

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998.

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file numbers 33-84656 and 333-17773.

A. Full title of the plan and the address of the plan, if different
from that of the issuer named below:

Gray Communications Systems, Inc.
Capital Accumulation Plan

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

Gray Communications Systems, Inc.
126 N. Washington Street
Albany, Georgia 31701

GRAY COMMUNICATIONS SYSTEMS, INC.

FORM 11-K

REQUIRED INFORMATION

- (a) Financial Statements. Filed as part of this Report on form 11-K are the financial statements and the schedules thereto of the Gray Communications Systems, Inc. Capital Accumulation Plan as required by Form 11-K, together with the report thereon of Ernst & Young LLP, independent auditors, dated April 23, 1999.
- (b) Exhibits. A consent of Ernst & Young LLP dated June 25, 1999 is being filed as an exhibit to this report.

SIGNATURES

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

GRAY COMMUNICATIONS SYSTEMS, INC.
CAPITAL ACCUMULATION PLAN

Date: June 25, 1999

By: /S/ James C. Ryan

James C. Ryan
Chief Financial Officer
Plan Administrator

Audited Financial Statements and Schedules

Gray Communications Systems, Inc.
Capital Accumulation Plan

YEARS ENDED DECEMBER 31, 1998 AND 1997
WITH REPORT OF INDEPENDENT AUDITORS

Gray Communications Systems, Inc.
Capital Accumulation Plan

Audited Financial Statements and Schedules

Years ended December 31, 1998 and 1997

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Report of Independent Auditors

Benefit Committee
Gray Communications Systems, Inc.

We have audited the accompanying statements of net assets available for benefits of the Gray Communications Systems, Inc. Capital Accumulation Plan as of December 31, 1998 and 1997, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan'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 net assets available for benefits of the Plan at December 31, 1998 and 1997 and the changes in its net assets available for benefits for the years then ended, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of Assets Held for Investment Purposes as of December 31, 1998 and Reportable Transactions for the year ended December 31, 1998, are presented for purposes of complying with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, and are not a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Ernst & Young LLP

Atlanta, Georgia
April 23, 1999

Gray Communications Systems, Inc.
Capital Accumulation Plan

Statements of Net Assets Available for Benefits

	DECEMBER 31	
	1998	1997

ASSETS		
Investments (NOTES 2 AND 4):		
Collective trust mutual funds	\$ 5,882,368	\$ 2,268,935
Sponsor's common stock fund	2,056,151	1,851,627
Participant loans receivable	66,206	37,151
	-----	-----
	8,004,725	4,157,713
Sponsor contributions receivable	45,128	33,392
Participant contributions receivable	107,971	80,673
	-----	-----
	153,099	114,065
	-----	-----
Net assets available for benefits	\$ 8,157,824	\$ 4,271,778
	=====	=====

SEE ACCOMPANYING NOTES.

Gray Communications Systems, Inc.
Capital Accumulation Plan

Statements of Changes in Net Assets Available for Benefits

	YEAR ENDED DECEMBER 31	
	1998	1997
ADDITIONS		
Participant contributions	\$ 1,175,960	\$ 1,020,712
Sponsor contributions	491,403	419,546
Rollover contributions	1,752	117,556
Transfers from acquisitions	2,813,400	-
Investment income:		
Interest and dividend income	35,953	5,506
Net realized and unrealized appreciation of investments	470,891	800,118
	506,844	805,624
Total additions	4,989,359	2,363,438
DEDUCTIONS		
Withdrawals by participants	(614,707)	(357,765)
Transfers related to sale of a subsidiary	(453,100)	-
Administrative and other expenses	(35,506)	(19,427)
Total deductions	(1,103,313)	(377,192)
Net increase in assets available for benefits	3,886,046	1,986,246
Net assets available for benefits at beginning of period	4,271,778	2,285,532
Net assets available for benefits at end of period	\$ 8,157,824	\$ 4,271,778

SEE ACCOMPANYING NOTES.

Gray Communications Systems, Inc.
Capital Accumulation Plan

Notes to Financial Statements

December 31, 1998

1. DESCRIPTION OF THE PLAN

The following brief description of the Gray Communications Systems, Inc. Capital Accumulation Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan Document for more complete information.

The Plan was established effective October 1, 1994 for the benefit of eligible employees of Gray Communications Systems, Inc., and of its subsidiaries and affiliates that subsequently adopt the Plan.

GENERAL

The Plan is a voluntary defined contribution plan for salaried and non-salaried employees of Gray Communications Systems, Inc. and its subsidiaries (the "Sponsor") who have completed one eligibility year of service as defined in the Plan document. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

While the Sponsor has not expressed any intent to do so, the Benefit Committee retains the right to terminate the Plan at any time, subject to the provisions of ERISA. In the event a decision is made by the Benefit Committee to terminate the Plan, all participants shall receive full distribution of the balance in their account.

TRUST AGREEMENT

Assets of the Plan are held for safekeeping and investment by INVESCO Trust Company (the "Trustee") as part of a trust agreement between the Sponsor and the Trustee.

CONTRIBUTIONS

Each active Plan participant may make contributions up to a maximum of 16% of their compensation on a before-tax basis and up to a maximum of 16% on an after-tax basis, as long as the sum of the before-tax and after-tax percentages does not exceed 16% of compensation on a before-tax basis. Participant contributions made on a before-tax basis under Section 401(k) of the Internal Revenue Code (the "Code") can not exceed the elective contribution limit of \$10,000 and \$9,500 during the years ended 1998 and 1997, respectively. Contributions by highly compensated employees are subject to additional restrictions.

The Sponsor shall contribute to the Plan a percentage, as determined by a declaration of its Board of Directors before the beginning of any Plan year, of the eligible contributions of plan participants not to exceed 6% of eligible compensation as defined in the Plan document. The matching percentage was 50% for the years ended December 31, 1998 and 1997, respectively. The Sponsor's matching contributions can be made either in shares of Gray Communications Systems, Inc. Class B common stock or in cash. Any forfeitures of Sponsor contributions are used to reduce future Sponsor contributions. Forfeitures of nonvested amounts were approximately \$63,700 and \$33,200 for the years ended December 31, 1998 and 1997, respectively.

Gray Communications Systems, Inc.
Capital Accumulation Plan

Notes to Financial Statements (continued)

1. DESCRIPTION OF THE PLAN (CONTINUED)

VESTING

Participants are fully vested with regard to their contributions. Participants vest in the Sponsor's contributions after completing five years of service, as defined in the Plan document.

WITHDRAWALS

A participant may withdraw all or part of their after-tax contributions for any reason, subject to the suspension of such participant's rights to make after tax contributions for six months.

Hardship withdrawals may be available as defined by the Plan document. A participant making a hardship withdrawal is ineligible to contribute to the Plan for the next twelve months from the date of receipt of the withdrawal and is prohibited from making any elective or employee contributions to all other plans of the Sponsor, including, but not limited to, any stock option, stock purchase or similar plan maintained by the Sponsor.

DISTRIBUTIONS

A participant, following termination of employment, can elect to have Plan benefits paid in a single lump-sum distribution, in installments or in a combination of the two methods.

Approximately \$-0- and \$74,500 of the net assets available for benefits at December 31, 1998 and 1997, respectively, were allocated to the accounts of persons who had withdrawn from participation in the Plan, but had not been paid. Such amounts are recorded as benefits payable for purposes of the Plan's Form 5500.

LOANS

The Plan provides for participant loans at rates of interest established by the Sponsor's Benefit Committee. Such loans are limited as defined by the Plan document.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared based on the accrual method of accounting with investments carried at fair values as described below.

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.

Gray Communications Systems, Inc.
Capital Accumulation Plan

Notes to Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

The collective trust mutual funds are valued at their redemption prices (fair values) as established by the Trustee. Generally, the fair values are based on national stock exchange closing prices or other published sources. Investments traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year. Securities traded in the over-the-counter market are valued at the last reported sales price on the last business day of the Plan year.

Purchases and sales of securities are reflected on the trade dates. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned.

ADMINISTRATIVE EXPENSES

All administrative and investment expenses, except for fund management fees, are paid by the Sponsor. Administrative and investment expenses paid by the Sponsor were approximately \$13,650 and \$13,600 for the years ended December 31, 1998 and 1997, respectively.

3. INCOME TAX STATUS

The Internal Revenue Service ruled on October 25, 1995, that the Plan qualifies under Section 401(a) and 401(k) of the Internal Revenue Code ("IRC") and, therefore, the related trust is not subject to tax under present income tax law. The Plan is required to operate in conformity with Section 401(a) of the Code to maintain its qualification. Management of the Plan is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

4. NET ASSETS AVAILABLE FOR BENEFITS

Participant contributions may be invested in collective investment trust mutual funds offered by the Trustee or in a fund invested primarily in the Sponsor's Class A and Class B common stock. Descriptions of the various funds are as follows: (a) Principal Protection Fund, which is 80% invested in short term money market instruments, intermediate government and corporate bond funds, and 20% in common stocks; (b) Intermediate Return Fund, which is 40% invested in short term money market instruments, 20% in intermediate government and corporate bond funds, and 40% in common stock funds; (c) Growth and Income Fund, which is 20% invested in short term money market instruments, 20% in intermediate government and corporate bond funds and 60% in common stock funds; (d) Maximum Appreciation Fund, which is 20% invested in short term money market instruments and intermediate government and corporate bond funds and 80% invested in common stock funds; and/or (e) Gray Communications Systems, Inc. Common Stock Fund, which is invested primarily in Gray Communications Systems, Inc. Class A and Class B common stock. Participants elect the percentage invested in each fund in multiples of 10%. Contributions to the Gray Communications Systems, Inc. Common Stock Fund are temporarily invested in a Retirement Trust Liquid Asset Fund until used to purchase Gray Communications Systems, Inc. common stock. Participants cannot elect to participate in the Retirement Trust Liquid Asset Fund.

Gray Communications Systems, Inc.
Capital Accumulation Plan

Notes to Financial Statements (continued)

4. NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)

The following represents the net assets available for benefits, by fund, as of December 31, 1998:

	PRINCIPAL PROTECTION FUND	INTERMEDIATE RETURN FUND	GROWTH AND INCOME FUND	MAXIMUM APPRECIATION FUND
	-----	-----	-----	-----
Investments:				
INVESCO Trust				
Company collective trust mutual funds:				
Money market funds	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Equity funds	560,333	628,448	1,854,977	2,813,850
Common Stock of				
Sponsor	-0-	-0-	-0-	-0-
Participant				
loans receivable	-0-	-0-	-0-	-0-
	-----	-----	-----	-----
	560,333	628,448	1,854,977	2,813,850
Sponsor contributions receivable	-0-	-0-	-0-	-0-
Participant contributions receivable	5,640	9,603	30,701	46,087
	=====	=====	=====	=====
	\$565,973	\$638,051	\$1,885,678	\$2,859,937
	=====	=====	=====	=====

	GRAY COMMUNICATIONS COMMON STOCK (CLASS A)	GRAY COMMUNICATIONS COMMON STOCK (CLASS B)	PARTICIPANT LOANS RECEIVABLE	RETIREMENT TRUST LIQUID ASSETS	TOTAL
	-----	-----	-----	-----	-----
Investments:					
INVESCO Trust					
Company collective trust mutual funds:					
Money market funds	\$ -0-	\$ -0-	\$ -0-	\$ 24,760	\$ 24,760
Equity funds	-0-	-0-	-0-	-0-	5,857,608
Common Stock of					
Sponsor	1,012,936	1,043,215	-0-	-0-	2,056,151
Participant					
loans receivable	-0-	-0-	66,206	-0-	66,206
	-----	-----	-----	-----	-----
	1,012,936	1,043,215	66,206	24,760	8,004,725
Sponsor contributions receivable	-0-	45,128	-0-	-0-	45,128
Participant contributions receivable	-0-	15,940	-0-	-0-	107,971
	=====	=====	=====	=====	=====
	\$1,012,936	\$1,104,283	\$66,206	\$24,760	\$8,157,824
	=====	=====	=====	=====	=====

The changes in net assets available for benefits by fund for the year ended December 31, 1998 are as follows:

	PRINCIPAL PROTECTION FUND	INTERMEDIATE RETURN FUND	GROWTH AND INCOME FUND	MAXIMUM APPRECIATION FUND
	-----	-----	-----	-----
Contributions invested	\$ 47,786	\$94,535	\$332,998	\$425,998
Contributions receivable	5,640	9,603	30,701	46,087
Rollover from other plans	-0-	-0-	840	492
Transfers from acquisitions	373,783	265,000	681,480	1,326,326
Interest and				

dividend income	4,125	1,330	6,189	11,626
Net realized and unrealized appreciation of investments	22,764	53,759	214,245	397,857
Withdraws paid to participants	(13,418)	(46,172)	(138,245)	(250,370)
Transfers related to sale of a subsidiary	(11,928)	(31,910)	(66,878)	(103,068)
Participant loans/ repayments (net)	(12,823)	(3,450)	(4,873)	(16,052)
Administrative and other expenses	(1,632)	(4,061)	(12,059)	(17,298)
Interfund transfers	(3,357)	(195)	(594)	2,179
	=====	=====	=====	=====
	\$410,940	\$338,439	\$1,043,804	\$ 1,823,777
	=====	=====	=====	=====

	GRAY COMMUNICATIONS COMMON STOCK (CLASS A)	GRAY COMMUNICATIONS COMMON STOCK (CLASS B)	PARTICIPANT LOANS RECEIVABLE	RETIREMENT TRUST LIQUID ASSETS	TOTAL
	-----	-----	-----	-----	-----
Contributions invested	\$ -0-	\$612,947	\$ -0-	\$ -0-	\$1,514,264
Contributions receivable	-0-	61,068	-0-	-0-	153,099
Rollover from other plans	-0-	-0-	-0-	420	1,752
Transfers from acquisitions	-0-	-0-	-0-	166,811	2,813,400
Interest and dividend income	-0-	-0-	-0-	12,683	35,953
Net realized and unrealized appreciation of investments	50,279	(268,013)	-0-	-0-	470,891
Withdraws paid to participants	(92,611)	(49,366)	(3,630)	(20,895)	(614,707)
Transfers related to sale of a subsidiary	(156,434)	(70,190)	(12,692)		(453,100)
Participant loans/ repayments (net)	(2,281)	(2,776)	43,300	(1,045)	-0-
Administrative and other expenses	-0-	(100)	-0-	(356)	(35,506)
Interfund transfers	963	136,291	2,077	(137,364)	-0-
	=====	=====	=====	=====	=====
	\$(200,084)	\$419,861	\$29,055	\$20,254	\$3,886,046
	=====	=====	=====	=====	=====

Gray Communications Systems, Inc.
Capital Accumulation Plan

Notes to Financial Statements (continued)

4. NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED)

The following represents the net assets available for benefits, by fund, as of December 31, 1997:

	PRINCIPAL PROTECTION FUND -----	INTERMEDIATE RETURN FUND -----	GROWTH AND INCOME FUND -----	MAXIMUM APPRECIATION FUND -----	
Investments:					
INVESCO Trust					
Company collective					
trust mutual funds:					
Money market funds	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
Equity funds	150,571	291,425	817,765	1,004,668	
Common Stock of					
Sponsor	-0-	-0-	-0-	-0-	
Participant					
loans receivable	-0-	-0-	-0-	-0-	
	-----	-----	-----	-----	
	150,571	291,425	817,765	1,004,668	
Sponsor					
contributions					
receivable	-0-	-0-	-0-	-0-	
Participant					
contributions					
receivable	4,462	8,187	24,109	31,492	
	=====	=====	=====	=====	
	\$155,033	\$299,612	\$841,874	\$1,036,160	
	=====	=====	=====	=====	
	GRAY	GRAY		RETIREMENT	
	COMMUNICATIONS	COMMUNICATIONS	PARTICIPANT	TRUST	
	COMMON STOCK	COMMON STOCK	LOANS	LIQUID	
	(CLASS A)	(CLASS B)	RECEIVABLE	ASSETS	TOTAL
	-----	-----	-----	-----	-----
Investments:					
INVESCO Trust					
Company collective					
trust mutual funds:					
Money market funds	\$ -0-	\$ -0-	\$ -0-	\$4,506	\$ 4,506
Equity funds	-0-	-0-	-0-	-0-	2,264,429
Common Stock of					
Sponsor	1,213,020	638,607	-0-	-0-	1,851,627
Participant					
loans receivable	-0-	-0-	37,151	-0-	37,151
	-----	-----	-----	-----	-----
	1,213,020	638,607	37,151	4,506	4,157,713
Sponsor					
contributions					
receivable	-0-	33,392	-0-	-0-	33,392
Participant					
contributions					
receivable	-0-	12,423	-0-	-0-	80,673
	=====	=====	=====	=====	=====
	\$1,213,020	\$ 684,422	\$37,151	\$4,506	\$4,271,778
	=====	=====	=====	=====	=====

The changes in net assets available for benefits by fund for the year ended December 31, 1997 are as follows:

	PRINCIPAL PROTECTION FUND -----	INTERMEDIATE RETURN FUND -----	GROWTH AND INCOME FUND -----	MAXIMUM APPRECIATION FUND -----
Contributions				
invested	\$ 44,500	\$89,551	\$289,011	\$355,280

Contributions receivable	4,462	8,187	24,109	31,492
Rollover from other plans	8,238	6,414	27,510	50,735
Interest and dividend income	106	204	494	493
Net realized and unrealized appreciation of investments	19,880	35,546	109,647	147,813
Withdrawals paid to participants	(92,494)	(25,360)	(52,766)	(72,508)
Participant loans/repayments (net)	(4,310)	(4,220)	(13,944)	(9,749)
Administrative and other expenses	(1,254)	(2,424)	(6,399)	(7,585)
Interfund transfers	1,276	(1,927)	13,012	12,702
	=====	=====	=====	=====
	\$(19,596)	\$105,971	\$390,674	\$508,673
	=====	=====	=====	=====

	GRAY COMMUNICATIONS COMMON STOCK (CLASS A)	GRAY COMMUNICATIONS COMMON STOCK (CLASS B)	PARTICIPANT LOANS RECEIVABLE	RETIREMENT TRUST LIQUID ASSETS	TOTAL
	-----	-----	-----	-----	-----
Contributions invested	\$ -0-	\$493,458	\$ -0-	\$ 54,393	\$1,326,193
Contributions receivable	-0-	45,815	-0-	-0-	114,065
Rollover from other plans	-0-	3,750	-0-	20,909	117,556
Interest and dividend income	-0-	-0-	-0-	4,209	5,506
Net realized and unrealized appreciation of investments	345,916	141,316	-0-	-0-	800,118
Withdrawals paid to participants	(97,891)	(10,675)	(6,376)	305	(357,765)
Participant loans/repayments (net)	(3,513)	-0-	33,439	2,297	-0-
Administrative and other expenses	(581)	(549)	-0-	(635)	(19,427)
Interfund transfers	43,179	11,307	(255)	(79,294)	-0-
	=====	=====	=====	=====	=====
	\$287,110	\$684,422	\$26,808	\$2,184	\$1,986,246
	=====	=====	=====	=====	=====

Gray Communications Systems, Inc.
Capital Accumulation Plan

Notes to Financial Statements (continued)

5. YEAR 2000 ISSUE (UNAUDITED)

The Plan Sponsor has determined that it will be necessary to take certain steps in order to ensure that the Plan's information systems are prepared to handle year 2000 dates. The Plan Sponsor is taking a multiphase approach to the year 2000 issue which includes assessment, remediation, testing, and contingency planning. The Plan Sponsor anticipates substantially completing all phases by September 30, 1999. Costs associated with modifying software and equipment are not estimated to be significant and will be paid by the Plan Sponsor.

Additionally, the Plan Sponsor established formal communications with its third party service providers to determine that they have developed plans to address their own year 2000 problems as they relate to the Plan's operations. All third party service providers have indicated that they will be year 2000 compliant during 1999. If modification of data processing systems of either the Plan, the Plan Sponsor, or its service providers are not completed timely, the year 2000 problem could have a material impact on the operations of the Plan.

SUPPLEMENTAL SCHEDULES

Plan Number: 003
EIN: 58-0285030

Gray Communications Systems, Inc.
Capital Accumulation Plan

Line 27a - Schedule of Assets Held for Investment Purposes
December 31, 1998

IDENTITY OF ISSUE	NO. OF UNITS	CURRENT VALUE	HISTORICAL COST

INVESCO Trust Company Collective Trust Mutual Funds *:			
Liquid Assets Fund	24,760.770 units	\$ 24,760	\$ 24,760
Principal Protection Fund	35,196.767 units	560,333	523,810
Intermediate Return Fund	34,043.790 units	628,448	543,769
Growth and Income Fund	90,047.444 units	1,854,977	1,542,997
Maximum Appreciation Fund	124,838.064 units	2,813,850	2,316,393
		-----	-----
Total		5,882,368	4,951,729
Sponsor Common Stock Fund -			
Gray Communications Systems, Inc.			
Common Stock - Class A*	55,314 shares	1,012,936	674,335
Common Stock - Class B*	76,217 shares	1,043,215	1,170,812
Participant loans		66,206	66,206
		-----	-----
		\$ 8,004,725	\$ 6,863,082
		=====	=====

* This is a party-in-interest investment.

Plan Number: 003
EIN: 58-0285030

Gray Communications Systems, Inc.
Capital Accumulation Plan

Line 27d - Schedule of Reportable Transactions
Year Ended December 31, 1998

IDENTITY OF PARTY INVOLVED	DESCRIPTION OF ASSETS

Category (i) - Individual transaction in excess of 5% of Plan assets	
Invesco Trust Company	ITC Principle Protection Fund Purchase
Invesco Trust Company	ITC Growth & Income Fund Purchase
Invesco Trust Company	Maximum Appreciation Fund Purchase Purchase

PURCHASE PRICE	SELLING PRICE	COST OF ASSET	CURRENT VALUE OF ASSET ON TRANSACTION DATE	NET GAIN (LOSS)
\$ 321,986	-	\$ 321,986	\$ 321,986	-
466,499	-	466,499	466,499	-
482,173	-	482,173	482,173	-
825,891	-	825,891	825,891	-

Plan Number: 003
EIN: 58-0285030

Gray Communications Systems, Inc.
Capital Accumulation Plan

Line 27d - Schedule of Reportable Transactions
Year Ended December 31, 1998

IDENTITY OF PARTY INVOLVED

DESCRIPTION OF ASSET

CATEGORY (III) SERIES OF SECURITIES TRANSACTIONS IN EXCESS OF 5% OF PLAN ASSETS

*Gray Communications Systems, Inc.	Gray Communications Systems, Inc. Common Stock - Class A Purchases of 22,644 shares Sales of 13,540 shares
*Gray Communications Systems, Inc.	Gray Communications Systems, Inc. Common Stock - Class B Purchases of 60,546 shares Sales of 9,130 shares
*INVESCO Trust Company	Principal Protection Fund Purchases of 27,800 units Sales of 2,937 units
*INVESCO Trust Company	Intermediate Return Fund Purchases of 21,215 units Sales of 4,984 units
*INVESCO Trust Company	Growth and Income Fund Purchases of 55,341 units Sales of 11,889 units
*INVESCO Trust Company	Maximum Appreciation Fund Purchases of 89,810 units Sales of 19,103 units
*INVESCO Trust Company	Liquid Asset Fund Purchases of 846,763 units Sales of 825,758 units

CATEGORY (II) OR (IV) TRANSACTIONS

There were no category (ii) or (iv) transactions during 1998.

* This is a party-in-interest investment.

PURCHASE PRICE	SELLING PRICE	COST OF ASSET	CURRENT VALUE OF ASSET ON TRANSACTION DATE	NET GAIN (LOSS)
\$ 26,787	\$ 277,125	\$ 26,787 185,282	\$ 26,787 277,125	\$ 91,843
827,144	154,523	827,144 154,444	827,144 154,523	79
432,352	45,354	432,352 40,462	432,352 45,354	4,892
371,013	87,749	371,013 70,031	371,013 87,749	17,718
1,051,277	228,260	1,051,277 178,297	1,051,277 228,260	49,963
1,806,885	395,560	1,806,885 297,951	1,806,885 395,560	97,609
846,763	825,758	846,763 825,758	846,763 825,758	-0-

GRAY COMMUNICATIONS SYSTEMS, INC.

FORM 11-K

EXHIBIT INDEX

Exhibit Number -----	Exhibit -----	Page Number -----
23	Consent of Ernst & Young LLP to incorporation of its report by reference in Gray Communications Systems, Inc. Registration Statement on Form S-8, No. 33-84656 and No. 333-17773.	16

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-84656 and Form S-8 No. 333-17773) pertaining to the Gray Communications Systems, Inc. Capital Accumulation Plan of our report dated April 23, 1999, with respect to the financial statements and schedules of the Gray Communications Systems, Inc. Capital Accumulation Plan included in this Annual Report (Form 11-K) for the year ended December 31, 1998.

/s/ Ernst & Young LLP

Ernst & Young LLP

Atlanta, Georgia
June 25, 1999