SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 13, 1997
(August 1, 1997)

GRAY COMMUNICATIONS SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Georgia	1-13796	58-0285030
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

126 N. Washington Street, Albany, GA	31701
(Address of principal executive offices)	(Zip code)

(912) 888-9390

(Registrant's telephone number, including area code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

(a) On August 1, 1997, Gray Communications Systems, Inc. (the "Company") purchased from Raycom-U.S., Inc. (the "Seller") substantially all of the assets used in the operation of television station WITN-TV, Inc. broadcast on Channel 7, the NBC affiliate in the Greenville-Washington-New Bern, North Carolina market (the "WITN Acquisition"). The purchase price of approximately $41.4 million consisted of $40.6 million cash, $400,000 in acquisition related costs, and approximately $400,000 in liabilities which were assumed by the Company. 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 $37.1 million. The Company funded the costs of this acquisition through a senior credit facility (the "Senior Credit Facility") with KeyBank National Association, NationsBank, N.A. (South), CIBC, Inc., CoreStates Bank, N.A. and the Bank of New York. The Company will pay Bull Run Corporation, an affiliate of the Company, a fee equal to 1% of the purchase price for services performed in connection with this acquisition.

The terms of the acquisition, including the consideration paid by the Company therefore, were determined in arms-length negotiations between the Company and the Seller.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Business Acquired.

The following unaudited interim financial statements of WITN-TV, Inc. are included in Appendix A hereto and incorporated herein by reference:

Condensed Balance Sheet as of June 30, 1997 (unaudited)
Condensed Statements of Operations for the six months ended June 30, 1997 and 1996 (unaudited)
Condensed Statements of Cash Flows for the six months ended June 30, 1997 and 1996 (unaudited)
Note to Condensed

Financial Statements (unaudited)

The following audited financial statements of WITN-TV, Inc. are included in Appendix B hereto and incorporated herein by reference:

Independent Auditors' Report
Balance Sheets as of December 31, 1996 and 1995
Statements of Income for the years ended December 31, 1996 and 1995
Statements of Stockholder's Equity for the years ended December 31, 1996 and 1995
Statements of Cash Flows for the years ended December 31, 1996 and 1995
Notes to Financial Statements

(b) Pro Forma Financial Information.

The pro forma financial information is included in Appendix C hereto and incorporated herein by reference.

SIGNATURES

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

Gray Communications Systems, Inc.

By: /s/ William A. Fielder, III

William A. Fielder, III
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Date: October 13, 1997

APPENDIX A

WITN-TV, Inc.
Condensed Balance Sheet (unaudited)
June 30, 1997

ASSETS	
CURRENT ASSETS	
Cash	$ 102,428
Trade accounts receivable, less allowance for doubtful accounts of $99,077	1,364,320
Program broadcast rights	94,217
Other current assets	43,003
Total current assets	1,603,968
PROPERTY, PLANT AND EQUIPMENT, net	2,156,643
OTHER ASSETS	
FCC licenses and network affiliation rights, net	36,161,314
Other invested assets	35,631
	36,196,945
	$ 39,957,556
LIABILITIES AND STOCKHOLDER'S EQUITY	
CURRENT LIABILITIES	
Program broadcast obligations	$ 92,897
Trade accounts payable	63,541
Intercompany payable	608,891
Accrued interest	951,502
Accrued expenses	18,375
Total current liabilities	1,735,206
INTERCOMPANY NOTES PAYABLE	38,379,907
STOCKHOLDER'S EQUITY (DEFICIT)	
Preferred stock, $10 par value; 25,000 shares authorized; zero share issued	-0-
Common stock, $10 par value; 25,000 shares authorized; 24,800 shares issued and outstanding	248,000
Retained (deficit)	(405,557)
	(157,557)
	(39,957,556)

See note to condensed financial statements

WITN-TV, Inc.
Condensed Statements of Operations (unaudited)

	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
REVENUES		
Total gross revenues	$ 4,468,921	$ 4,499,307
Less total commissions	(564,399)	(621,606)
Net revenues	3,904,522	3,877,701
EXPENSES		
Program	511,969	492,080
Sales	556,600	503,597
Engineering	266,378	274,245
News	606,053	596,608
General and administrative	296,065	365,780
Depreciation and amortization	545,474	431,165
Other	82,353	94,530
	2,864,892	2,758,005
	1,039,630	1,119,696
Other expense (income):		
Corporate management fees	93,612	32,526
Other expense (income)	(4,151)	-0-
Total other expenses	89,461	32,526
	950,169	1,087,170
Interest expense	951,502	-0-
INCOME (LOSS) BEFORE INCOME TAXES	(1,333)	1,087,170
Federal and state income tax expense (benefit)	(103)	60,000
NET INCOME (LOSS)	$ (1,230)	$ 1,027,170

SEE NOTE TO CONDENSED FINANCIAL STATEMENTS

WITN-TV, Inc.
Condensed Statements of Cash Flows (unaudited)

	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
OPERATING ACTIVITIES		
Net income (loss)	$ (1,230)	$ 1,027,170
Items which did not use (provide) cash:		
Depreciation	191,331	174,321
Amortization of intangible assets	354,143	256,844
(Gain) on disposal of assets	(5,053)	-0-
Deferred income taxes	(62,072)	-0-
Changes in operating assets and liabilities:		
Receivables, film rights and other current assets	484,437	(1,079,119)
Accounts payable, film liabilities and other liabilities	1,189,243	45,515
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,150,799	424,731
INVESTING ACTIVITIES		
Purchase of intangible assets in connection with the purchase by Raycom - US, Inc.	(39,575,963)	-0-
Purchase of property and equipment	(101,089)	(431,345)
Proceeds from sale of assets	5,053	-0-
Other	(8,085)	-0-
CASH USED IN INVESTING ACTIVITIES	(39,680,084)	(431,345)
FINANCING ACTIVITIES		
Borrowings on intercompany notes payable	38,379,907	-0-
Return of capital - net	(973,220)	-0-
NET CASH PROVIDED BY FINANCING ACTIVITIES	37,406,687	-0-
DECREASE IN CASH AND CASH EQUIVILENTS	(122,598)	(6,614)
Cash and cash equivalents at beginning of period	225,026	85,624
CASH AND CASH EQUIVILENTS AT END OF PERIOD	$ 102,428	$ 79,010

SEE NOTE TO CONDENSED FINANCIAL STATEMENTS

WITN-TV, INC.
NOTE TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 1996 AND 1997

A. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements of WITN-TV, Inc. ("WITN") have been prepared in accordance with generally accepted accounting principles for interim financial information 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, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the audited financial statements and footnotes for the years ended December 31, 1996 and 1995 included elsewhere herein.

WITN was purchased by AFLAC Broadcast Group, Inc. (AFBG) on July 1, 1985 from North Carolina Television. AFBG is a wholly owned subsidiary of AFLAC Incorporated. WITN was purchased from AFBG by Raycom - U.S., Inc. (Raycom) on April 15, 1997. The purchase by Raycom resulted in an increase of $21.9 million in FCC licenses and network affiliation rights and the recording of $38.4 million in intercompany notes payable.

Current Federal Communications Commission rules do not allow Raycom's continued ownership. Accordingly, the operations and certain assets of WITN were sold to Gray Communications Systems, Inc. on August 1, 1997.

APPENDIX B

WITN-TV, INC.
(A wholly owned subsidiary of AFLAC Broadcast Group, Inc.)

Financial Statements

December 31, 1996 and 1995

With Independent Auditors' Report Thereon

INDEPENDENT AUDITORS' REPORT

The Board of Directors
WITN-TV, Inc.:

We have audited the accompanying balance sheets of WITN-TV, Inc. (a wholly owned subsidiary of AFLAC Broadcast Group, Inc.) as of December 31, 1996 and 1995, and the related statements of income, stockholder's equity, and cash flows for the years then ended. 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 financial position of WITN-TV, Inc. at December 31, 1996 and 1995 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP
January 29, 1997
Atlanta, Georgia

WITN-TV, INC.
(A wholly owned subsidiary of AFLAC Broadcast Group, Inc.)

Balance Sheets

December 31, 1996 and 1995

Assets	1996	1995
Current assets:		
Cash	$ 225,026	85,624
Trade accounts receivable, less allowance for doubtful accounts of $20,606 and $33,898 in 1996 and 1995, respectively	1,666,293	1,286,648
Broadcast program rights	250,704	218,324
Other current assets	52,648	193,760
Intercompany receivable	--	3,202,590
Total current assets	2,194,671	4,986,946
Land	66,988	66,988
Buildings and improvements at cost, less accumulated depreciation of $526,302 and $484,487 in 1996 and 1995, respectively	393,253	435,068
Furniture and equipment, primarily transmission towers and studio equipment, at cost, less accumulated depreciation of $3,428,840 and $3,691,980 in 1996 and 1995, respectively	1,786,643	1,487,014
Other assets:		
Broadcast program rights, excluding current portion	16,332	32,824
FCC licenses and network affiliation rights, net of accumulated amortization of $5,908,805 and $5,395,117 in 1996 and 1995, respectively	14,640,110	15,153,798
Other invested assets	27,547	29,014
	$19,125,544	22,191,652

See accompanying notes to financial statements.

Liabilities and Stockholder's Equity		1996	1995
Current liabilities:			
Current portion of broadcast program liabilities	$	248,724	268,866
Accounts payable		96,144	72,802
Accrued expenses		185,093	175,581
Income taxes		-	(3,064)
Total current liabilities		529,961	514,185
Noncurrent portion of:			
Broadcast program liabilities		16,002	30,514
Deferred income taxes		62,072	65,136
Commitments and contingencies (notes 3, 4, and 7)			
Total liabilities		608,035	609,835
Stockholder's equity:			
Preferred stock, $10 par value. 25,000 shares authorized, zero shares issued		-	-
Common stock, $10 par value. 25,000 shares authorized, 24,800 shares issued and outstanding		248,000	248,000
Additional paid-in capital		27,205,275	32,835,606
Accumulated deficit		(8,935,766)	(11,501,789)
Total stockholder's equity		18,517,509	21,581,817
	$	19,125,544	22,191,652

WITN-TV, INC.
(A wholly owned subsidiary of AFLAC Broadcast Group, Inc.)

Statements of Income

Years ended December 31, 1996 and 1995

		1996	1995
Revenue:			
Total gross revenue	$	9,813,453	7,872,678
Less total commissions		(1,382,187)	(1,065,046)
Net revenue		8,431,266	6,807,632
Operating expenses:			
Program		996,882	852,389
Sales		1,038,204	981,200
Engineering		578,983	536,224
News		1,217,035	1,083,765
General and administrative		804,823	686,127
Depreciation and amortization		876,712	890,472
Other		163,191	57,305
Total operating expenses		5,675,830	5,087,482
Net operating income		2,755,436	1,720,150
Other expense (income):			
Corporate management fees		37,947	65,052
Other expense (income)		1,466	25,276
Total other expense		39,413	90,328
Net income before income taxes		2,716,023	1,629,822
State income tax expense		150,000	-
Net income	$	2,566,023	1,629,822

See accompanying notes to financial statements.

WITN-TV, INC.
(A wholly owned subsidiary of AFLAC Broadcast Group, Inc.)

Statements of Stockholder's Equity

Years ended December 31, 1996 and 1995

	Common stock Number of shares	Amount	Additional paid-in capital	Accumulated deficit	Total
December 31, 1994	24,800	$ 248,000	32,835,606	(13,131,611)	19,951,995
Net income	-	-	-	1,629,822	1,629,822
December 31, 1995	24,800	248,000	32,835,606	(11,501,789)	21,581,817
Net income	-	-	-	2,566,023	2,566,023
Return of capital	-	-	(5,630,331)	-	(5,630,331)
December 31, 1996	24,800	$ 248,000	27,205,275	(8,935,766)	18,517,509

See accompanying notes to financial statements.

WITN-TV, INC.
(A wholly owned subsidiary of AFLAC Broadcast Group, Inc.)

Statements of Cash Flows

Years ended December 31, 1996 and 1995

	1996	1995
Cash flows from operating activities:		
Net income	$2,566,023	1,629,822
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property and equipment	363,024	376,784
Amortization of intangible assets	513,688	513,688
Loss (gain) on sale of equipment	954	(660)
Change in:		
Accounts receivable	(379,645)	(242,714)
Broadcast program rights	(15,888)	(24,546)
Liability for broadcast program rights	(34,654)	(103,307)
Other current assets	141,112	(2,083)
Accounts payable	23,342	(30,716)
Accrued expenses	9,512	(10,668)
Income taxes payable	-	(3,064)
Deferred income taxes	-	32,409
Total adjustments	621,445	505,123
Net cash provided by operating activities	3,187,468	2,134,945
Cash flows from investing activities:		
Additions to property, plant, and equipment	(621,792)	(486,247)
Proceeds from sales of property, plant, and equipment	-	17,479
Decrease (increase) in other invested assets	1,467	(4,070)
Net cash used in investing activities	(620,325)	(472,838)
Cash flows from financing activities:		
Decrease (increase) in intercompany receivables	3,202,590	(1,664,565)
Return of capital	(5,630,331)	-
Net cash used in financing activities	(2,427,741)	(1,664,565)
Net change	139,402	(2,458)
Cash at beginning of year	85,624	88,082
Cash at end of year	$ 225,026	85,624
Supplemental disclosure of cash flow information - income taxes paid	$ 150,000	-

See accompanying notes to financial statements.

WITN-TV, INC.
(A wholly owned subsidiary of AFLAC Broadcast Group, Inc.)

Notes to Financial Statements

December 31, 1996 and 1995

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

WITN-TV, Inc. (the "Station") was purchased on July 1, 1985 from North Carolina Television. The Station is 100% owned by AFLAC Broadcast Group, Inc. (AFBG). AFBG is a wholly owned subsidiary of AFLAC Incorporated.

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ significantly from those estimates.

(b) Nature of Operations

The Station operates in North Carolina, selling advertising time to a variety of customers.

The Station is subject to regulation by the Federal Communications Commission (FCC).

FCC License Rights

The Station has a license agreement with the Federal Communications Commission (FCC) which grants the Station the right to use the public airwaves for distribution by electronic transmission of news, entertainment programming, advertising information, and public information announcements in a specified geographic area using a specific frequency, effective radiated power, and broadcast tower height. The term of the license is five years and is renewable for indefinite subsequent five-year periods upon satisfying certain renewal requirements.

Network Affiliation Rights

A network affiliation agreement gives the Station the exclusive right to broadcast network programming within the Station's FCC-licensed geographic service areas. This programming enables the Station to attract much larger audiences than a station without a network affiliation. These network audiences also make up "lead-in" audiences for locally produced programs in time periods adjacent to network program periods with the result that the stations can sell advertising at higher rates during these periods. The network also provides management and operational guidance to the Station, the right to use network trade names and logos in station promotions, and local station promotion by network on-air personalities.

The Station is subject to various risks in the conduct of its business, including, but not limited to, FCC license risk, network affiliation risk, and "talent" risk. The Station mitigates these risks by retaining an FCC attorney to notify the Station of any possible noncompliance or of any changes to the FCC regulations and by utilizing various programs to maintain relations with the network and on-air "talent."

(c) Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The Station also reports its operating results for income tax purposes on the accrual basis.

(d) Furniture and Equipment

Furniture and equipment is recorded at cost. Depreciation is provided using the straight-line method over estimated useful lives of from 20 to 50 years for buildings, from three to ten years for furniture and equipment, and from ten to 20 years for broadcasting towers.

Expenditures for repairs and maintenance which do not materially extend the useful lives of property are charged to expense as incurred.

(e) Broadcast Program Rights

Broadcast program rights represent amounts paid or payable to program suppliers for the limited rights to broadcast the suppliers' programming, and are recorded when the license period begins.

Broadcast program rights under film contracts are generally limited to a contract period or a specific number of showings. Program rights are generally amortized to expense based on the straight-line method over the contract period or actual program usage since multiple showings are expected to generate similar revenues. Rights expected to be amortized within one year are classified as current assets. The liabilities under these contracts are recorded at the gross amount of the payments due, and are classified as current or noncurrent in accordance with payment terms.

(f) FCC Licenses and Network Affiliation Rights

The carrying value of the FCC licenses and network affiliation rights in the accompanying balance sheet is the difference between the total purchase price of the television business and other identified assets at the time of original purchase of the Station by AFBG, less amortization using the straight-line method over 40 years.

(g) Income Taxes

The Station joins in the filing of a consolidated U.S. Federal income tax return with AFLAC Incorporated, which allocates current income taxes to each subsidiary based on the taxes that each entity would pay if it filed a separate Federal income tax return. Deferred income taxes are allocated based on consolidated income taxes for AFLAC Incorporated.

(2) Transactions with Affiliates

The Station has executed a management agreement with AFBG to undertake the management and operation of the Station. The total fees paid amounted to $37,947 and $65,052 in 1996 and 1995, respectively.

The Company had a receivable from AFBG of $-0- and $3,202,590 at December 31, 1996 and 1995, respectively. In lieu of a cash settlement for the receivable from AFBG, during 1996, the receivable was extinguished through a return of capital in the amount of $5.6 million.

(3) Broadcast Program Liabilities

The Station has incurred payment obligations in connection with purchases of broadcast program rights. Scheduled contractual payments under these contracts are as follows:

Year ending December 31,	
1998	$ 1,120
1999	14,882
Total noncurrent liability	$ 16,002
Current portion due within one year	$ 248,724

At December 31, 1996, the Station is committed under executed license agreements for programming totaling $292,575 covering broadcast periods beginning after December 31, 1996.

(4) Employee Pension Plan

The Station participates in a defined benefit pension plan sponsored by AFBG that covers substantially all of the Station's employees. The retirement benefits are based on years of service and salary during the last five years preceding retirement. It is AFBG's general policy to annually fund through a trust the accrued costs (calculated under the frozen entry age actuarial cost method) for the plan to the extent deductible for Federal income tax purposes.

Notes to Financial Statements

(5) Financial Instruments

The carrying amounts for cash, accounts receivable, and accounts payable approximate their fair values due to the short-term nature of these instruments.

The Station has no derivative instruments.

(6) Sale of Station

On August 13, 1996, AFLAC Incorporated, the parent company, signed a binding letter of intent to sell its broadcast division business, including the Station, to Raycom Media, Inc. Management expects the sale will close during the first half of 1997, pending approval by the FCC.

(7) Contingencies

The Station is a defendant in various litigation considered to be in the normal course of business. Although the final results of any litigation cannot be predicted with certainty, the Station is vigorously defending its position and believes the outcome of the litigation will not have a material adverse effect on the financial position of the Station.

APPENDIX C

GRAY COMMUNICATIONS SYSTEMS, INC.
PRO FORMA CONDENSED COMBINED BALANCE SHEET - JUNE 30, 1997 (UNAUDITED)

The following unaudited pro forma condensed combined balance sheet of the Company as of June 30, 1997 is based on the condensed historical consolidated balance sheet of the Company and the balance sheet of WITN. The unaudited pro forma condensed combined balance sheet gives effect to the WITN Acquisition under the purchase method of accounting and is based on a preliminary allocation of the purchase price reflecting the assumptions and the adjustments described in the accompanying notes.

This unaudited pro forma condensed combined balance sheet does not purport to represent the Company's actual financial position that would have been reported had the WITN Acquisition occurred on June 30, 1997.

The pro forma adjustments are based upon currently available information and upon certain assumptions that management believes are reasonable under the circumstances. This unaudited pro forma condensed combined balance sheet should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto for the year ended December 31, 1996 (as filed in the Company's annual report on Form 10-K for the year ended December 31, 1996) and for the quarter ended June 30, 1997 (as filed in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 1997).

Gray Communications Systems, Inc.
Pro Forma Condensed Combined Balance Sheet (unaudited)
June 30, 1997
(In thousands, except share data)

	Company	WITN-TV, Inc.	Pro Forma Adjustments for WITN Acquisition		Pro Forma Combined (6)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 523	$ 102	$ (102)	(1)	$ 523
Trade accounts receivable, less allowance for doubtful accounts	16,700	1,364	-0-		18,064
Recoverable income taxes	4,166	-0-	-0-		4,166
Inventories	504	-0-	-0-		504
Current portion of program broadcast rights	1,505	94	-0-		1,599
Other current assets	947	44	(44)	(1)	947
Total current assets	24,345	1,604	(146)		25,803
PROPERTY AND EQUIPMENT - NET	39,838	2,157	723	(2)	42,718
OTHER ASSETS					
Deferred acquisition costs	485	-0-	(372)	(2)	113
Deferred loan costs	8,665	-0-	-0-		8,665
Goodwill and other intangibles	229,052	36,161	891	(2)	266,104
Other	1,625	36	(36)		1,625
Total other assets	239,827	36,197	483		276,507
	$ 304,010	$ 39,958	$ 1,060		$ 345,028
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Trade accounts payable	$ 3,883	$ 63	$ (63)	(1)	$ 3,883
Intercompany payable	-0-	609	(609)	(1)	-0-
Accrued expenses	7,362	19	(19)	(1)	7,662
			300	(2)	
Accrued interest	4,385	952	(952)	(1)	4,385
Current portion of program broadcast obligations	1,822	93	-0-		1,915
Deferred revenue	1,818	-0-	-0-		1,818
Current portion of long-term debt	345	-0-	-0-		345
Total current liabilities	19,615	1,736	(1,343)		20,008
LONG-TERM DEBT	181,282	-0-	40,637	(3)	221,919
INTERCOMPANY NOTES PAYABLE	-0-	38,380	(38,380)	(1)	-0-
OTHER LONG-TERM LIABILITIES	7,808	-0-	(12)	(2)	7,796
STOCKHOLDERS' EQUITY					
Serial Preferred Stock	20,000	-0-	-0-		20,000
Class A Common Stock, no par value	9,829	-0-	-0-		9,829
Class B Common Stock, no par value	66,283	-0-	-0-		66,283
Common Stock, $10 par value	-0-	248	(248)	(2)	-0-
Retained earnings	9,691	(406)	406	(2)	9,691
	105,803	(158)	158		105,803
Treasury tock:					
Class A Common Stock	(7,758)	-0-	-0-		(7,758)
Class B Common Stock	(2,740)	-0-	-0-		(2,740)
	95,305	(158)	158		95,305
	$ 304,010	$ 39,958	$ 1,060		$ 345,028

SEE NOTES TO PRO FORMA CONDENSED COMBINED BALANCE SHEET

GRAY COMMUNICATIONS SYSTEMS, INC.
NOTES TO PRO FORMA CONDENSED COMBINED BALANCE SHEET (UNAUDITED)
JUNE 30, 1997

1. Reflects the elimination of i) assets of WITN that were not included in the WITN Acquisition and ii) liabilities of WITN not assumed by the Company in the WITN Acquisition.

2. Reflects the WITN Acquisition by the Company and a preliminary allocation of the purchase price to the tangible assets and liabilities using estimates of current fair market value. The excess of purchase price over amounts allocated to the net tangible assets will be amortized on a straight-line basis over a 40 year period.

3. Reflects the additional borrowings of $40.6 million under the Company's Senior Credit Facility to fund the WITN Acquisition.

4. In connection with the First American Acquisition, the Federal Communications Commission (the "FCC") ordered the Company to apply for FCC approval to divest itself of WALB-TV ("WALB") in Albany, Georgia and WJHG-TV ("WJHG") in Panama City, Florida by March 31, 1997 to comply with regulations governing common ownership of television stations with overlapping service areas. The FCC is currently reexamining these regulations, and if it revises them in accordance with the interim policy it has adopted, divestiture of WJHG would not be required. Accordingly, the Company requested and in July of 1997 received an extension of the divestiture deadline with regard to WJHG conditioned upon the outcome of the rulemaking proceedings. It can not be determined when the FCC will complete its rulemaking on this subject. Also in July of 1997, the Company obtained FCC approval to transfer control of WALB to a trust with a view towards the trustee effecting i) a swap of WALB's 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, or ii) a sale of such assets. Under the trust arrangement, the Company relinquished operating control of the station to a trustee while retaining the economic risks and benefits of ownership. If the trustee 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 an adverse effect on the Company's ability to acquire comparable assets without incurring additional indebtedness. The FCC has allowed up to six months for the trustee to file an application seeking the agency's approval of a swap or sale. The approval process is expected to take between two and six months.

Condensed unaudited balance sheets of WALB and WJHG are as follows (in thousands):

	June 30, 1997	
	WALB	WJHG
Current assets	$2,076	$1,024
Property and equipment	1,444	908
Other assets	68	4
Total assets	$3,588	$1,936
Current liabilities	$1,855	$ 489
Other liabilities	209	-0-
Stockholder's equity	1,524	1,447
Total liabilities and stockholder's equity	$3,588	$1,936

GRAY COMMUNICATIONS SYSTEMS, INC.
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1996 (UNAUDITED)

On September 30, 1996, the Company purchased from First American Media, Inc. (the "First American Acquisition") substantially all of the assets used in the operation of two CBS-affiliated television stations, WCTV-TV serving Tallahassee, Florida/Thomasville, Georgia and WKXT-TV ("WKXT") in Knoxville, Tennessee, as well as those assets used in the operation of a satellite uplink and production services business and a communications and paging business (the "First American Business"). Subsequent to the First American Acquisition, the Company rebranded WKXT with the call letters WVLT as a component of its strategy to promote the station's upgraded news product. The purchase price of approximately $183.9 million consisted of $175.5 million in cash, $1.8 million in acquisition-related costs, and the assumption of approximately $6.6 million of liabilities. Based on the preliminary allocation of the purchase price, the excess of the purchase price over the fair value of net tangible assets acquired was approximately $159.8 million. The Company's Board of Directors agreed to pay Bull Run Corporation ("Bull Run"), a principal stockholder of the Company, a fee equal to $1.7 million for services performed in connection with the First American Acquisition.

The First American Acquisition and the early retirement of the Company's existing bank credit facility (the "Old Credit Facility") and other senior indebtedness, were funded as follows: net proceeds of $66.1 million from the sale of 3.5 million shares of the Company's Class B Common Stock; net proceeds of $155.2 million from the sale of $160.0 million principal amount of the Company's 10 5/8% Senior Subordinated Notes due 2006 (the "Notes"); $16.9 million of borrowings under the Senior Credit Facility; and $10.0 million net proceeds from the sale of 1,000 shares of the Company's Series B Preferred Stock with warrants to purchase 500,000 shares of the Company's Class A Common Stock at $24 per share. The shares of Series B Preferred Stock were issued to Bull Run and to J. Mack Robinson, Chairman of the Board of Bull Run and President and Chief Executive Officer of the Company, and certain of his affiliates. The Company obtained an opinion from an investment banker as to the fairness of the terms of the sale of such Series B Preferred Stock with warrants. The Company also converted an 8% subordinated note due January 3, 2005 in the principal amount of $10.0 million (the "8% Note") into 1,000 shares of the Company's Series A Preferred Stock.

The Company sold the assets of KTVE Inc. (the "KTVE Sale"), its NBC-affiliated television station, in Monroe, Louisiana/El Dorado, Arkansas to GOCOM Television of Ouachita, L.P. on August 20, 1996.

The following unaudited pro forma condensed combined statement of operations for the year ended December 31, 1996, is presented below and assumes that the KTVE Sale; the sale of 3.5 million shares of the Company's Class B Common Stock, the conversion of the 8% Note into 1,000 shares of the Company's Series A Preferred Stock and the sale of 1,000 shares of the Company's Series B Preferred Stock (the "Offering"); the sale of the Notes, the First American Acquisition and the WITN Acquisition occurred on January 1, 1996. This unaudited pro forma condensed combined statement of operations does not include an extraordinary loss of approximately $5.3 million ($3.2 million after taxes or $0.56 per common share) relating to deferred financing costs and prepayment fee associated with the retirement of a $25.0 million senior secured note with an institutional investor (the "Senior Note") and the Old Credit Facility.

This unaudited pro forma condensed combined statement of operations does not purport to represent the Company's actual results of operations had these events occurred on January 1, 1996, and should not serve as a forecast of the Company's operating results for any future periods. The pro forma adjustments are based solely upon certain assumptions that management believes are reasonable under the circumstances at this time.

GRAY COMMUNICATIONS SYSTEMS, INC.
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1996 (UNAUDITED) (CONTINUED)

This unaudited pro forma condensed combined statement of operations should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto for the year ended December 31, 1996 (as filed in the Company's annual report on Form 10-K for the year ended December 31, 1996).

Gray Communications Systems, Inc.
Pro Forma Condensed Combined Statement of Operations (unaudited)
Year Ended December 31, 1996
(in thousands, except per share data)

	Company	Offering		KTVE Sale
OPERATING REVENUES				
Broadcasting (less agency commissions)	$ 54,981	$ -0-		$ (2,968)
Publishing	22,845	-0-		-0-
Paging	1,479	-0-		-0-
	79,305			(2,968)
EXPENSES				
Broadcasting	32,438	-0-		(2,226)
Publishing	17,949	-0-		-0-
Paging	1,078	-0-		-0-
Corporate and administrative	3,219	-0-		-0-
Depreciation	4,077	-0-		(279)
Amortization of intangible assets	3,585	(201)	(1)	-0-
Non-cash compensation paid in common stock	880	-0-		-0-
	63,226	(201)		(2,505)
	16,079	201		(463)
Miscellaneous income and (expense), net	5,705	-0-		(5,673)
	21,784	201		(6,136)
Interest expense	11,689	(6,138)	(1)	-0-
INCOME (LOSS) BEFORE MINORITY INTEREST, INCOME TAXES AND EXTRAORDINARY CHARGE	10,095	6,339		(6,136)
Minority interests	-0-	-0-		-0-
Federal and state income taxes (benefit)	4,416	2,532	(2)	(2,963)
INCOME (LOSS) BEFORE EXTRAORDINARY CHARGE	5,679	3,807		(3,173)
Extraordinary charge on extinguishment of debt	3,159	(3,159)		-0-
NET INCOME	2,520	6,966		(3,173)
Preferred dividends	377	1,023	(3)	-0-
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ 2,143	$ 5,943		$ (3,173)
Average shares outstanding (18)				
Primary	5,626			
Fully diluted	5,644			
Primary and fully diluted earnings per common share:				
Income (loss) before extraordinary charge available to common stockholders	$ 0.94			
Extraordinary charge	(0.56)			
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ 0.38			

	Pro Forma Company	Phipps Business	Pro Forma Adjustments		Pro Forma Company
OPERATING REVENUES					
Broadcasting (less agency commissions)	$ 52,013	$ 17,163	$ -0-		$ 69,176
Publishing	22,845	-0-	-0-		22,845
Paging	1,479	4,040	-0-		5,519
	76,337	21,203	-0-		97,540
EXPENSES					
Broadcasting	30,212	9,307	(1,212)	(4)	38,925
			165	(5)	
			158	(6)	
			295	(7)	
Publishing	17,949	-0-	-0-		17,949
Paging	1,078	3,345	(643)	(4)	3,832
			52	(6)	
Corporate and administrative	3,219	7,953	(7,953)	(8)	3,219
Depreciation	3,798	1,757	787	(9)	6,342

Amortization of intangible assets	3,384	544	2,450 (10)	6,378
Non-cash compensation paid in common stock	880	-0-	-0-	880
	60,520	22,906	(5,901)	77,525
	15,817	(1,703)	5,901	20,015
Miscellaneous income and (expense), net	32	57	-0-	89
	15,849	(1,646)	5,901	20,104
Interest expense	5,551	279	(279)(11) 14,645 (12)	20,196
INCOME (LOSS) BEFORE MINORITY INTEREST, INCOME TAXES AND EXTRAORDINARY CHARGE	10,298	(1,925)	(8,465)	(92)
Minority interests	-0-	(152)	152 (13)	-0-
Federal and state income taxes (benefit)	3,985	-0-	(4,089) (2)	(104)
INCOME (LOSS) BEFORE EXTRAORDINARY CHARGE	6,313	(1,773)	(4,528)	12
Extraordinary charge on extinguishment of debt	-0-	-0-	-0-	-0-
NET INCOME	6,313	(1,773)	(4,528)	12
Preferred dividends	1,400	-0-	-0-	1,400
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ 4,913	$ (1,773)	$ (4,528)	$ (1,388)
Average shares outstanding (18)				
Primary	8,179			7,952
Fully diluted	8,197			7,952
Primary and fully diluted earnings per common share:				
Income (loss) before extraordinary charge available to common stockholders	$ 0.60			$ (0.17)
Extraordinary charge	-0-			-0-
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ 0.60			$ (0.17)

	WITN-TV, Inc.	Pro Forma Adjustments for WITN Acquisition		Pro Forma Combined (19)
OPERATING REVENUES				
Broadcasting (less agency commissions)	$ 8,431	$ -0-		$ 77,607
Publishing	-0-	-0-		22,845
Paging	-0-	-0-		5,519
	8,431	-0-		105,971
EXPENSES				
Broadcasting	4,799	-0-		43,724
Publishing	-0-	-0-		17,949
Paging	-0-	-0-		3,832
Corporate and administrative	38	(38)	(14)	3,219
Depreciation	363	112	(15)	6,817
Amortization of intangible assets	514	415	(16)	7,307
Non-cash compensation paid in common stock	-0-	-0-		880
	5,714	489		83,728
	2,717	(489)		22,243
Miscellaneous income and (expense), net	(1)	-0-		88
	2,716	(489)		22,331
Interest expense	-0-	3,401	(17)	23,597
INCOME (LOSS) BEFORE MINORITY INTEREST, INCOME TAXES AND EXTRAORDINARY CHARGE	2,716	(3,890)		(1,266)
Minority interests	-0-	-0-		-0-
Federal and state income taxes (benefit)	150	(550)	(2)	(504)
INCOME (LOSS) BEFORE EXTRAORDINARY CHARGE	2,566	(3,340)		(762)
Extraordinary charge on extinguishment of debt	-0-	-0-		-0-
NET INCOME	2,566	(3,340)		(762)
Preferred dividends	-0-	-0-		1,400
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ 2,566	$ (3,340)		$ (2,162)
Average shares outstanding (18)				
Primary				7,952
Fully diluted				7,952

Primary and fully diluted earnings per common share:

Income (loss) before extraordinary charge available to common stockholders	$ (0.27)
Extraordinary charge	-0-
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ (0.27)

GRAY COMMUNICATIONS SYSTEMS, INC.
NOTES TO PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1996 (UNAUDITED)

1. Reflects decreased amortization of deferred financing costs in connection with retirement of the Senior Note. Also reflects decreased interest expense of $3.3 million on the Company's Old Credit Facility resulting from repayment of $45.3 million in principal at an estimated weighted average interest rate of 9.0% per annum from the proceeds of this Offering; decreased annual interest expense of $2.0 million resulting from the retirement of the Senior Note; and a reduction of interest expense of $800,000 on the 8% Note which was converted to Series A Preferred Stock.

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

3. Reflects dividends on the Company's Series A and Series B Preferred Stock.

4. Reflects the elimination of severance and vacation expense associated with the First American Acquisition. Such amounts will not be incurred by the Company in connection with its operations of the First American Business.

5. Reflects accounting and administrative expenses associated with the Company's operations of the First American Business subsequent to the First American Acquisition.

6. Reflects increased pension expense for the First American Business subsequent to the First American Acquisition.

7. Reflects increased annual tower rental expense of $393,000 associated with the operation of the First American Business.

8. Reflects the elimination of the corporate allocation to the First American Business. The Company in connection with its operations of the First American Business will not incur such amounts.

9. Reflects increased depreciation resulting from the change in asset lives in connection with the newly acquired property and equipment (at fair market value) of the First American Business.

10. Reflects annual amortization of intangible assets associated with the First American Acquisition over a 40-year period.

11. Reflects elimination of interest expense associated with the First American Business that will not be assumed by the Company.

12. Reflects assumed increased interest expense of $13.0 million on the Notes, which includes amortization expense of $500,000 resulting from the transaction costs relating to the issuance of the Notes, interest expense of $1.3 million relating to the additional borrowings under the Senior Credit Facility at an estimated rate of 8.5% plus amortization of additional deferred financing costs of $310,000.

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

14. Reflects the elimination of a corporate allocation from AFBG to WITN. The Company in connection with its operations of WITN will not incur such amounts.

15. Reflects increased depreciation resulting from the change in asset lives in connection with the newly acquired property and equipment (at fair market value) of WITN.

16. Reflects annual amortization of intangible assets associated with WITN over a 40-year period.

17. Reflects increased interest expense associated with the borrowing of $40.6 to fund the WITN Acquisition.

18. 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 Offering.

19. In connection with the First American Acquisition, the FCC ordered the Company to apply for FCC approval to divest itself of WALB-TV ("WALB") in Albany, Georgia and WJHG-TV ("WJHG") in Panama City, Florida by March 31, 1997 to comply with regulations governing common ownership of television stations with overlapping service areas. The FCC is currently reexamining these regulations, and if it revises them in accordance with the interim policy it has adopted, divestiture of WJHG would not be required. Accordingly, the Company requested and in July of 1997 received an extension of the divestiture deadline with regard to WJHG conditioned upon the outcome of the rulemaking proceedings. It can not be determined when the FCC will complete its rulemaking on this subject. Also in July of 1997, the Company obtained FCC approval to transfer control of WALB to a trust with a view towards the trustee effecting i) a swap of WALB's 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, or ii) a sale of such assets. Under the trust arrangement, the Company relinquished operating control of the station to a trustee while retaining the economic risks and benefits of ownership. If the trustee 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 an adverse effect on the Company's ability to acquire comparable assets without incurring additional indebtedness. The FCC has allowed up to six months for the trustee to file an application seeking the agency's approval of a swap or sale. The approval process is expected to take between two and six months.

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

	Year Ended December 31, 1996	
	WALB	WJHG
Broadcasting revenues	$10,611	$ 5,217
Expenses	5,070	4,131
Operating income	5,541	1,086
Other income	7	6
Income before income taxes	$ 5,548	$ 1,092
Net income	$ 3,465	$ 685

GRAY COMMUNICATIONS SYSTEMS, INC.
PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1997 (UNAUDITED)

The following unaudited pro forma condensed combined statement of operations of the Company for the six months ended June 30, 1997 is based on the historical consolidated financial statements of the Company and the financial statements of WITN and are presented as if the WITN Acquisition had occurred on January 1, 1997. The unaudited pro forma condensed combined statement of operations gives effect to the WITN Acquisition under the purchase method of accounting and is based on a preliminary allocation of the purchase price and the assumptions and the adjustments described in the accompanying notes.

This unaudited pro forma condensed combined statement of operations does not purport to represent the Company's actual results of operations that would have been reported had the WITN Acquisition occurred on January 1, 1997.

The pro forma adjustments are based upon currently available information and upon certain assumptions that management believes are reasonable under the circumstances. This unaudited pro forma condensed combined statement of operations should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto for the year ended December 31, 1996 (as filed in the Company's annual report on Form 10-K for the year ended December 31, 1996) and for the quarter ended June 30, 1997 (as filed in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 1997).

Gray Communications Systems, Inc.
Pro Forma Condensed Combined Statement of Operations (unuadited)
Six Months Ended June 30,1997
(In thousands, except per share data)

	Company	WITN-TV, Inc.	Pro Forma Adjustments for WITN Acquisition		Pro Forma Combined (7)
OPERATING REVENUES					
Broadcasting (less agency commissions)	$ 33,768	$ 3,905	$ -0-		$ 37,673
Publishing	11,306	-0-	-0-		11,306
Paging	3,185	-0-	-0-		3,185
	48,259	3,905	-0-		52,164
EXPENSES					
Broadcasting	19,299	2,319	-0-		21,618
Publishing	8,528	-0-	-0-		8,528
Paging	1,837	-0-	-0-		1,837
Corporate and administrative	1,374	93	(93)	(1)	1,374
Depreciation	3,647	192	46	(2)	3,885
Amortization of intangible assets	3,113	354	106	(3)	3,573
	37,798	2,958	59		40,815
	10,461	947	(59)		11,349
Miscellaneous income and (expense), net	(40)	4			(36)
	10,421	951	(59)		11,313
Interest expense	10,057	952	772	(4)	11,781
INCOME (LOSS) BEFORE INCOME TAXES	364	(1)	(831)		(468)
Federal and state income taxes (benefit)	203	-0-	(362)	(5)	(159)
NET INCOME (LOSS)	161	(1)	(469)		(309)
Preferred dividend	700	-0-	-0-		700
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ (539)	$ (1)	$ (469)		$ (1,009)
Average common shares outstanding (6):					
Primary	7,891				7,891
Fully diluted	7,891				7,891
Loss per share available to common stockholders					
Primary	$ (0.07)				$ (0.13)
Fully diluted	$ (0.07)				$ (0.13)

SEE NOTES TO PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

GRAY COMMUNICATIONS SYSTEMS, INC.
NOTES TO PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1997 (UNAUDITED)

1. Reflects the elimination of a corporate allocation to WITN by its previous owner which will not be incurred by the Company.

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

3. Reflects amortization of intangible assets associated with WITN over a 40-year period.

4. Reflects semiannual interest of $1.7 million for increased debt levels on the Company's Senior Credit Facility.

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

6. Average outstanding shares used to calculate pro forma loss per share available to common stockholders are based upon weighted average common shares outstanding during the period.

7. In connection with the First American Acquisition, the FCC ordered the Company to apply for FCC approval to divest itself of WALB-TV ("WALB") in Albany, Georgia and WJHG-TV ("WJHG") in Panama City, Florida by March 31, 1997 to comply with regulations governing common ownership of television stations with overlapping service areas. The FCC is currently reexamining these regulations, and if it revises them in accordance with the interim policy it has adopted, divestiture of WJHG would not be required. Accordingly, the Company requested and in July of 1997 received an extension of the divestiture deadline with regard to WJHG conditioned upon the outcome of the rulemaking proceedings. It can not be determined when the FCC will complete its rulemaking on this subject. Also in July of 1997, the Company obtained FCC approval to transfer control of WALB to a trust with a view towards the trustee effecting i) a swap of WALB's 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, or ii) a sale of such assets. Under the trust arrangement, the Company relinquished operating control of the station to a trustee while retaining the economic risks and benefits of ownership. If the trustee 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 an adverse effect on the Company's ability to acquire comparable assets without incurring additional indebtedness. The FCC has allowed up to six months for the trustee to file an application seeking the agency's approval of a swap or sale. The approval process is expected to take between two and six months.

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

	Six Months Ended June 30, 1997	
	WALB	WJHG
Broadcasting revenues	$4,931	$2,441
Expenses	2,255	1,840
Operating income	2,676	601
Other income	-0-	-0-
Income before income taxes	$2,676	$ 601
Net income	$1,660	$ 372