



Gray Communications Systems, Inc. Signs Definitive Agreement To Acquire Benedek Broadcasting Corporation

June 10, 2002

ATLANTA, Jun 10, 2002 /PRNewswire-FirstCall via COMTEX/ -- Gray Communications Systems, Inc. (NYSE: GCS GCS.B) of Atlanta, Georgia, ("Gray") and Stations Holding Company, Inc. ("SHC"), the parent company of Benedek Broadcasting Corporation ("Benedek") of Hoffman Estates, Illinois, jointly announced that they have executed a definitive merger agreement calling for a newly formed subsidiary of Gray to be merged into SHC for consideration of approximately \$500 million in cash. A substantial portion of the cash consideration paid by Gray will be used to satisfy, in full, certain outstanding indebtedness of SHC in accordance with a plan of reorganization to be proposed by SHC.

"This acquisition is consistent with our practice of seeking well-managed affiliate television stations that are leaders in mid-sized markets," said J. Mack Robinson, President and Chief Executive Officer of Gray. "These are excellent stations in growing markets with limited competition. When combined with our existing stations, the merged group will be one of the preeminent TV broadcasting groups," said Robert S. Prather, Executive Vice President - Acquisitions of Gray.

Upon completion of the merger, Gray will own a total of 28 stations serving 23 television markets. The stations will include 15 CBS affiliates, 7 NBC affiliates and 6 ABC affiliates. The combined station group will have 23 stations ranked #1 in viewing audience within their respective markets. Gray will reach approximately 5% of total U.S. TV households. In addition, with 15 CBS affiliated stations, Gray will be the largest owner of CBS affiliates in the country besides the network itself. The combined station group will have a significant presence in the Southeast, Midwest, Great Lakes and Texas. The station locations, some of which are in adjacent television markets, form natural geographic clusters.

Based on results for the year ended December 31, 2001, the combined Gray and Benedek television stations produced approximately \$213.9 million of net revenue and \$84.8 million of broadcast cash flow. Including Gray's publishing and other operations, the combined Gray and Benedek operations for 2001 produced approximately \$263.8 million of net revenue and \$97.1 million of media cash flow.

Currently Gray owns 13 television 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. For the same period Gray's broadcast operations reported \$106.4 million of net revenue and approximately \$40.8 million of broadcast cash flow. In addition to its television station operations, Gray operates four local daily newspapers located in Georgia and Indiana.

As discussed below, Benedek has sold or will sell a total of nine television stations to other parties prior to Gray completing its acquisition of SHC. Excluding the stations sold or to be sold, Benedek operates 15 television stations serving 13 markets. During 2001 those 15 stations earned approximately \$107.5 million of net revenue and approximately \$44.0 million of broadcast cash flow.

"We are excited about the prospects of combining these two great station groups," offered James Yager, President of Benedek. "Our people are looking forward to closing the transaction and joining Gray."

Gray intends to finance the acquisition by issuing a combination of debt and equity securities. Gray is considering raising the equity financing through a follow-on public offering of Gray's class B common stock.

The acquisition is subject to various regulatory approvals, including the approval of the Federal Communications Commission with respect to the transfer of control of Benedek's television licenses. The transaction is also subject to, among other things, the approval of the United States Bankruptcy Court for the District of Delaware, which has jurisdiction over SHC's Chapter 11 reorganization.

Benedek will sell to a third party or parties eight television stations (WYTV, WHOI, KDLH, KMIZ, KAUZ, KHQA, KGWN and KGWC) in one or more separate transactions prior to Gray's completion of the merger transaction. Benedek intends to use the net proceeds of these sales to repay indebtedness under its senior secured credit facility. Benedek announced in April 2002 that it had completed the sale of WTRF, Wheeling, WV. Merrill Lynch acted as financial advisor to Benedek.

Gray's acquisition transaction is expected to close during the fourth quarter of 2002.

A registration statement relating to the securities to be used to finance the acquisition of SHC has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

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

Certain statements in this document are "forward looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guaranties of future actions or performance and actual results may differ materially from those forecasted.

Gray Communications Systems, Inc. is a communications company headquartered in Atlanta, Georgia, and currently operates ten CBS-affiliated television stations, three NBC-affiliated television stations, four daily newspapers, a wireless messaging and paging business and a satellite uplink and

production business. The Company's current operations are concentrated in the South, Southwest and Midwest U. S.

| Call Letters | Designated Market Area ("DMA") | DMA Rank | TV Households | % US TV Households |
|--------------|--|----------|---------------|--------------------|
| WVLT* | Knoxville, TN | 62 | 478 | 0.454% |
| KAKE | Wichita - Hutchinson, KS | 65 | 453 | 0.429% |
| KLBY (1) | Wichita - Hutchinson, KS | 65 | n/a | n/a |
| KUPK (1) | Wichita - Hutchinson, KS | 65 | n/a | n/a |
| WKYT* | Lexington, KY | 66 | 436 | 0.413% |
| WOWT | Omaha, NE | 75 | 386 | 0.366% |
| WMTV | Madison, WI | 85 | 339 | 0.322% |
| KKTV | Colorado Springs, CO | 91 | 306 | 0.290% |
| KWTX* | Waco - Temple - Bryan, TX | 94 | 299 | 0.283% |
| KBTX (2)* | Waco - Temple - Bryan, TX | 94 | n/a | n/a |
| KOLN* | Lincoln-Hastings-Kearney, NE | 102 | 269 | 0.255% |
| KGIN (3)* | Lincoln-Hastings-Kearney, NE | 102 | n/a | n/a |
| WITN* | Greenville - New Bern - Washington, NC | 106 | 251 | 0.238% |
| WILX | Lansing, MI | 111 | 238 | 0.226% |
| WCTV* | Tallahassee, FL-Thomasville, GA | 113 | 237 | 0.224% |
| WRDW* | Augusta, GA | 114 | 234 | 0.222% |
| WEAU* | La Crosse - Eau Claire, WI | 127 | 198 | 0.187% |
| WIFR | Rockford, IL | 132 | 176 | 0.167% |
| WSAW | Wausau - Rhinelander, WI | 137 | 169 | 0.160% |
| WIBW | Topeka, KS | 138 | 166 | 0.157% |
| WJHG* | Panama City, FL | 159 | 121 | 0.115% |
| KXII* | Sherman, TX - Ada, OK | 160 | 119 | 0.113% |
| WTVY | Dothan, AL | 172 | 95 | 0.090% |
| WHSV | Harrisonburg, VA | 178 | 84 | 0.080% |
| WBKO | Bowling Green, KY | 181 | 81 | 0.077% |
| WTOK | Meridian, MS | 185 | 70 | 0.066% |
| WTAP | Parkersburg, WV | 186 | 63 | 0.060% |
| WYMT* | Hazard, KY | see (4) | 169 | n/a |
| Total | | | 5,437 | 4.99% |

| Call Letters | Designated Market Area ("DMA") | Affiliation | Market Rank | News Rank |
|--------------|--|-------------|-------------|-----------|
| WVLT* | Knoxville, TN | CBS | 2 | 3 |
| KAKE | Wichita - Hutchinson, KS | ABC | 3 | 3 |
| KLBY (1) | Wichita - Hutchinson, KS | ABC | 3 | 3 |
| KUPK (1) | Wichita - Hutchinson, KS | ABC | 3 | 3 |
| WKYT* | Lexington, KY | CBS | 1 | 1 |
| WOWT | Omaha, NE | NBC | 1 | 2 |
| WMTV | Madison, WI | NBC | 1 | 2 |
| KKTV | Colorado Springs, CO | CBS | 1 | 1 |
| KWTX* | Waco - Temple - Bryan, TX | CBS | 1 | 1 |
| KBTX (2)* | Waco - Temple - Bryan, TX | CBS | 1 | 1 |
| KOLN* | Lincoln - Hastings - Kearney, NE | CBS | 1 | 1 |
| KGIN (3)* | Lincoln - Hastings - Kearney, NE | CBS | 1 | 1 |
| WITN* | Greenville - New Bern - Washington, NC | NBC | 1 | 1 |
| WILX | Lansing, MI | NBC | 1 | 1 |
| WCTV* | Tallahassee, FL - Thomasville, GA | CBS | 1 | 1 |
| WRDW* | Augusta, GA | CBS | 1 | 1 |
| WEAU* | La Crosse - Eau Claire, WI | NBC | 1 | 1 |
| WIFR | Rockford, IL | CBS | 2 | 2 |
| WSAW | Wausau - Rhinelander, WI | CBS | 1 | 1 |
| WIBW | Topeka, KS | CBS | 1 | 1 |
| WJHG* | Panama City, FL | NBC | 1 | 1 |
| KXII* | Sherman, TX - Ada, OK | CBS | 1 | 1 |

| | | | | |
|-------|-------------------|-----|---|---|
| WTVY | Dothan, AL | CBS | 1 | 1 |
| WHSV | Harrisonburg, VA | ABC | 1 | 1 |
| WBKO | Bowling Green, KY | ABC | 1 | 1 |
| WTOK | Meridian, MS | ABC | 1 | 1 |
| WTAP | Parkersburg, WV | NBC | 1 | 1 |
| WYMT* | Hazard, KY | CBS | 1 | 1 |

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:

* Denotes a current Gray Station

- (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) Special 16 county trading area defined by Nielsen and is part of the Lexington, KY DMA.

Benedek stations to be acquired by Gray exclude:

WTRF - Wheeling, WV which was sold in April 2002.

Prior to Gray's closing of the merger, Benedek will sell the following stations in a separate transaction or series of transactions to third parties

WYTV - Youngstown, OH
 WHOI - Peoria - Bloomington, IL
 KDLH - Duluth, MN - Superior, WI
 KMIZ, K02NQ, K11TB - Columbia - Jefferson City, MO
 KAUZ - Wichita Falls, TX - Lawton, OK
 KHQA - Quincy, IL - Hannibal, MO - Keokuk, IA
 KGWN, KSTF - Cheyenne, WY - Scottsbluf, NE
 KGWC, KGWL, KGWR - Casper - Riverton, WY

SOURCE Gray Communications Systems, Inc.

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