5)	908,652
Total current liabilities	1,501,145
OBLIGATIONS FOR TELEVISION FILM EXHIBITION RIGHTS (NOTE 5)	3,300,170
COMMITMENTS AND CONTINGENCIES (NOTE 6)	
PARTNERSHIP'S EQUITY (NOTES 1 AND 8)	7,410,422
Total	$12,211,737

SEE NOTES TO FINANCIAL STATEMENTS.

WRDW-TV
(AN OPERATING STATION OF TELEVISION STATION PARTNERS, L.P.)
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1993 AND 1994

	1993	1994
REVENUES:		
Broadcasting revenues	$7,933,825	$9,460,307
Less:		
Advertising agency commissions	943,174	1,158,952
National sales representative commissions	194,516	255,379
Total advertising agency and national sales representative commissions	1,137,690	1,414,331
Net operating revenues	6,796,135	8,045,976
OPERATING EXPENSES:		
Operating, technical and programming costs	2,555,795	2,958,364
Selling, general and administrative	2,126,770	2,434,477
Depreciation	290,730	309,949
Amortization of intangible assets	151,620	151,620
Total operating expenses	5,124,915	5,854,410
INCOME BEFORE OTHER EXPENSES	1,671,220	2,191,566
Other-expenses, net	77,408	54,570
NET INCOME	$1,593,812	$2,136,996

SEE NOTES TO FINANCIAL STATEMENTS.

WRDW-TV
(AN OPERATING STATION OF TELEVISION STATION PARTNERS, L.P.)
STATEMENTS OF PARTNERSHIP'S EQUITY
YEARS ENDED DECEMBER 31, 1993 AND 1994

	PARTNERSHIP'S EQUITY
BALANCE, JANUARY 1, 1993	$7,829,582
Net income	1,593,812
Transfer to Television Station Partners, L.P.	(1,909,588)
BALANCE, DECEMBER 31, 1993	7,513,806
Net income	2,136,996
Transfer to Television Station Partners, L.P.	(2,240,380)
BALANCE, DECEMBER 31, 1994	$7,410,422

SEE NOTES TO FINANCIAL STATEMENTS.

WRDW-TV
(AN OPERATING STATION OF TELEVISION STATION PARTNERS, L.P.)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1993 AND 1994

	1993	1994
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$1,593,812	$2,136,996
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,355,485	1,345,658
Provision for bad debt	24,800	62,000
Net trade barter revenue	(15,850)	(30,105)
Gain on sale of property and equipment	(1,137)	(400)
Changes in operating assets and liabilities:		
Accounts receivable	(413,414)	(173,216)
Prepaid and other assets	(51,535)	(34,480)
Accounts payable and accrued expenses	155,264	2,443
Payments of obligations for television film exhibition rights	(2,645,344)	(3,048,878)
Net cash provided by operating activities	2,081	260,018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	9,470	400
Capital expenditures	(230,718)	(176,374)
Net cash used in investing activities	(221,248)	(175,974)
NET INCREASE (DECREASE) IN CASH	(219,167)	84,044
CASH, BEGINNING OF YEAR	321,790	102,623
CASH, END OF YEAR	$102,623	$186,667
SUPPLEMENTAL INFORMATION:		
Cash transferred to Television Station Partners, L.P.	$2,075,000	$2,417,500

SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING, INVESTING AND FINANCIAL ACTIVITIES:

Television film exhibition obligations of $1,969,210 and 3,112,615 in 1993 and 1994, respectively, were incurred when the Station entered into contracts for film exhibition rights.

Property and equipment totaling $15,850 and $30,105 was acquired in 1993 and 1994, respectively, in exchange for advertising time.

SEE NOTES TO FINANCIAL STATEMENTS.

WRDW-TV
(AN OPERATING STATION OF TELEVISION STATION PARTNERS, L.P.)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1993 AND 1994

1. STATION ORGANIZATION AND BASIS OF PRESENTATION

WRDW-TV (the "Station") is a commercial television station located in North Augusta, South Carolina. The Station is owned and operated by Television Station Partners, L.P. (the "Partnership") since July 7, 1989, as one of four commercial television stations owned by the Partnership. The Partnership is a Delaware limited partnership which was organized on May 24, 1989 for the sole purpose of acquiring, owning, operating and, at such time as GP Station Partners (the "general partner" of the Partnership) determines is appropriate, reselling or otherwise disposing of its television stations.

The Station was acquired by the Partnership on July 7, 1989 pursuant to an Exchange Agreement dated May 24, 1989 between the Partnership and Television Station Partners, a New York partnership ("TSP"). The Exchange Agreement provided for the transfer to the partnership of all of TSP's assets in exchange for all of the units of partnership interest in the Partnership, followed by the liquidation and distribution of those units to the partners of TSP. For tax and accounting purposes, the Partnership has been treated as a continuation of TSP. The Station has been operated by TSP since March 23, 1983.

The financial statements of the Station are prepared on the accrual basis of accounting, and include only those assets, liabilities, and results of operations that relate to the business of the Station.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

TELEVISION FILM EXHIBITION RIGHTS -- Television film exhibition rights relating to films which are currently available for telecasting are recorded at the gross cost method when purchased and amortized using the straight-line method over the greater of the license period or usage. Television film exhibition rights are classified based upon the portion of the unamortized balance expected to be broadcast within the current year.

PROPERTY, BUILDINGS AND EQUIPMENT -- Property, buildings and equipment are stated at cost less accumulated depreciation. Depreciation is provided principally by the straight-line method over the estimated useful lives of the assets. Any gains or losses realized on disposition are reflected in operations. Maintenance and repairs, as well as minor renewals and betterments, are charged to operating expenses directly as incurred.

INTANGIBLE ASSETS -- Intangible assets are comprised principally of Federal Communications Commission licenses and network affiliation agreements and are amortized on the straight-line basis, primarily over 40 years. Intangible assets are periodically evaluated for impairments using a measurement of fair value, calculated at the current market multiple times operating income. The current market value multiple used at December 31, 1994 was 8.5 times.

TRADE/BARTER TRANSACTIONS -- Trade/barter transactions involve the exchange of advertising time for products and/or services and are recorded based on the fair market value of the products and/or services received. Revenue is recorded when advertising schedules air, and expense is recognized when products and/or services are used.

INCOME TAXES -- No income tax provision has been included in the financial statements since income or loss of the Station is required to be reported by the partners of the Partnership on their respective income tax returns.

3. PROPERTY, BUILDINGS AND EQUIPMENT

The major classes of property, buildings and equipment are as follows:

	DECEMBER 31, 1994
Land	$190,000
Buildings and Tower	2,043,123
Automobiles	153,378
Furniture and fixtures	5,994,475
Machinery and equipment	1,637,285
	10,018,261
Less accumulated depreciation	8,148,877
	$1,869,384

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	DECEMBER 31, 1994
Accounts payable	$99,042
Accrued state taxes	25,126
Accrued payroll, commissions, and bonuses	133,473
Other accrued expenses	334,852
	$592,493

5. OBLIGATIONS FOR TELEVISION FILM EXHIBITION RIGHTS

Obligation for television film exhibition rights at December 31, 1994 are as follows:

YEAR ENDING DECEMBER 31	AMOUNT
1995	$908,652
1996	907,886
1997	822,655
1998	736,849
1999	539,332
Thereafter	293,448
	4,208,822
Current portion	908,652
Long-term obligations	$3,300,170

6. COMMITMENTS AND CONTINGENCIES

LITIGATION -- In March 1990, a suit was commenced in the Superior Court of California, County of Alameda, against the Partnership, GP Station Partners, and certain individuals, in connection with the July 1989 transaction in which the assets of TSP were transferred to the Partnership and the Partnership distributed to the partners a major portion of the proceeds of a $72 million borrowing. The plaintiffs in the suit sought rescission

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

of the asset transfer, the return by the general partner of all cash distributions made from the $72 million borrowing, damages and other relief. The suit was subsequently dismissed on the grounds that the California courts were an inconvenient forum.

On April 8, 1992, the plaintiffs in the California suit and another plaintiff commenced an action in the United States District Court for the Southern District of New York against GP Station Partners and each of its general partners. The action, which the plaintiffs purported to bring individually and as representatives of the limited partners, sought damages and other relief. The Partnership Agreement contains exculpation and indemnification provisions relating to claims against GP Station Partners and its affiliates. In November 1992 the action was settled and discontinued following the court's denial of the plaintiff's motion for class certification. The settlement agreement provided for an exchange of general releases and for payment to the original plaintiffs of an amount equal to their share of the July 1989 distribution to partners (which the original Television Station Partners had been escrowing pending the outcome of the litigation), plus accrued interest, and those plaintiffs also agreed to waive all rights to any further distribution and to relinquish their interest in the Partnership without further consideration. No amount will be payable to the other plaintiff in the action. The agreement also provides for payment of $75,000 to the plaintiffs' counsel as partial reimbursement of legal fees and expenses incurred in prosecuting the action. As part of the settlement, the limited partners' original investment of $203,000, plus interest of approximately $63,000 was paid. As a result of the litigation, the Partnership incurred legal fees of approximately $579,000.

The Station is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial statements of the Station.

DEBT -- At December 31, 1994 the Partnership had $71,900,000 of principal indebtedness outstanding under an Amended and Restated Credit Agreement (the "Agreement"). The Agreement is secured by a first lien on substantially all the assets of the Partnership. The Agreement requires the Partnership to enter into one or more binding sales contracts for the assets of each station, satisfactory to the Banks, on or before June 30, 1995. During the latter part of 1994, the Partnership contracted the services of Media Venture Partners for the purpose of marketing the stations. In February 1995, the Partnership signed letters of intent for the sale of the assets of each station. (Note 9)

7. TRANSACTIONS WITH RELATED PARTIES

The Partnership pays various operating and non-operating expenses on behalf of the Station. These expenses totaled approximately $165,000 and $177,000 for the years ended December 31, 1993 and 1994, respectively. Additionally, the Station transfers excess cash to the Partnership's headquarters. Excess cash transferred was $1,909,588 and $2,240,380 for the years ended December 31, 1993 and 1994, respectively. This money is primarily used for principal and interest payments on the Partnership's debt obligations.

8. PENSION PLAN

Effective January 1, 1993, the defined contribution pension plan was converted to a 401(k) salaried deferral plan with a Partnership profit sharing contribution of 3 1/2 percent of the participants' salary per annum. Annual contributions aggregating approximately $40,585 and $57,314 were made to the Plan during 1993 and 1994, respectively.

9. SUBSEQUENT EVENT

On February 10, 1995, the Partnership signed a letter of intent for the sale of the assets of WRDW-TV for approximately $34 million, plus an amount equal to the excess of the current assets over the current liabilities assumed by the buyer, as defined in the Asset Purchase Agreement, if applicable, to be paid in cash at the closing of the sale.

BROADCASTING AND PAGING OPERATIONS
OF
JOHN H. PHIPPS, INC.
(THE PHIPPS BUSINESS)
CONDENSED BALANCE SHEETS (UNAUDITED)

	DECEMBER 31, 1995	JUNE 30, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$620,015	$662,576
Accounts receivable, less allowance for doubtful accounts of $49,000 and $53,500, respectively	5,152,778	5,188,446
Program broadcast rights, current portion	919,281	924,281
Other current assets	347,785	337,452
	7,039,859	7,112,755
Property and equiment, net	10,492,583	9,985,084
Goodwill and other intangibles	9,454,775	9,096,855
Program broadcast rights, less current portion	575,111	111,230
	10,029,886	9,208,085
	$27,562,328	$26,305,924
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$365,468	$308,308
Program broadcast obligations, current portion	921,579	458,353
Deferred paging service income	833,264	975,000
Current portion of long-term debt	1,389,931	1,473,681
Other current liabilities	907,345	995,901
	4,417,587	4,211,243
Long-term debt	3,419,918	2,560,175
Program broadcast obligations, less current portion	345,140	213,906
Minority interest	585,768	654,918
Commitments and contingencies		
Owner's equity	18,793,915	18,665,682
	$27,562,328	$26,305,924

See accompanying notes to condensed financial statements.

BROADCASTING AND PAGING OPERATIONS
OF
JOHN H. PHIPPS, INC.
(THE PHIPPS BUSINESS)
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 1995	1996
Revenues:		
Broadcast revenues, net	$9,977,857	$10,444,960
Paging operations	2,422,911	2,743,524
Production and other revenues	796,437	900,731
	13,197,205	14,089,215
Expenses:		
Operating, technical and programming	2,641,775	2,805,292
Selling, general and administrative	3,636,715	4,035,891
Amortization of program broadcast rights	422,408	463,890
Depreciation and amortization	1,435,474	1,530,027
Pension credit (NOTE 2)	(224,500)	(113,000)
Management fees	1,538,720	734,502
	9,450,592	9,456,602
	3,746,613	4,632,613
Interest	222,592	158,491
Other expense, net	4,862	4,744
Income before minority interests	3,519,159	4,469,378
Minority interests	(256,219)	(296,387)
Net income	$3,262,940	$4,172,991
Supplemental pro-forma net income		
Net income, as above	$3,262,940	$4,172,991
Pro-forma provision for income tax expense	(1,239,900)	(1,585,700)
Pro-forma net income	$2,023,040	$2,587,291

See accompanying notes to condensed financial statements.

BROADCASTING AND PAGING OPERATIONS
OF
JOHN H. PHIPPS, INC.
(THE PHIPPS BUSINESS)
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 1995	SIX MONTHS ENDED JUNE 30, 1996
OPERATING ACTIVITIES:		
Net income	$3,262,940	$4,172,991
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,435,474	1,530,027
Gain (loss) on disposition of fixed assets	44,011	179,264
Amortization of program broadcast rights	422,408	463,890
Payments of program broadcast rights obligations	(464,553)	(591,960)
Minority interests	256,219	296,387
Changes in operating assets and liabilities:		
Accounts receivable	(437,692)	(35,668)
Other current assets	(283,242)	2,833
Accounts payable and accrued expenses	(183,408)	(57,160)
Other current liabilities	(43,074)	88,556
Deferred paging income	127,078	141,736
Net cash provided by operating activities	4,136,161	6,190,896
Investing activities:		
Purchases of property and equipment	(1,901,966)	(1,647,485)
Proceeds from disposition of property and equipment	530,938	807,978
Purchase of minority interest	(1,780,794)	--
Net cash used in investing activities	(3,151,822)	(839,507)
Financing activities:		
Indebtedness:		
Borrowings	1,671,015	386,152
Repayments	(2,538,371)	(1,162,145)
Distributions to minority interests	(186,384)	(342,130)
Other	(1,235)	(4,375)
Payments to J.H. Phipps, Inc., net	137,992	(4,186,330)
Net cash used in financing activities	(916,983)	(5,308,828)
Increase (decrease) in cash and cash equivalents	67,356	42,561
Cash and cash equivalents at beginning of period	95,210	620,015
Cash and cash equivalents at end of period	$162,566	$662,576

See accompanying notes to condensed financial statements.

BROADCASTING AND PAGING OPERATIONS OF JOHN H. PHIPPS, INC.
(THE PHIPPS BUSINESS)
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of the Broadcasting and Paging Operations of John H. Phipps, Inc. (the "Phipps Business") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1996, are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. For further information, refer to the annual financial statements and footnotes thereto of the Phipps Business included herein.

NOTE 2 -- EMPLOYEE BENEFIT PLANS

Management of J.H. Phipps, Inc. has elected to terminate the defined benefit pension plan effective March 31, 1996 subject to obtaining approval from the appropriate regulatory agencies.

NOTE 3 -- SALE OF PHIPPS BUSINESS

Pursuant to an agreement dated December 15, 1995 as amended March 15, 1996, Gray Communications Systems, Inc. ("Gray") agreed to purchase substantially all of the assets and assume certain liabilities and commitments of certain operations owned by J.H. Phipps, Inc. ("Phipps"). The operations include (i) two CBS affiliates-a VHF television station (WCTV-TV located in Tallahassee, Florida), and 74.5% interest in a UHF television station (WKXT-TV located in Knoxville, Tennessee), (the "Broadcast Operations"); and (ii) a portable communications and paging service business (the "Paging Operations"), with operations in three southeastern states (collectively referred to as the "Broadcasting and Paging Operations"). The purchase is subject to regulatory approval.

At June 30, 1996, a Phipps subsidiary held the 74.5% interest in the partnership that owns WKXT-TV (the "Knoxville Partnership"). The Knoxville Partnership's remaining 25.5% interest is owned by four limited partners and their ownership is shown as "minority interests" in the accompanying financial statements. Gray, in separate agreements, has also agreed to purchase the limited partners' interests.

Phipps also owns and operates other businesses which are not being purchased by Gray. The condensed financial statements are intended to present the Broadcasting and Paging Operations which are to be acquired by Gray pursuant to the letter of intent described above and do not include the other operations of Phipps.

The condensed financial statements are derived from the historical books and records of Phipps and do not give effect to any purchase accounting adjustments which Gray may record as a result of its acquisition. Certain current liabilities and long-term debt on the accompanying balance sheets will not be assumed by Gray. Such liabilities will be retained by Phipps or retired at the closing date of the acquisition by Gray.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
John H. Phipps, Inc.

We have audited the accompanying balance sheets of the Broadcasting and Paging Operations of John H. Phipps, Inc. (see Note 1) as of December 31, 1994 and 1995 and the related statements of operations and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the management of John H. Phipps, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Broadcasting and Paging Operations of John H. Phipps, Inc. at December 31, 1994 and 1995 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Atlanta,Georgia
February 19, 1996

BROADCASTING AND PAGING OPERATIONS
OF
JOHN H. PHIPPS, INC.
(THE PHIPPS BUSINESS)
BALANCE SHEETS

	DECEMBER 31, 1994	DECEMBER 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$95,210	$620,015
Accounts receivable, less allowance of $49,000 for each year	4,474,754	5,152,778
Program broadcast rights, current portion	521,921	919,281
Other current assets	329,343	347,785
Total current assets	5,421,228	7,039,859
Program broadcast rights, excluding current portion	579,561	575,111
Property and equipment, net (NOTE 3)	10,720,196	10,492,583
Goodwill and other intangibles (NOTE 3)	8,576,721	9,454,775
Total assets	$25,297,706	$27,562,328
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$467,300	$365,468
Program broadcast obligations, current portion	722,676	921,579
Deferred paging service income	579,109	833,264
Current portion of long-term debt (NOTE 4)	1,206,483	1,389,931
Other current liabilities	1,025,042	907,345
Total current liabilities	4,000,610	4,417,587
Long-term debt, less current portion (NOTE 4)	4,858,433	3,419,918
Program broadcast obligations, less current portion	245,421	345,140
Commitment and contingencies (NOTES 9 AND 10)		
Minority interests	728,293	585,768
Owner's equity	15,464,949	18,793,915
Total liabilities and owner's equity	$25,297,706	$27,562,328

See accompanying notes.

BROADCASTING AND PAGING OPERATIONS
OF
JOHN H. PHIPPS, INC.
(THE PHIPPS BUSINESS)
STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31, 1993	1994	1995
Revenues:			
Broadcast revenues, net (NOTE 3)	$17,963,667	$20,209,523	$20,768,121
Paging operations	3,787,946	4,276,640	4,897,522
Production and other revenues	1,496,417	1,314,779	1,655,940
	23,248,030	25,800,942	27,321,583
Expenses:			
Operating, technical and programming	5,221,729	5,306,801	5,449,435
Selling, general and administrative	6,919,769	7,056,510	7,693,715
Amortization of program broadcast rights	1,552,438	1,021,395	844,815
Depreciation and amortization	2,835,966	2,672,209	3,120,442
Pension credit (NOTE 5)	(431,000)	(409,000)	(449,000)
Management fees (NOTE 7)	2,462,195	2,485,423	3,280,354
	18,561,097	18,133,338	19,939,761
	4,686,933	7,667,604	7,381,822
Interest	631,333	479,852	498,714
Other (income) expense, net	(15,765)	(666,657)	(12,526)
Income before minority interests	4,071,365	7,854,409	6,895,634
Minority interests	(140,586)	(635,302)	(547,045)
Net income	$3,930,779	$7,219,107	$6,348,589
Supplemental unaudited pro-forma information (NOTE 6):			
Net income, as above	$3,930,779	$7,219,107	$6,348,589
Pro-forma provision for income tax expense	(1,500,300)	(2,743,300)	(2,412,500)
Pro-forma net income	$2,430,479	$4,475,807	$3,936,089

See accompanying notes.

BROADCASTING AND PAGING OPERATIONS
OF
JOHN H. PHIPPS, INC.
(THE PHIPPS BUSINESS)
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1993	1994	1995
OPERATING ACTIVITIES:			
Net income	$3,930,779	$7,219,107	$6,348,589
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,835,966	2,672,209	3,120,442
Gain on disposition of fixed assets	(13,408)	(665,047)	(9,023)
Amortization of program broadcast rights	1,552,438	1,021,395	844,815
Payments of program broadcast rights obligations	(1,072,008)	(863,344)	(931,004)
Minority interests	140,586	635,302	547,045
Changes in operating assets and liabilities:			
Accounts receivable	40,092	(396,373)	(678,024)
Other current assets	(12,091)	(90,846)	(18,442)
Accounts payable and accrued expenses	(292,863)	(206,137)	(101,832)
Other current liabilities	219,336	277,681	(117,697)
Deferred paging income	68,136	204,356	254,155
Net cash provided by operating activities	7,396,963	9,808,303	9,259,024
INVESTING ACTIVITIES:			
Purchases of minority interests	-0-	(818,000)	(1,780,794)
Purchases of property and equipment	(3,537,592)	(3,353,068)	(3,187,596)
Proceeds from disposition of property and equipment	584,187	1,665,504	1,140,520
Net cash used in investing activities	(2,953,405)	(2,505,564)	(3,827,870)
FINANCING ACTIVITIES:			
Indebtedness:			
Borrowings	6,266,780	5,761,977	3,422,586
Repayments	(7,421,873)	(6,239,305)	(4,677,653)
Distributions to minority interests	(495,150)	(539,596)	(505,532)
Other	134,536	(156,475)	(126,128)
Payments to J.H. Phipps, Inc., net	(2,901,945)	(6,060,036)	(3,019,622)
Net cash used in financing activities	(4,417,652)	(7,233,435)	(4,906,349)
Increase in cash and cash equivalents	25,906	69,304	524,805
Cash and cash equivalents at beginning of year	-0-	25,906	95,210
Cash and cash equivalents at end of year	$25,906	$95,210	$620,015

See accompanying notes.

BROADCASTING AND PAGING OPERATIONS OF JOHN H. PHIPPS, INC.
(THE PHIPPS BUSINESS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. BASIS OF PRESENTATION

Pursuant to a letter of intent dated December 15, 1995, Gray Communications Systems, Inc. ("Gray") agreed to purchase substantially all of the assets and assume certain liabilities and commitments of certain operations owned by J.H. Phipps, Inc. ("Phipps"). The operations include (i) two CBS affiliates-a VHF television station (WCTV-TV located in Tallahassee, Florida), and 74.5% interest in a VHF television station (WKXT-TV located in Knoxville, Tennessee), (the "Broadcast Operations"); and (ii) a portable communications and paging service business (the "Paging Operations"), with operations in three southeastern states (collectively referred to as the "Broadcasting and Paging Operations"). The purchase is subject to regulatory approval.

At December 31, 1995, a Phipps subsidiary held the 74.5% interest in the partnership that owns WKXT-TV (the "Knoxville Partnership"). The Knoxville Partnership's remaining 25.5% interest is owned by four limited partners and their ownership is shown as "minority interests" in the accompanying financial statements. Gray, in separate agreements, has also agreed to purchase the limited partners' interests. Phipps' ownership of the Knoxville Partnership has increased, from 65.8% during 1993 to the 74.5% ownership interest at December 31, 1995, through purchases of certain minority interests for approximately $818,000 in 1994 and approximately $1.78 million in 1995. Goodwill recorded related to these acquisitions of minority interests was approximately $200,000 and $1.78 million in 1994 and 1995, respectively.

Phipps also owns and operates other businesses which are not being purchased by Gray. The accompanying financial statements are intended to present the Broadcasting and Paging Operations which are to be acquired by Gray pursuant to the letter of intent described above and do not include the other operations of Phipps.

The accompanying financial statements are derived from the historical books and records of Phipps and do not give effect to any purchase accounting adjustments which Gray may record as a result of its acquisition. Certain current liabilities and long-term debt on the accompanying balance sheets will not be assumed by Gray. Such liabilities will be retained by Phipps or retired at the closing date of the acquisition by Gray.

2. ACCOUNTING POLICIES

USE OF ESTIMATES

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

REVENUE RECOGNITION

Broadcasting revenues are recognized as the related advertising broadcast services are rendered. Agency commissions are deducted from gross revenue, reflecting the net amount due for broadcast services. Revenues from paging and communications services are recognized over the applicable service period. Revenues from mobile broadcasting contracts are recognized as services are provided.

CONCENTRATION OF CREDIT RISK

The Broadcast Operations provide advertising air time to national, regional and local advertisers within the geographic areas in which the Broadcast Operations operate. Credit is extended based on an evaluation of the customer's financial condition, and generally advance payment is not required. The Paging Operations provide services to individuals and corporate customers in three southeastern states. Such services are generally billed in advance. Credit losses for the Broadcasting and Paging Operations are provided for in the financial statements and consistently have been within management's expectations.

2. ACCOUNTING POLICIES (CONTINUED)

BARTER ARRANGEMENTS

The Broadcasting and Paging Operations, in the ordinary course of business, provide services and advertising air time to certain customers in exchange for products or services. In addition, the Broadcasting Operations provide air time to certain program syndicators in exchange for program licenses or reductions in program license fees. Barter transactions are recorded on the basis of the estimated fair market value of the products or services received. Revenue is recognized as the related advertising is broadcast and expenses are recognized when the merchandise or services are received or utilized.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on deposit with banks. Deposits with banks are generally insured in limited amounts. All liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

PROGRAM BROADCAST RIGHTS

Rights to programs available for broadcast are initially recorded at the amounts of total license fees payable under the license agreements and are charged to operating expense on the basis of total programs available for use on the straight-line method. 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 noncurrent asset. The liability for program broadcast rights is classified as current or long-term, in accordance with the payment terms of the various licenses. The liability is not discounted for imputation of interest.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful life of the assets for financial reporting purposes and by accelerated methods for income tax purposes.

INTANGIBLE ASSETS

Intangible assets are stated at cost and are amortized using the straight-line method. Goodwill is amortized over 15 to 40 years. Intangible assets other than goodwill, which include broadcasting licenses, network affiliation agreements, and other intangibles carried at an allocated cost based on appraisals are amortized over 15 years. Loan acquisition fees are amortized over the life of the specific agreement.

In the event that facts and circumstances indicate that the goodwill or other intangibles may be impaired, an evaluation of continuing value would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with this asset would be compared to its carrying amount to determine if a write down to fair market value or discounted cash flow value is required.

INTEREST SWAP

The Knoxville Partnership had an interest rate swap agreement to modify the interest characteristics of a portion of its outstanding debt (see Note 4. INDEBTEDNESS). The agreement, which expired during 1995, involved the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates over the life of the agreement without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates changed was accrued and recognized as an adjustment of interest expense related to the debt (the accrual accounting method). Interest expense (income) adjustments resulting from the interest rate swap were $44,385 in 1993, $(986) in 1994 and $(2,805) in 1995.

STOCK BASED COMPENSATION

Phipps accounted for its stock Appreciation Rights Plan (see Note 7. PHIPPS' CORPORATE ALLOCATIONS) in accordance with APB Opinion No 25, Accounting for Stock Issued to Employees and related interpretations.

2. ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

Phipps and its subsidiaries file a consolidated federal income tax return and separate state tax returns. The operating results of the Knoxville Partnership are included in the income tax returns of Phipps based on their percentage ownership. All states where the Broadcast and Paging Operations are located have taxes based on income. Income tax expense for the Broadcasting and Paging Operations are not presented in the accompanying financial statements as such amounts are computed and paid by Phipps. Pro-forma federal and state income taxes for the Broadcast and Paging Operations are calculated on a pro-forma, separate return basis (see Note 6. PRO-FORMA INCOME TAXES).

FAIR VALUES OF FINANCIAL INSTRUMENTS

Phipps has adopted FASB Statement No. 107, "Disclosure about Fair Value of Financial Instruments", which requires disclosure of fair value, to the extent practical, of certain of Phipps' financial instruments. The fair value amounts do not necessarily represent the amount that could be realized in a sale or settlement. Phipps' financial instruments are comprised principally of an interest rate swap and long-term debt.

The estimated fair value of long-term bank debt at December 31, 1995 approximates book value since, in management's opinion, such obligations are subject to fluctuating market rates of interest and can be settled at their face amounts. The Company does not anticipate settlement of long-term debt at other than book value and currently intends to hold such financial instruments through maturity.

The fair value of other financial instruments classified as current assets or liabilities approximate their carrying values due to the short-term maturities of these instruments.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In March 1995, the FASB issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("Statement 121"), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairments are present and the undiscounted cash flows estimated to be generated by those assets are less than the asset's carrying amount. Statement 121 also addresses the accounting for long-lived assets that are expected to be disposed of. Phipps does not believe that the adoption of Statement 121 will have a material impact on Phipps' financial position.

3. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Major classifications of property and equipment and their estimated useful lives are summarized as follows (in thousands):

CLASSIFICATION	ESTIMATED USEFUL LIVES (YEARS)	DECEMBER 31, 1994	1995
Land		$593	$593
Buildings and improvements	40	2,630	3,104
Broadcasting equipment and furniture	5-20	15,440	14,567
Communications and paging equipment	5-7	4,561	4,739
		23,224	23,003
Less accumulated depreciation		(12,504)	(12,510)
		$10,720	$10,493

3. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION (CONTINUED)

The composition of intangible assets was as follows (in thousands):

	DECEMBER 31, 1994	DECEMBER 31, 1995
Goodwill	$3,050	$4,663
Broadcast licenses and network affiliation agreements	6,162	6,162
Other	812	812
Accumulated amortization	(1,447)	(2,182)
	$8,577	$9,455

The composition of other current liabilities is as follows (in thousands):

	DECEMBER 31, 1994	DECEMBER 31, 1995
Customer deposits	$63	$85
Accrued bonuses	163	265
Other compensation related accruals	404	439
Other	395	118
	$1,025	$907

The Broadcast Operations' revenues are presented net of agency commissions as follows (in thousands):

	YEAR ENDED DECEMBER 31, 1993	1994	1995
Broadcast revenues, gross	$20,523	$23,131	$23,767
Agency commissions	(2,559)	(2,921)	(2,999)
Broadcast revenues, net	$17,964	$20,210	$20,768

Components of "Other (income) expense, net" are as follows (in thousands):

	YEAR ENDED DECEMBER 31, 1993	1994	1995
Interest income	$(2)	$(2)	$(4)
Gain on sale of assets	(14)	(665)	(9)
	$(16)	$(667)	$(13)

4. INDEBTEDNESS

A summary of indebtedness is as follows (in thousands):

	DECEMBER 31, 1994	DECEMBER 31, 1995
Bank Credit Agreement:		
Revolving credit loan	$302	$498
Term loan	4,500	3,202
Partnership Note Payable	744	725
PortaPhone Acquisition Debt	518	385
	6,064	4,810
Less current portion	(1,206)	(1,390)
	$4,858	$3,420

BANK CREDIT AGREEMENT

The Knoxville Partnership has a bank credit agreement (the "Bank Credit Agreement") which provides a term loan and a revolving credit facility. The loan has provisions which, among other things, requires that the loan be redeemed in the event of a change in control.

Under the terms of the Bank Credit Agreement, the Knoxville Partnership may, at its option, have a Base Rate Advance or LIBOR (London Interbank Official Rate) Advance, as specified by the bank in the notice of borrowing. Base Rate Advances and LIBOR Advances may be outstanding at the same time with Base Rate Advances bearing interest at the bank's index rate (8.5% at December 31, 1995), plus .25% or .50% as applicable based on the Partnership's leverage ratio. LIBOR Advances bear interest at the LIBOR (5.88% at December 31, 1995), plus 1.25% or 1.5% as applicable based on the Knoxville Partnership's leverage ratio. Base Rate Advances and LIBOR Advances totaled $0 and $3.7 million, respectively, at December 31, 1995.

The Bank Credit Agreement contains numerous financial covenants and other affirmative covenants with regard to payment of distributions to partners, operating and capitalized leases, and acquisition of property. The advances are guaranteed by Phipps and collateralized by substantially all the Knoxville Partnership's assets. In connection with the Phipps guarantee, Phipps charged the Knoxville Partnership guaranty fees, classified as interest expense in the accompanying financial statements, of approximately $55,000 in 1993, $54,000 in 1994 and $42,000 in 1995.

PARTNERSHIP NOTE PAYABLE

On September 30, 1994, Phipps acquired approximately 4.2% additional ownership interest in the Knoxville Partnership from a limited partner. The total amount to be paid to the former limited partner by the remaining partners is $2 million and is payable over 20 years at $100,000 a year. The payment of this amount is guaranteed by the Knoxville Partnership. The first payment of $100,000 was made at the time the assignment was executed. Subsequent payments are due annually at September 30. The present value of the total purchase price at September 30, 1994 was $1,098,841 based on an interest factor of 7.46% compounded annually. Phipps Tennessee has recorded a liability of approximately $725,000 at December 31, 1995 for its portion of the outstanding balance.

PORTAPHONE ACQUISITION DEBT

In connection with a 1988 asset acquisition, PortaPhone is required to pay the seller a consulting fee of $15,000 monthly for ten years. The liability for the monthly payments required under the agreement is recorded at a discounted present value in the accompanying financial statements.

4. INDEBTEDNESS (CONTINUED)
Future scheduled reductions of principal for indebtedness are as follows (in thousands):

Year Ended December 31		
1996	$	1,390
1997		1,155
1998		1,557
1999		81
2000 and thereafter		627
	$	4,810

Cash payments of net interest expense were approximately $339,000 in 1993, $449,000 in 1994 and $564,000 in 1995.

5. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT PENSION PLAN

Phipps has a defined benefit pension plan that covers substantially all its full-time employees. Benefits are based on years of service and each employee's compensation during the last ten years of employment (average final pay) up to a maximum of 50% of average final pay.

Benefits become vested upon completion of five years of service. No vesting occurs until the employee has completed five years of service. Phipps' funding policy is to make the maximum contribution allowable by applicable regulations.

Total pension credit for the Broadcasting and Paging Operations was ($431,000), ($409,000) and ($449,000) for 1993, 1994 and 1995, respectively.

The following summarizes information for all Phipps operations including the plan's funded status as of the plan's September 30 year end and assumptions used to develop the net periodic pension expense credit (in thousands).

	DECEMBER 31, 1993	1994	1995
Actuarial present value of accumulated benefit obligation is as follows:			
Vested	$3,691	$3,451	$4,348
Other	382	284	358
	$4,073	$3,735	$4,706
Plan assets at fair value, primarily common stocks and bonds	$9,582	$9,367	$10,206
Projected benefit obligation	(4,993)	(4,419)	(5,568)
Plan assets in excess of projected benefit obligation	4,589	4,948	4,638
Unrecognized net loss	804	688	1,288
Unrecognized net asset	(3,394)	(3,149)	(2,904)
Pension asset	$1,999	$2,487	$3,022

5. EMPLOYEE BENEFIT PLANS (CONTINUED)

The net pension credit included in the accompanying financial statements is calculated as follows (in thousands):

	YEAR ENDED DECEMBER 31, 1993	1994	1995
Service costs-benefits earned during the year	$168	$207	$144
Interest cost on projected benefit obligation	280	306	303
Actual return on plan assets	(670)	(713)	(687)
Net amortization and deferral	(209)	(209)	(209)
Net pension credit	$(431)	$(409)	$(449)

The assumptions used to develop the plan's funded status and expenses were as follows:

Assumptions:			
Discount rate	7.5%	8.5%	7.5%
Expected long-term rate of return on assets	9.0%	9.0%	9.0%
Estimated rate of increase in compensation levels	4.5%	4.5%	4.5%

401(K) PLAN

The Company also sponsors two 401(k) plans which provide for discretionary employer contributions equal to 25% of the first 4% of an employee's contribution. Contributions by Phipps to the plans are not material.

MANAGEMENT INCENTIVE BONUS PLAN

Phipps maintains an incentive bonus plan in which managers participate in the performance of the division of Phipps which they manage. Eligible employees are selected by the Board of Directors, and the bonus formula is established and reviewed annually by the Board of Directors and key members of management. Bonuses are calculated in the year following the year earned, at which time one-half of the calculated bonus is paid as compensation. The remaining portion is deferred and earned by the employee over five years based on a vesting schedule adopted by the Board. Employees become eligible to receive payment of deferred amounts upon full vesting. Deferred amounts are recognized as an expense in the year earned. Expenses under this plan were approximately $128,000 in 1993, $170,000 in 1994 and $233,000 in 1995.

Cumulative amounts vested for the Broadcasting and Paging Operations since the inception of the plan in 1990, total approximately $303,000 at December 31, 1995 and are included as a current liability in the accompanying financial statements.

6. PRO-FORMA INCOME TAXES

Pro-forma income tax expense differed from the amounts computed by applying the statutory federal income tax rate of 34% as a result of the following (in thousands):

	YEAR ENDED DECEMBER 31, 1993	1994	1995
Computed "expected" tax rate	$ 1,342	$ 2,454	$ 2,159
Increase resulting from:			
State income taxes	158	289	253
	$ 1,500	$ 2,743	$ 2,412

7. PHIPPS' CORPORATE ALLOCATIONS

Interest expense incurred by Phipps is allocated to the Broadcasting and Paging Operations based on specific borrowings. Such allocated interest expense totaled approximately $134,700 in 1993, $44,000 in 1994 and $64,500 in 1995. Pension expense (credit) is allocated based on an actuarial calculation (see Note 5. EMPLOYEE BENEFITS PLANS)

The corporate operations and employees of Phipps provide certain services to the Broadcasting and Paging Operations including executive management, cash management, accounting, tax and other corporate services which are allocated to the operating units of Phipps. Corporate expenses of Phipps, including corporate officers salaries and related employee benefits (see Stock Appreciation Rights and Performance Incentive Agreement below), travel costs, and related support staff and operations, are allocated to the operating units of Phipps. The Broadcasting and Paging Operations were charged $2,462,195, $2,485,423 and $3,280,354 for these services during 1993, 1994 and 1995, respectively. In the opinion of Phipps management, these charges have been made on a basis which is reasonable, however, they are not necessarily indicative of the level of expenses which might have been incurred by the Broadcasting and Paging Operations on a stand-alone basis.

Phipps maintains a Stock Appreciation Rights Plan and Performance Incentive Agreement for certain key corporate officers identified by the Board of Directors. The expenses incurred for these plans are allocated to the Broadcasting and Paging Operations as part of the management fee allocation for Phipps' corporate expenses as discussed above. All amounts due under these plans were paid in December 1995. Compensation expense recorded for these plans in 1993, 1994 and 1995 was approximately $2,828,000, $2,458,000 and $2,861,000, respectively.

8. SUMMARY ACTIVITY IN OWNER'S EQUITY

Phipps provides centralized cash management for the Broadcasting and Paging Operations. Substantially all cash receipts are remitted to Phipps and substantially all disbursements are made by Phipps. There are no terms of settlement for interest charges on these intercompany accounts. The amounts due to/from Phipps are included as a part of owner's equity as the Broadcasting and Paging operations are not required to settle these amounts on a current basis.

An analysis of the net transactions in the owner's equity accounts for each of the three years in the period ended December 31 is as follows (in thousands):

	1993	1994	1995
Balance of the beginning of year	$13,276	$14,306	$15,465
Payments to Phipps	(5,067)	(8,181)	(7,696)
Phipps' purchase of minority interests	-0-	-0-	1,781
Phipps allocations	2,166	2,121	2,895
Net earnings	3,931	7,219	6,349
Balance at the end of year	$14,306	$15,465	$18,794

9. LITIGATION

At December 31, 1995, the Broadcast and Paging Operations are involved in various lawsuits arising in the normal course of their business. However, management believes that any potential losses that may occur from such lawsuits would be covered by insurance and the final outcome of these lawsuits will not have a material effect to the accompanying combined financial statements.

10. COMMITMENTS AND CONTINGENCIES

Program rights payable for films and syndicated series, which are noninterest bearing, are due as follows at December 31, 1995 (in thousands):

1996	$922
1997	171
1998 and later	174
	$1,267

Payments related to commitments for films and syndicated series, rights which are not yet available for broadcast at December 31, 1995 are due as follows (in thousands):

1996	$106
1997	631
1998	515
1999	440
2000	283
	$1,975

The Paging Operations lease office space, office equipment and paging network towers. The Broadcasting Operations lease land and broadcast towers. The operating leases with unaffiliated entities have various renewal options. Certain of the towers used in the Paging Operations are leased from Phipps. Written contracts do not exist for such leases but management has established that the leases are for five years and are renewable at the end of five years. Rental expense for operating leases was as follows (in thousands):

	PHIPPS	OTHER LESSORS	TOTAL
Year Ended December 31			
1993	$58	$384	$442
1994	64	316	380
1995	83	385	468

The minimum aggregate rentals under noncancelable operating leases are payable the lessors as follows (in thousands):

	PHIPPS	OTHER LESSORS	TOTAL
Year Ended December 31			
1996	$118	$329	$447
1997	122	240	362
1998	125	190	315
1999	129	61	190
2000 and thereafter	133	59	192
	$627	$879	$1,506

11. INFORMATION ON BUSINESS SEGMENTS (IN THOUSANDS):

	YEAR ENDED DECEMBER 31, 1993	1994	1995
REVENUES			
Broadcasting Operations	$19,460	$21,524	$22,424
Paging Operations	3,788	4,277	4,898
Total revenues	$23,248	$25,801	$27,322
OPERATING PROFIT:			
Broadcasting Operations	$4,631	$7,287	$7,040
Paging Operations	56	381	342
Total operating profit	$4,687	$7,668	$7,382
DEPRECIATION AND AMORTIZATION EXPENSE:			
Broadcasting Operations	$2,089	$2,015	$2,302
Paging Operations	747	657	818
Total depreciation and amortization expense	$2,836	$2,672	$3,120
CAPITAL EXPENDITURES:			
Broadcasting Operations	$2,429	$1,515	$1,216
Paging Operations	1,109	1,838	1,972
Total capital expenditures	$3,538	$3,353	$3,188
IDENTIFIABLE ASSETS (AT END OF YEAR):			
Broadcasting Operations	$21,003	$21,059	$23,036
Paging Operations	3,816	4,239	4,526
Total identifiable assets	$24,819	$25,298	$27,562

Operating profit is total operating revenue less expenses and before miscellaneous income and expense (net), interest expense and minority interests.

GRAY
COMMUNICATIONS SYSTEMS, INC.