



Gray Communications Signs Letter of Intent to Acquire Benedek Broadcasting Corporation

April 1, 2002

ATLANTA, Georgia (April 1, 2002) — Gray Communications Systems, Inc. (NYSE – GCS and GCS.B) of Atlanta, Georgia (“Gray”) and Stations Holding Company, Inc., the parent company of Benedek Broadcasting Corporation (“Benedek”), jointly announced today they have executed a Letter of Intent calling for Gray to acquire all of the capital stock of Stations Holding Company for \$500 million in cash plus proceeds from selected pending station divestitures.

“We at Gray are delighted to add Benedek’s television stations and senior management to our company,” commented Robert Prather, Executive Vice President – Acquisitions, of Gray. “Anyone familiar with affiliated television station groups targeting mid-sized markets sees that Gray and Benedek have a great deal in common -- this is about as perfect a ‘fit’ as one can come up with in the station business.”

Benedek was founded and built by its Chairman and Chief Executive Officer, A. Richard Benedek and its President, K. James Yager. The company currently operates 22 television stations, which produced in 2001 net revenue of approximately \$138.1 million and broadcasting cash flow of approximately \$47.5 million (excluding Wheeling, West Virginia). Benedek’s station group of affiliated stations -- 10 CBS, 7 ABC, 4 NBC and 1 FOX -- are located in 21 markets. Benedek has previously announced that its Wheeling, West Virginia station will be sold in a separate pending transaction.

“We have a superb management team and a strong group of stations with high margins,” commented Richard Benedek. “The sale to Gray is an excellent outcome. The two groups have always been a natural fit.”

“We have always focused on mid-sized markets where we can develop stable cash flows and service our viewers and advertisers with highly rated local news, community-oriented and network programming.” said Jim Yager, Benedek’s President, who will join the combined Gray/Benedek broadcasting group. “Gray has similar operating characteristics. Furthermore, the geographic proximity of our two station groups offers compelling regional operating opportunities.”

Gray owns 13 stations serving 11 markets, of which 10 are affiliated with CBS and 3 with NBC. Gray is publicly traded on the New York Stock Exchange and reported total net revenue of \$156.3 million in 2001 and media cash flow of approximately \$53.1 million, including \$40.8 million from the television station division. In addition to its television station division, Gray operates four local daily newspapers located in Georgia and Indiana.

The combined station groups will comprise a total of 35 stations with 20 CBS affiliates, 7 NBC affiliates, 7 ABC affiliates and 1 FOX affiliate. The combined station group will have 24 stations ranked #1 in viewing audience within their respective markets. The Company will reach in excess of 6% of total U.S. TV households. In addition, with 20 CBS affiliated stations, it will be the largest non-Network owner of CBS affiliates in the country. Based on results for the year ended December 31, 2001, the combined Gray and Benedek television stations produced approximately \$244.5 million of revenue and \$88.3 million of broadcast cash flow. Including Gray’s publishing and other operations, the combined Gray and Benedek operations for 2001 produced approximately \$294.4 million of revenue and \$100.6 million of media cash flow.

The combined station group will have a strong presence in the Southeast, Midwest, Great Lakes and Texas areas of the United States. The station locations, some of which are in adjacent markets, form natural geographic clusters.

Gray intends to finance the acquisition by issuing a combination of debt and equity securities. Gray is considering raising the equity financing through a secondary public offering of the company’s common stock.

The acquisition is subject to execution of a definitive agreement, which the companies expect to execute soon, as well as approval by the Federal Communications Commission of the transfer of control of Benedek’s television licenses. The transaction is also subject to approval of the Delaware bankruptcy court with jurisdiction over the reorganization of Stations Holding Company, Inc. The transaction is expected to close by the fourth quarter of 2002.

Gray and Benedek will hold a joint investor conference call at 11:30 A.M. (EST) on April 2, 2002 accessible by dialing 800-446-4472. A live webcast will be available at www.graycommunications.com (click on investor relations). A replay of the call will be available through April 9, 2002 by dialing (888) 509-0081.

Call Letters	Designated Market Area	Rank	Households	% US TV Households	Affil-iation	Market Rank	News Rank
*WVLT	Knoxville, TN	62	478	0.454%	CBS	2	3
KAKE/ KLBY(1)/ KUPK(1)	Wichita - Hutchinson, KS	65	453	0.429%	ABC	3	3
*WKYT	Lexington, KY	66	436	0.413%	CBS	1	1

WOWT	Omaha, NE	75	386	0.366%	NBC	1	2
WMTV	Madison, WI	85	339	0.322%	NBC	1	2
KKTV	Colorado Springs, CO	91	306	0.290%	CBS	1	1
*KWTX	Waco - Temple - Bryan, TX	94	299	0.283%	CBS	1	1
*KBTX (2)	Waco - Temple - Bryan, TX	94	n/a	n/a	CBS	1	1
WYTV	Youngstown, OH	98	275	0.261%	ABC	3	3
*KOLN	Lincoln - Hastings - Kearney, NE	102	269	0.255%	CBS	1	1
*KGIN (3)	Lincoln - Hastings - Kearney, NE	102	n/a	n/a	CBS	1	1
*WITN	Greenville - New Bern - Washington, NC	106	251	0.238%	NBC	1	1
WILX	Lansing, MI	111	238	0.226%	NBC	1	1
*WCTV	Tallahassee, FL - Thomasville, GA	113	237	0.224%	CBS	1	1
*WRDW	Augusta, GA	114	234	0.222%	CBS	1	1
WHOI	Peoria - Bloomington, IL	116	234	0.221%	ABC	3	3
*WEAU	La Crosse - Eau Claire, WI	127	198	0.187%	NBC	1	1
WIFR	Rockford, IL	132	176	0.167%	CBS	2	2
KDLH	Duluth, MN - Superior, WI	135	174	0.165%	CBS	3	3
WSAW	Wausau - Rhinelander, WI	137	169	0.160%	CBS	1	1
WIBW	Topeka, KS	138	166	0.157%	CBS	1	1
KMIZ	Columbia - Jefferson City, MO	139	159	0.151%	ABC	3	3
K02NQ/ K11TB(4)	Columbia - Jefferson City, MO	139	n/a	n/a	FOX	3	3
KAUZ	Wichita Falls, TX - Lawton, OK	141	158	0.150%	CBS	2	2
*WJHG	Panama City, FL	159	121	0.115%	NBC	1	1
*KXII	Sherman, TX -						

	Ada, OK	160	119	0.113%	CBS	1	1
KHQA	Quincy, IL - Hannibal, MO - Keokuk, IA	163	110	0.104%	CBS	2	2
WTVY	Dothan, AL	172	95	0.090%	CBS	1	1
WHSV	Harrisonburg, VA	178	84	0.080%	ABC	1	1
WBKO	Bowling Green, KY	181	81	0.077%	ABC	1	1
WTOK	Meridian, MS	185	70	0.066%	ABC	1	1
WTAP	Parkersburg, WV	186	63	0.060%	NBC	1	1
KGWN/ KSTF (5)	Cheyenne, WY - Scottsbluf, NE	197	52	0.049%	CBS	1	1
KGWC/KGWL (6)/ KGWR (6)	Casper - Riverton, WY	200	50	0.047%	CBS	3	3
*WYMT	Hazard, KY	(7)	169	n/a	CBS	1	1
Total			6,649	6.14%			

Sources:

DMA, Household and %U.S. are based on data published by the A. C. Nielsen Company ("Nielsen").

Market Rank is based on Management's review of Nielsen data.

Notes:

* stations are stations currently owned by Gray
Benedek stations exclude WTRF - Wheeling, WV which is under contract to be sold.

- (1) KLBY and KUPK are satellite stations of KAKE under FCC rules.
- (2) KBTX is a satellite station of KWTX under FCC rules.
- (3) KGIN is a satellite station of KOLN under FCC rules.
- (4) K02NQ and K11TB are low power broadcast television stations operated by KMIZ-TV and distributed primarily via cable television. These two stations began operating in September 1997 as a single entity operating from one facility and offering an identical programming schedule.
- (5) KSTF is a satellite station of KGWN under FCC rules.
- (6) KGWL and KGWR are satellite stations of KGWC under FCC rules.
- (7) Special 16 county trading area defined by Nielsen and is part of the Lexington, KY DMA.

Click [here](#) for a printer-friendly version of the list of stations.

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