UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

☑ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2008

or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from __________ to __________.

Commission file number 1-13796

Gray Television, Inc.
(Exact name of registrant as specified in its charter)

Georgia	**58-0285030**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
4370 Peachtree Road, NE, Atlanta, Georgia	**30319**
(Address of principal executive offices)	(Zip code)

(404) 504-9828
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ☑	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, (No Par Value)	**Class A Common Stock, (No Par Value)**
42,932,707 shares outstanding as of October 31, 2008	**5,753,020 shares outstanding as of October 31, 2008**

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GRAY TELEVISION, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GRAY TELEVISION, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands)

	September 30, 2008	December 31, 2007
Assets:		
Current assets:		
Cash and cash equivalents	$ 32,575	$ 15,338
Trade accounts receivable, less allowance for doubtful accounts of $736 and $1,303, respectively	54,698	63,070
Current portion of program broadcast rights, net	14,006	10,489
Deferred tax asset	1,450	1,450
Marketable securities	2,246	4,177
Prepaid and other current assets	4,586	3,483
Total current assets	109,561	98,007
Property and equipment, net	165,879	173,039
Deferred loan costs, net	2,969	3,325
Broadcast licenses	1,059,066	1,059,066
Goodwill	269,118	269,118
Other intangible assets, net	2,088	2,685
Investment in broadcasting company	13,599	13,599
Other	6,298	7,130
Total assets	$ 1,628,578	$ 1,625,969

See notes to condensed consolidated financial statements.

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GRAY TELEVISION, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands)

	September 30, 2008	December 31, 2007
Liabilities and stockholders' equity:		
Current liabilities:		
Trade accounts payable	$ 6,280	$ 7,978
Employee compensation and benefits	8,178	11,620
Accrued interest	12,090	15,879
Other accrued expenses	8,538	5,772
Dividends payable	4,473	1,445
Federal and state income taxes	3,579	3,757
Current portion of program broadcast obligations	18,741	13,963
Acquisition related liabilities	980	980
Deferred revenue	9,001	5,491
Current portion of long-term debt	8,367	9,250
Total current liabilities	80,227	76,135
Long-term debt, less current portion	822,079	915,750
Program broadcast obligations, less current portion	1,690	1,889
Deferred income taxes	266,539	262,778
Long-term deferred revenue	3,468	3,911
Accrued pension costs	6,287	6,808
Other	17,504	20,853
Total liabilities	1,197,794	1,288,124
Commitments and contingencies (Note G)		
Preferred stock, no par value; cumulative; redeemable; designated 1.00 shares, respectively, issued and outstanding 1.00 and 0.00 shares, respectively ($100,000 and $0 aggregate liquidation value, respectively)	91,883	—
Stockholders' equity:		
Common stock, no par value; authorized 100,000 shares, issued 46,632 shares and 46,173 shares, respectively	451,534	448,459
Class A common stock, no par value; authorized 15,000 shares, issued 7,332 shares	15,321	15,321
Accumulated deficit	(54,206)	(50,560)
Accumulated other comprehensive loss, net of income tax benefit	(11,420)	(13,047)
	401,229	400,173
Treasury stock at cost, common stock, 3,772 shares	(39,930)	(39,930)
Treasury stock at cost, Class A common stock, 1,579 shares	(22,398)	(22,398)
Total stockholders' equity	338,901	337,845
Total liabilities and stockholders' equity	$ 1,628,578	$ 1,625,969

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(in thousands except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues (less agency commissions)	$ 82,631	$ 73,585	$ 232,373	$ 223,015
Operating expenses before depreciation, amortization and (gain) loss on disposal of assets, net:				
Broadcast	49,907	49,583	148,383	147,449
Corporate and administrative	3,754	3,932	10,015	11,577
Depreciation	8,598	9,956	26,191	29,423
Amortization of intangible assets	199	200	597	625
(Gain) loss on disposals of assets, net	(338)	5	(1,343)	122
	62,120	63,676	183,843	189,196
Operating income	20,511	9,909	48,530	33,819
Other income (expense):				
Miscellaneous income, net	36	177	126	984
Interest expense	(12,626)	(16,812)	(41,827)	(50,610)
Loss on early extinguishment of debt	—	—	—	(22,853)
Income (loss) before income taxes	7,921	(6,726)	6,829	(38,660)
Income tax expense (benefit)	3,277	(2,546)	2,820	(14,021)
Net income (loss)	4,644	(4,180)	4,009	(24,639)
Preferred dividends (includes accretion of issuance cost of $275, $0, $275, and $439, respectively)	3,167	—	3,292	1,626
Net income (loss) available to common stockholders	$ 1,477	$ (4,180)	$ 717	$ (26,265)
Basic per share information:				
Net income (loss) available to common stockholders	$ 0.03	$ (0.09)	$ 0.01	$ (0.55)
Weighted-average shares outstanding	48,370	47,760	48,253	47,728
Diluted per share information:				
Net income (loss) available to common stockholders	$ 0.03	$ (0.09)	$ 0.01	$ (0.55)
Weighted-average shares outstanding	48,413	47,760	48,293	47,728
Dividends declared per share	$ 0.03	$ 0.03	$ 0.09	$ 0.09

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS (Unaudited)
(in thousands except for number of shares)

	Class A Common Stock		Common Stock		Accumulated Deficit	Class A Treasury Stock		Common Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount		Shares	Amount	Shares	Amount		
Balance at December 31, 2007	7,331,574	$ 15,321	46,173,347	$ 448,459	$ (50,560)	(1,578,554)	$ (22,398)	(3,771,550)	$ (39,930)	$ (13,047)	$ 337,845
Net income	—	—	—	—	4,009	—	—	—	—	—	4,009
Gain on derivatives, net of income tax	—	—	—	—	—	—	—	—	—	1,627	1,627
Comprehensive income	—	—	—	—	—	—	—	—	—	—	5,636
Common stock cash dividends ($0.09) per share	—	—	—	—	(4,363)	—	—	—	—	—	(4,363)
Preferred stock dividends	—	—	—	—	(3,292)	—	—	—	—	—	(3,292)
Issuance of common stock:											
401(k) plan	—	—	403,750	1,987	—	—	—	—	—	—	1,987
Directors' restricted stock plan	—	—	55,000	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	1,088	—	—	—	—	—	—	1,088
Balance at September 30, 2008	7,331,574	$ 15,321	46,632,097	$ 451,534	$ (54,206)	(1,578,554)	$ (22,398)	(3,771,550)	$ (39,930)	$ (11,420)	$ 338,901

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Operating activities		
Net income (loss)	$ 4,009	$ (24,639)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	26,191	29,423
Amortization of intangible assets	597	625
Amortization of deferred loan costs	356	848
Amortization of bond discount	—	39
Amortization of restricted stock awards	302	953
Amortization of stock option awards	786	162
Write-off loan acquisition costs from early extinguishment of debt	—	22,853
Amortization of program broadcast rights	11,598	11,345
Payments on program broadcast obligations	(10,149)	(12,817)
Common stock contributed to 401(K) Plan	1,987	1,987
Deferred income taxes	2,720	(14,619)
(Gain) loss on disposal of assets, net	(1,343)	122
Pension expense net of contributions	(512)	54
Payment for sports marketing agreement	—	(4,950)
Other	(455)	(224)
Changes in operating assets and liabilities, net of business acquisitions:		
Receivables and other current assets	9,534	(444)
Accounts payable and other current liabilities	(5,140)	(3,985)
Accrued interest	(3,789)	5,186
Net cash provided by operating activities	36,692	11,919
Investing activities		
Acquisition of television business	—	(92)
Purchases of property and equipment	(11,911)	(21,861)
Proceeds from asset sales	306	176
Payments on acquisition-related liabilities	(559)	(756)
Other	20	(42)
Net cash used in investing activities	(12,144)	(22,575)
Financing activities		
Proceeds from borrowings on long-term debt	16,000	360,500
Repayments of borrowings on long-term debt	(110,554)	(286,500)
Deferred loan costs	—	(3,197)
Subordinated note redemption costs	—	(13,045)
Dividends paid, net of accreted preferred dividend	(4,349)	(7,709)
Proceeds from issuance of common stock	—	507
Issuance of preferred stock	91,607	—
Redemption of preferred stock	—	(37,890)
Purchase of common stock	—	(5,518)
Other	(15)	—
Net cash (used in) provided by financing activities	(7,311)	7,148
Net increase (decrease) in cash and cash equivalents	17,237	(3,508)
Cash and cash equivalents at beginning of period	15,338	4,741
Cash and cash equivalents at end of period	$ 32,575	$ 1,233

See notes to condensed consolidated financial statements.

GRAY TELEVISION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE A — BASIS OF PRESENTATION

The accompanying condensed balance sheet as of December 31, 2007, which was derived from audited financial statements, and the unaudited condensed consolidated financial statements as of and for the period ended September 30, 2008 of Gray Television, Inc. (“we,” “us”, or “our”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included. Our operations consist of one reportable segment. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007 (“fiscal 2007”).

Seasonality

Broadcast advertising revenues are generally highest in the second and fourth quarters each year, due in part to increases in advertising in the spring and in the period leading up to and including the holiday season. In addition, broadcast advertising revenues are generally higher during even numbered years due to spending by political candidates, which spending typically is heaviest during the fourth quarter. Operating results for the three-month and nine-month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Earnings Per Share

We compute earnings per share in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 128, “Earnings Per Share.” Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding during the period. The weighted-average number of common shares outstanding does not include unvested restricted shares. These shares, although classified as issued and outstanding, are considered contingently returnable until the restrictions lapse and will not be included in the basic earnings per share calculation until the shares are vested. Diluted earnings per share is computed by giving effect to all potentially dilutive common shares, including restricted stock and stock options. The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding for the three-month and nine-month periods ended September 30, 2008 and 2007 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Weighted-average shares outstanding — basic	48,370	47,760	48,253	47,728
Stock options and restricted stock	43	—	40	—
Weighted-average shares outstanding — diluted	48,413	47,760	48,293	47,728

NOTE A — BASIS OF PRESENTATION (Continued)

Earnings Per Share (Continued)

For the periods where we reported losses, all common stock equivalents are excluded from the computation of diluted earnings per share, since the result would be antidilutive. Securities that could potentially dilute earnings per share in the future, but which were not included in the calculation of diluted earnings per share because to do so would have been antidilutive for the periods presented, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Dilutive securities outstanding at end of period:				
Employee stock options	2,098	1,143	2,098	1,143
Non-vested restricted stock	183	209	183	209
Total	2,281	1,352	2,281	1,352
Common stock equivalents included in diluted weighted-average shares outstanding	(43)	—	(40)	—
Dilutive securities excluded from diluted weighted-average shares outstanding	2,238	1,352	2,241	1,352

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed principally by the straight-line method. Buildings, towers, improvements and equipment are generally depreciated over estimated useful lives of approximately 35 years, 20 years, 10 years and 5 years, respectively. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized. The cost of assets sold or retired and related accumulated depreciation are removed from the accounts at the time of disposition, and any resulting profit or loss is reflected in income or expense for the period. The following table lists components of property and equipment by major category (in thousands):

	September 30, 2008	December 31, 2007
Property and equipment:		
Land	$ 22,448	$ 22,342
Buildings and improvements	49,398	48,724
Equipment	294,274	278,402
	366,120	349,468
Accumulated depreciation	(200,241)	(176,429)
	$ 165,879	$ 173,039

Accounting for Derivatives

We use swap agreements to convert a portion of our variable rate debt to a fixed rate, thus managing exposure to interest rate fluctuations. These risk management activities are transacted with one or more highly rated institutions, reducing the exposure to credit risk in the event of nonperformance by the counterparty. We do not enter into derivative financial investments for trading purposes.

Under these swap agreements, we receive floating interest at the London interbank offered rate ("LIBOR") and pay fixed interest. The variable LIBOR rate is reset in three-month periods for both the swap agreements and the hedged portion of our variable rate debt. Upon entering into the swap agreements, we designated them as hedges of variability of our floating-rate interest payments attributable to changes in three-month LIBOR, the designated

NOTE A — BASIS OF PRESENTATION (Continued)

Accounting for Derivatives (Continued)

interest rate. During the period of each swap agreement, we recognize the swap agreements at their fair value as an asset or liability in our balance sheet and mark the swap agreements to their fair value through other comprehensive income. We recognize floating-rate interest expense from our debt as interest expense in earnings. We recognize the offsetting effect of payments to or receipts from the swap agreements as an addition or offset to interest expense.

Hedge effectiveness is evaluated at the end of each quarter. We compare the notional amount, the variable interest rate and the settlement dates of the swap agreements to the hedged portion of the debt. Historically, the swap agreements have been highly effective hedges. However, to the extent that any hedge ineffectiveness might occur, it is recognized in earnings during the period that it occurred.

Upon entering into a swap agreement, we document our hedging relationships and our risk management objectives. Our swap agreements do not include written options. Our swap agreements are intended solely to modify the payments for a recognized liability from a variable rate to a fixed rate. Our swap agreements do not qualify for short-cut method accounting because the variable rate debt being hedged is pre-payable.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). SFAS 157 establishes a common definition for fair value to be applied to U.S. GAAP guidance requiring use of fair value, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We adopted SFAS 157 on January 1, 2008. The adoption of this pronouncement did not result in an adjustment to our consolidated financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," ("SFAS 161"). This statement requires enhanced disclosures about an entity's derivative and hedging activities. These disclosures include how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under existing accounting pronouncements and related interpretations and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for years beginning after November 15, 2008. We are currently assessing the impact of SFAS 161 on our consolidated financial statement disclosures.

Changes in Classifications

The classification of certain prior period amounts in the accompanying condensed consolidated financial statements have been changed in order to conform to the current year presentation.

NOTE B — MARKETABLE SECURITIES

We have historically invested excess cash balances in a highly rated enhanced cash fund managed by Columbia Management Advisers, LLC, a subsidiary of Bank of America, N.A. ("Columbia Management"). We refer to this investment fund as the Columbia Fund.

On December 6, 2007, Columbia Management initiated a series of steps which included the temporary suspension of all immediate cash distributions from the Columbia Fund and changed its method of valuation from a fixed asset valuation to a fluctuating asset valuation. Since that date, Columbia Management has commenced the liquidation of the Columbia Fund and is distributing cash to investors as quickly as practicable.

NOTE B — MARKETABLE SECURITIES (Continued)

During the nine-month period ended September 30, 2008, we received cash distributions totaling $3.9 million and recorded a mark-to-market expense of $113,000. As of September 30, 2008, the market value of our investment in the Columbia Fund was $2.2 million.

Fair value is based on quoted prices of similar assets in active markets. Valuation of these items does entail a significant amount of judgment and the inputs that are significant to the fair value measurement are Level 2 in the fair value hierarchy as defined in SFAS 157.

NOTE C — LONG-TERM DEBT

Long-term debt consists of our senior credit facility as follows (in thousands):

	September 30, 2008	December 31, 2007
Total long-term debt including current portion	$ 830,446	$ 925,000
Less current portion	(8,367)	(9,250)
Total long-term debt	$ 822,079	$ 915,750
Credit commitment under senior credit facility	$ 100,000	$ 100,000

Our senior credit facility consists of a term loan facility and a revolving facility. The amounts outstanding under our senior credit facility as of September 30, 2008 and December 31, 2007 were comprised solely of the term loan facility. The revolving credit facility did not have an outstanding balance as of September 30, 2008 or December 31, 2007. The amount available to us for borrowing under this credit commitment is limited by our leverage ratio covenant as stated in our senior credit facility. As of September 30, 2008, the commitment fee on the available credit under the senior credit facility is 0.375% per annum.

On June 26, 2008 and July 15, 2008, we used the proceeds from the issuances of our Series D Perpetual Preferred Stock to make voluntary prepayments of $65.0 million and $23.0 million, respectively, on our term loan facility. Also during the nine-month period ended September 30, 2008, we paid $6.6 million in regularly scheduled principal payments on our term loan facility. Our average debt balance was $886.5 million and $907.5 million during the nine-month periods ended September 30, 2008 and 2007, respectively. The average interest rates, exclusive of the effect of our interest rate swap agreements, on our total debt balances were 4.9% and 7.1% during the nine-month periods ended September 30, 2008 and 2007, respectively.

The senior credit facility contains affirmative and restrictive covenants. As of September 30, 2008, we were in compliance with these covenants.

NOTE C — LONG-TERM DEBT (Continued)

Maturities

The aggregate minimum principal maturities on long-term debt were revised as a result of the prepayments of our senior credit facility on June 26, 2008 and July 15, 2008. After giving effect to these prepayments, the aggregate minimum principal maturities on long-term debt as of September 30, 2008 were as follows (in thousands):

Twelve Months Ended September 30,	Minimum Principal Maturities
2009	$ 8,367
2010	8,367
2011	8,367
2012	8,367
2013	8,367
Thereafter	788,611
	$ 830,446

Subsequent Event

On October 3, 2008, we made an additional voluntary prepayment of $10.0 million on the term loan portion of our senior credit facility. As a result of this additional prepayment, the minimum principal maturities on our long-term debt were further revised. Funds for this additional prepayment were provided from results of operations. If this prepayment had occurred on September 30, 2008, the aggregate minimum principal maturities on our long-term debt as of September 30, 2008 would have been as follows (in thousands):

Twelve Months Ended September 30,	Minimum Principal Maturities
2009	$ 8,266
2010	8,266
2011	8,266
2012	8,266
2013	8,266
Thereafter	779,116
	$ 820,446

Interest Rate Swap Agreements

We entered into three interest rate swap agreements in fiscal 2007 for the purpose of converting $465.0 million of our variable rate debt under our senior credit facility to fixed rate debt. Under these swap agreements, we receive 90 day LIBOR and pay a fixed rate of 5.48% per annunm. These swap agreements continued to be in effect during the nine-month period ended September 30, 2008. As of September 30, 2008, the swap agreements had a negative market value of $14.9 million which was recorded as an other long-term liability. For the nine-month period ended September 30, 2008, we recorded a gain on derivatives of $1.6 million, net of income tax benefit, as other comprehensive income due to the change in estimated market value of the swap agreements.

NOTE C — LONG-TERM DEBT (Continued)

Interest Rate Swap Agreements (Continued)

Fair value is derived from valuation models that take into account the contract terms such as maturity dates, interest rate yield curves, our creditworthiness as well as that of the counterparty and other data. The data sources utilizied in these valuation models that are significant to the fair value mearsurement are Level 2 in the fair value hierarchy as defined in SFAS 157.

NOTE D —PREFERRED STOCK

On June 26, 2008, we issued 750 shares of Series D Perpetual Preferred Stock to a group of private investors. The no par value Series D Perpetual Preferred Stock has a liquidation value of $100,000 per share for a total liquidation value of $75.0 million. The issuance of the Series D Perpetual Preferred Stock generated net cash proceeds of approximately $68.6 million, after a 5.0% original issue discount, transaction fees and expenses. We used $65.0 million of the net cash proceeds to voluntarily prepay a portion of the outstanding balance under our term loan portion of our senior credit facility and used the remaining $3.6 million for general corporate purposes which included the payment of $635,000 of accrued interest. The $6.4 million of original issue discount, transaction fees and expenses will be accreted over a seven-year period ending June 30, 2015.

On July 15, 2008, we issued an additional 250 shares of our Series D Perpetual Preferred Stock to a group of qualified investors and generated net cash proceeds of approximately $23.0 million, after a 5.0% original issue discount, transaction fees and expenses. We used the net cash proceeds to make an additional $23.0 million voluntary prepayment on the outstanding balance of our term loan portion of our senior credit facility. The $2.0 million of original issue discount, transaction fees and expenses will be accreted over a seven-year period ending June 30, 2015.

The Series D Perpetual Preferred Stock has no mandatory redemption date, but is redeemable, at our option, on or after January 1, 2009. The Series D Perpetual Preferred Stock may also be redeemed, at the stockholders’ option, on or after June 30, 2015. If the Series D Perpetual Preferred Stock is redeemed, we are required to pay the liquidation price per share in cash plus the pro-rata accrued dividends to the date fixed for redemption. If the Series D Perpetual Preferred Stock is redeemed prior to January 1, 2012, the redemption price per share will include a premium as described in the following table:

Date of Redemption	Redemption Price Per Share
January 1, 2009 through June 30, 2009	$105,000
July 1, 2009 through December 31, 2009	$106,500
January 1, 2010 through June 30, 2010	$108,000
July 1, 2010 through December 31, 2010	$106,000
January 1, 2011 through June 30, 2011	$104,000
July 1, 2011 through December 31, 2011	$102,000
January 1, 2012 and thereafter	$100,000

Dividends on the Series D Perpetual Preferred Stock accrue at 12.0% per annum through December 31, 2008 after which the dividend rate shall be 15.0% per annum. Dividends are to be paid in cash. Prior to issuing our Series D Perpetual Preferred Stock, we amended our articles of incorporation to establish the terms of the Series D Perpetual Preferred Stock. On June 27, 2008, we filed a copy of the amendment with the Securities and Exchange Commission in a Current Report on Form 8-K. The terms of the Series D Perpetual Preferred Stock include certain limitations relating to restricted payments, indebtedness, liens, asset sales and mergers.

NOTE E — RETIREMENT PLANS

The following table provides the components of net periodic benefit cost for our pension plans for the three-month and nine-month periods ended September 30, 2008 and 2007, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Service cost	$ 729	$ 742	$ 2,185	$ 2,197
Interest cost	481	418	1,444	1,253
Expected return on plan assets	(441)	(398)	(1,323)	(1,193)
Loss amortization	25	39	73	116
Net periodic benefit cost	$ 794	$ 801	$ 2,379	$ 2,373

During the three-month and nine-month periods ended September 30, 2008, we contributed $2.8 million and $2.9 million to our pension plans, respectively. During the remainder of the fiscal year ending December 31, 2008 (“fiscal 2008”), we expect to contribute an additional $789,000 to our pension plans.

During the nine-month period ended September 30, 2008, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, our pension plan’s investments have likely incurred a significant decline in value since December 31, 2007.

NOTE F — LONG-TERM INCENTIVE PLAN

We recognize compensation expense for stock options and restricted shares granted to our employees and directors under our 2007 Long-Term Incentive Plan and Directors’ Restricted Stock Plan.

During the nine-month periods ended September 30, 2008 and 2007, we granted options to our employees to acquire 1.3 million and 50,000 shares of our common stock, respectively. The common stock purchase price per the option agreements was equal to the common stock’s closing market price on the date of the grant. The fair value for each stock option granted was estimated at the date of grant using the Black-Scholes option pricing model, using for each grant respectively, the following assumptions:

	Nine Months Ended September 30,	
	2008	2007
Expected term (in years)	2.63 — 2.68	2.80
Volatility	36.6% — 41.9%	32.00%
Risk-free interest rate	2.75% — 3.26%	4.44%
Dividend yield	1.57% — 5.71%	1.39%
Expected forfeitures	2.56% — 3.12%	3.61%

Expected volatilities are based on historical volatilities of our common stock. The expected life represents the weighted-average period of time that options granted are expected to be outstanding giving consideration to the vesting schedules and our historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding to the expected life of the option. Expected forfeitures are estimated based on historical forfeiture rates.

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NOTE F — LONG-TERM INCENTIVE PLAN (Continued)

A summary of stock option activity related to our common stock for the nine-month periods ended September 30, 2008 and 2007 is as follows (option amounts in thousands):

	Nine Months Ended September 30,			
	2008		2007	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Common stock:				
Stock options outstanding — beginning of period	842	$ 9.96	1,797	$ 9.82
Options granted	1,333	$ 7.49	50	$ 8.61
Options exercised	—	$ —	(65)	$ 7.79
Options expired	(41)	$ 8.24	(621)	$ 9.68
Options forfeited	(58)	$ 7.89	(40)	$ 9.59
Stock options outstanding — end of period	2,076	$ 8.47	1,121	$ 9.97
Exercisable at end of period	738	$10.16	1,021	$10.14
Weighted-average fair value of options granted during the period		$ 1.76		$ 1.35

The following table summarizes the significant ranges of outstanding and exercisable stock options at September 30, 2008 related to our common stock (option amounts in thousands):

As of September 30, 2008						
Exercise Price Per Share		Number of Options Outstanding	Weighted-Average Exercise Price Per Share	Average Remaining Contractual Life (in years)	Number of Options Outstanding That Are Exercisable	Weighted Exercise Price Per Share of Options That Are Exercisable
Low	High					
$ 1.78	$ 3.56	10	$ 2.10	4.9	—	$ —
$ 3.56	$ 5.34	35	$ 3.61	4.7	—	$ —
$ 7.13	$ 8.91	1,334	$ 7.68	4.2	46	$ 7.92
$ 8.91	$10.69	484	$ 9.71	1.7	479	$ 9.71
$10.69	$12.47	137	$11.06	0.2	137	$11.06
$12.47	$14.25	76	$12.77	1.4	76	$12.77
		2,076			738	

As of September 30, 2008, the market price of our Class A common stock and common stock was less than the exercise prices for all of our outstanding stock options. Therefore, as of that date, our options had no intrinsic value.

NOTE F — LONG-TERM INCENTIVE PLAN (Continued)

All of the outstanding options for our Class A common stock are vested. The following table summarizes our non-vested restricted shares during the nine-month period ended September 30, 2008 (share amounts in thousands):

	Number of Shares (in thousands)	Weighted-Average Fair Value
Restricted Stock:		
Non-vested common restricted shares, December 31, 2007	128	$7.49
Granted	55	4.94
Non-vested common restricted shares, September 30, 2008	183	$6.73

During each of the nine-month periods ended September 30, 2008 and 2007, we granted 55,000 shares of our common stock, in total, to our directors under the Directors' Restricted Stock Plan. Of the total shares of restricted common stock granted to date, 307,000 shares were fully vested at September 30, 2008. The market value of the shares at the date of grant is being amortized as an expense over the vesting period of the restricted common stock.

We recorded $399,000 and $1.1 million of share-based expense for the three-month and nine-month periods ended September 30, 2008, respectively, and we recorded $285,000 and $1.1 million of share-based expense for the three-month and nine-month periods ended September 30, 2007, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was $164,000 and $446,000 in the three-month and nine-month periods ended September 30, 2008, respectively, and $108,000 and $401,000 in the three-month and nine-month periods ended September 30, 2007, respectively.

As of September 30, 2008, there was $2.3 million of total unrecognized compensation cost related to all non-vested share-based compensation arrangements which include stock options and restricted stock. The cost is expected to be recognized over a weighted-average period of 1.0 years.

NOTE G — COMMITMENTS AND CONTINGENCIES

Legal Proceedings and Claims

We are subject to legal proceedings and claims that arise in the normal course of our business. In our opinion, the amount of ultimate liability, if any, with respect to these actions, will not materially affect our financial position.

Sports Marketing Agreement

On October 12, 2004, the University of Kentucky ("UK") jointly awarded a sports marketing agreement to us and Host Communications, Inc. ("Host"). The agreement with UK commenced on April 16, 2005 and has an initial term of seven years with the option to extend for three additional years.

On July 1, 2006, the terms between us and Host concerning the UK sports marketing agreement were amended. The amended agreement provides that we will share in profits in excess of certain amounts specified by the agreement, if any, but not losses. The agreement also provides that we would separately retain all local broadcast advertising revenue and pay all local broadcast expenses for activities under the agreement. Under the amended agreement, Host agreed to make all license fee payments to UK. However, if Host is unable to pay the license fee to UK, we will then pay the unpaid portion of the license fee to UK. As of September 30, 2008, the aggregate license fees to be paid by Host to UK over the remaining portion of the full ten-year term for the agreement is approximately $56.9 million. If advances are made by us on behalf of Host, Host will then reimburse us for the amount paid within 60 days subsequent to the close of each contract year that ends on June 30th. Host has also agreed to pay interest on any advance at a rate equal to the prime rate. As of September 30, 2008, we have not advanced any amounts to UK on behalf of Host under this agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

Introduction

The following analysis of the financial condition and results of operations of Gray Television, Inc. ("we," "us" or "our") should be read in conjunction with our financial statements contained in this report and in our annual report filed on Form 10-K for the year ended December 31, 2007, or fiscal 2007.

Overview

We own 36 television stations serving 30 television markets. Seventeen of the stations are affiliated with CBS, ten are affiliated with NBC, eight are affiliated with ABC and one is affiliated with FOX. The combined station group has 20 markets with stations ranked #1 in local news audience and 23 markets with stations ranked #1 in overall audience within their respective markets based on the results of the average of the Nielsen November, July, May and February 2007 ratings reports. Of the 30 markets that we serve, we operate the #1 or #2 ranked station in 29 of those markets. The combined TV station group reaches approximately 6.1% of total U.S. TV households. In addition, we currently operate 39 digital second channels including one affiliated with ABC, five affiliated with FOX, seven affiliated with CW and 16 affiliated with MyNetworkTV, plus eight local news/weather channels and two independent channels in certain of our existing markets. With 17 CBS affiliated stations, we are the largest independent owner of CBS affiliates in the United States.

Our operating revenues are derived primarily from broadcast and internet advertising, and from other sources such as production of commercials, tower rentals and from retransmission consent fees.

Broadcast advertising is sold for placement either preceding or following a television station's network programming and within local and syndicated programming. Broadcast advertising is sold in time increments and is priced primarily on the basis of a program's popularity among the specific audience an advertiser desires to reach, as measured by Nielsen. In addition, broadcast advertising rates are affected by the number of advertisers competing for the available time, the size and demographic makeup of the market served by the station and the availability of alternative advertising media in the market area. Broadcast advertising rates are the highest during the most desirable viewing hours, with corresponding reductions during other hours. The ratings of a local station affiliated with a major network can be affected by ratings of network programming.

Internet advertising is sold on our stations' websites. These advertisements are sold as banner advertisements on the websites, pre-roll advertisements or video and other types of advertisements.

Most advertising contracts are short-term, and generally run only for a few weeks. Approximately 72% of the net revenues of our television stations for the three-month period ended September 30, 2008 were generated from local advertising (including political advertising revenues), which is sold primarily by a station's sales staff directly to local accounts, and the remainder represented primarily by national advertising, which is sold by a station's national advertising sales representative. The stations generally pay commissions to advertising agencies on local, regional and national advertising and the stations also pay commissions to the national sales representative on national advertising.

Broadcast advertising revenues are generally highest in the second and fourth quarters each year, due in part to increases in advertising in the spring and in the period leading up to and including the holiday season. In addition, broadcast advertising revenues are generally higher during even numbered years due to spending by political candidates, whose spending typically is heaviest during the fourth quarter.

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

Revenues

Set forth below are the principal types of revenues, less agency commissions, earned by us for the periods indicated and the percentage contribution of each to our total revenues (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2008		2007		2008		2007	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Revenues:								
Local	$ 46,279	56.0%	$ 47,761	64.9%	$ 141,493	60.9%	$ 146,467	65.7%
National	17,546	21.2%	19,237	26.1%	52,362	22.5%	56,192	25.2%
Internet	2,954	3.6%	2,505	3.4%	8,631	3.7%	6,830	3.1%
Political	13,065	15.8%	1,450	2.0%	21,089	9.1%	5,181	2.3%
Retransmission consent	762	0.9%	501	0.7%	2,209	1.0%	1,443	0.6%
Production and other	1,841	2.2%	1,951	2.7%	6,025	2.6%	6,338	2.8%
Network compensation	184	0.3%	180	0.2%	564	0.2%	564	0.3%
Total	$ 82,631	100.0%	$ 73,585	100.0%	$ 232,373	100.0%	$ 223,015	100.0%

Results of Operations

Three Months Ended September 30, 2008 ("2008 three-month period") Compared To Three Months Ended September 30, 2007 ("2007 three-month period")

Revenues. Total revenues increased $9.0 million, or 12%, to $82.6 million in the 2008 three-month period due primarily to increased political and internet advertising revenue in the current period partially offset by decreased local and national advertising revenues. The increase in political advertising revenue reflects increased advertising from political candidates in the 2008 general elections. Spending on political advertising during the 2008 three-month period was the strongest at our stations in Colorado, West Virginia, Wisconsin, Michigan and North Carolina, accounting for approximately 67% of the total political net revenue for the 2008 three-month period. Increased internet advertising revenue reflects our internet sales initiatives in each of our markets. The decrease in local and national revenue was largely due to the general weakness in the economy offset in part by $3.4 million of net revenue earned in the 2008 three-month period attributable to the broadcast of the 2008 Summer Olympics on our ten NBC stations.

Political advertising revenues increased $11.6 million, or 801%, to $13.1 million reflecting increased advertising from political candidates in the 2008 elections. Internet advertising revenues increased $449,000, or 18%, to $3.0 million reflecting increased website traffic in our markets. Local advertising revenues decreased approximately $1.5 million, or 3%, to $46.3 million. National advertising revenues decreased approximately $1.7 million, or 9%, to $17.5 million.

Broadcast expenses. Broadcasting expenses (before depreciation, amortization and gain on disposal of assets) increased $324,000, or 1%, to $49.9 million in the 2008 three-month period. This modest increase primarily reflects the impact of increased national sales representative commissions on the incremental political advertising revenues offset in part by a slight reduction in payroll related costs.

Corporate and administrative expenses. Corporate and administrative expenses (before depreciation, amortization and gain on disposal of assets) decreased $178,000, or 5%, to $3.8 million in the 2008 three-month period. This decrease was primarily due to reduced incentive compensation related expenses. During the 2008 and 2007 three-month periods, we recorded non-cash stock-based compensation expense of $399,000 and $285,000, respectively.

Depreciation. Depreciation of property and equipment decreased $1.4 million, or 14%, to $8.6 million during the 2008 three-month period. The decrease in depreciation was the result of the large proportion of our stations' equipment, which was acquired in 2002, becoming fully depreciated in 2007.

Interest expense. Interest expense decreased $4.2 million, or 25%, to $12.6 million for the 2008 three-month period. This decrease is primarily attributable to lower average interest rates and by decreases in average total debt outstanding. Average interest rates have decreased due to a decrease in market interest rates on our senior credit facility and the redemption of our 9.25% senior subordinated notes (the “9.25% Notes”) on April 18, 2007. Our total debt balance has decreased as a result of our regularly scheduled principal payments and our $65.0 million, $23.0 million and $10.0 million voluntary prepayments of our senior credit facility on June 26, 2008, July 15, 2008 and October 3, 2008, respectively. We obtained the funds used for these voluntary prepayments from the issuance of our Series D Perpetual Preferred Stock as well as from results of operations. Our average debt balance was $831.8 million and $934.0 million during the 2008 three-month period and the 2007 three-month period, respectively. The average interest rates, exclusive of our interest rate swap agreements, on our total debt balances were 4.3% and 6.9% during the 2008 and 2007 three-month periods, respectively. The decline in interest rates is partially offset by the effect of our interest rate swap agreements, through which we converted $465.0 million of our total debt to a fixed rate.

Income tax expense or benefit. We recognized an income tax expense of $3.3 million in the 2008 three-month period compared to an income tax benefit of $2.5 million in the 2007 three-month period. The effective income tax rate was 41% for the 2008 three-month period and 38% for the 2007 three-month period. The effective income tax rate for the 2008 three-month period increased as a percentage of pre-tax income primarily as a result of adjustments to state net operating loss carryforwards and adjustments to our accruals of state tax reserves for uncertain tax positions.

Nine Months Ended September 30, 2008 (“2008 nine-month period”) Compared To Nine Months Ended September 30, 2007 (“2007 nine-month period”)

Revenues. Total revenues increased $9.4 million, or 4%, to $232.4 million in the 2008 nine-month period reflecting increased political advertising revenue and internet advertising revenue offset by decreased local and national advertising revenues. Political advertising revenues increased $15.9 million, or 307%, to $21.1 million reflecting increased advertising from political candidates in the 2008 primary and general elections. Spending on political advertising was the strongest at our stations in Colorado, West Virginia, Wisconsin, Michigan and North Carolina, accounting for approximately 60% of the total political net revenue for the 2008 nine-month period. Internet advertising revenues increased $1.8 million, or 26%, to $8.6 million reflecting increased website traffic and internet sales initiatives in our markets. Local advertising revenues decreased approximately $5.0 million, or 3%, to $141.5 million. National advertising revenues decreased approximately $3.8 million, or 7%, to $52.4 million. The decrease in local and national revenue was partially due to reduced advertising revenues resulting from the change in networks broadcasting the Super Bowl. During the 2008 nine-month period, we earned approximately $130,000 of net revenue relating to the Super Bowl broadcast on our six FOX channels compared to earning approximately $750,000 of net revenue during the 2007 nine-month period relating to the 2007 Super Bowl broadcast on our 17 CBS channels. The decrease in local and national revenue was offset in part by $3.4 million of net revenue earned in the 2008 nine-month period attributable to the broadcast of the 2008 Summer Olympics on our ten NBC stations.

Broadcast expenses. Broadcasting expenses (before depreciation, amortization and gain on disposal of assets) increased $0.9 million, or 1%, to $148.4 million in the 2008 nine-month period. This modest increase primarily reflects the impact of increased national sales representative commissions on the incremental political advertising revenues.

Corporate and administrative expenses. Corporate and administrative expenses (before depreciation, amortization and gain on disposal of assets) decreased $1.6 million, or 13%, to $10.0 million. The decrease was due primarily to decreases in incentive compensation related expense. During each of the 2008 nine-month period and the 2007 nine-month period, we recorded non-cash stock-based compensation expense of $1.1 million, respectively.

Depreciation. Depreciation of property and equipment decreased $3.2 million, or 11%, to $26.2 million for the 2008 nine-month period. The decrease in depreciation was the result of the large proportion of our stations’ equipment, which was acquired in 2002, becoming fully depreciated in fiscal 2007.

(Gain) loss on disposal of assets. Gain on disposal of assets increased $1.5 million to $1.3 million during the 2008 nine-month period as compared to the comparable period in the prior year. The Federal Communications

Commission (the "FCC") has mandated that all broadcasters operating microwave facilities on certain frequencies in the 2 GHz band relocate to other frequencies and upgrade their equipment. The spectrum being vacated by broadcasters has been reallocated to third parties who, as part of the overall FCC-mandated spectrum reallocation project, must provide affected broadcasters with new digital microwave replacement equipment at no cost to the broadcaster and also reimburse them for certain associated out-of-pocket expenses. During the 2008 nine-month period, we recognized a gain of $1.3 million on the disposal of assets primarily associated with the spectrum reallocation project. We did not recognize any gains or losses on the disposal of assets associated with the spectrum reallocation project for the comparable period in the prior year.

Interest expense. Interest expense decreased $8.8 million, or 17%, to $41.8 million for the 2008 nine-month period. This decrease is partially attributable to lower average interest rates and partially attributable to decreases in average total debt outstanding. Average interest rates have decreased due to a decrease in market interest rates on our senior credit facility and the redemption of our 9.25% Notes on April 18, 2007. In the 2007 nine-month period, our total average debt balance increased as a result of our redemption of our Series C Preferred Stock on May 22, 2007 and the incurrance of costs associated with the redemption of our 9.25% Notes on April 18, 2007. The redemption of our Series C Preferred Stock and our 9.25% Notes were financed through additional borrowings on our senior credit facility. In the 2008 nine-month period, we issued 1,000 shares of our Series D Perpetual Preferred Stock and used the proceeds to make voluntary prepayments on the senior credit facility during the year of $88 million in addition to regularly scheduled principal payments of $6.6 million. Our average debt balance was $886.5 million and $907.5 million during the 2008 nine-month period and the 2007 nine-month period, respectively. The average interest rates, exclusive of our interest rate swap agreements, on our total debt balances were 4.9% and 7.1% during the 2008 nine-month period and the 2007 nine-month period, respectively. The decline in interest rates is partially offset by the effect of our interest rate swap agreements, through which we converted $465.0 million of our total debt to a fixed rate.

Loss on early extinguishment of debt. During the 2007 nine-month period, we replaced our former senior credit facility with a new senior credit facility and redeemed our 9.25% Notes. As a result of these transactions, we recorded a loss on early extinguishment of debt of $6.5 million related to the senior credit facility and $16.4 million related to the redemption of the 9.25% Notes. The loss related to the redemption of the 9.25% Notes included $11.8 million in premiums, the write-off of $4.0 million in deferred financing costs and $614,000 in unamortized bond discount.

Income tax expense or benefit. We recognized an income tax expense of $2.8 million in the 2008 nine-month period compared to an income tax benefit of $14.0 million in the 2007 nine-month period. The effective income tax rate was 41% for the 2008 nine-month period and 36% for the 2007 nine-month period. The effective income tax rate for the 2008 nine-month period increased primarily as a result of adjustments to state net operating loss carryforwards and adjustments to our accruals of state tax reserves for uncertain tax positions.

Liquidity and Capital Resources

General

The following table presents data that we believe is helpful in evaluating our liquidity and capital resources (in thousands).

	Nine Months Ended September 30, 2008	2007
Net cash provided by operating activities	$ 36,692	$ 11,919
Net cash used in investing activities	(12,144)	(22,575)
Net cash (used in) provided by financing activities	(7,311)	7,148
Increase (decrease) in cash and cash equivalents	$ 17,237	$ (3,508)

	As of September 30, 2008	December 31, 2007
Cash and cash equivalents	$ 32,575	$ 15,338
Long-term debt including current portion	$830,446	$925,000
Preferred stock	$ 91,883	$ —
Credit commitment under senior credit facility	$100,000	$100,000

We file a consolidated federal income tax return and such state or local tax returns as are required. Although we may earn taxable operating income in future years, as of September 30, 2008, we anticipate that through the use of our available loss carryforwards we will not pay significant amounts of federal or state income taxes in the next several years.

We believe that current cash balances, cash flows from operations and available funds under our senior credit facility will be adequate to provide for our capital expenditures, debt service, cash dividends and working capital requirements for the foreseeable future.

We do not believe that inflation has had a significant impact on our results of operations nor is inflation expected to have a significant effect upon our business in the near future.

Net cash provided by operating activities was $36.7 million in the 2008 nine-month period compared to $11.9 million in the 2007 nine-month period. The increase in cash provided by operations is primarily due to an increase in revenue of $9.4 million, a decrease in payments on program obligations of $2.7 million and a decrease of $5.0 million for a payment made to acquire certain broadcast rights under a sports marketing agreement. In the 2008 nine-month period, we did not enter into a similar sports marketing agreement.

Net cash used in investing activities was $12.1 million in the 2008 nine-month period compared to $22.6 million for the 2007 nine-month period. The decrease in cash used in investing activities was largely due to decreased spending for equipment.

Net cash used in financing activities in the 2008 nine-month period was $7.3 million. Net cash provided by financing activities in the 2007 nine-month period was $7.1 million. During the 2008 nine-month period, we received net proceeds of $91.6 million from the issuance of 1,000 shares of Series D Perpetual Preferred Stock and used those funds as well as other funds on hand to reduce our long-term debt balance by a net amount of $94.6 million. In addition, during the 2008 nine-month period, we used $4.3 million to pay dividends (of which $1.4 million reflects the payment in January 2008 of the dividends that were declared in the fourth quarter of fiscal 2007). During the 2007 nine-month period, we used $16.2 million to refinance our long-term debt and $37.9 million to redeem our Series C Preferred Stock. In addition, during the 2007 nine-month period, we used $5.5 million to purchase shares of our common stock and $7.7 million to pay dividends (of which $2.2 million reflects the payment in January 2007 of the dividends that were declared in the fourth quarter of the fiscal year ended December 31, 2006).

Our senior credit facility contains affirmative and restrictive covenants that we must comply with. As of September 30, 2008, we were in compliance with these covenants.

Senior Credit Facility

The amount outstanding under our senior credit facility as of September 30, 2008 was $830.4 million comprised solely of the term loan facility. The revolving credit facility did not have an outstanding balance as of September 30, 2008. The available credit commitment under the revolving credit facility as of September 30, 2008 was $100.0 million. The amount available to us for borrowing under this credit commitment is limited by our leverage ratio covenant as stated in our senior credit facility.

Subsequent Event

On October 3, 2008 we used cash on hand to make a voluntary permanent reduction of $10 million to the outstanding balance of our term loan under our senior credit facility. After applying this voluntary prepayment, the total outstanding balance on our term loan was $820.4 million and we had no amounts outstanding under our revolving credit facility. See “Note C Long-Term Debt” for further discussion of our revised long-term debt maturity schedule.

Capital Expenditures

Capital expenditures in the 2008 nine-month period and the 2007 nine-month period were $11.9 million and $21.9 million, respectively. The 2007 nine-month period included, in part, capital expenditures for the purchase of land and buildings in two markets and the commencement of broadcasting local news in high definition digital format in another market. The 2008 nine-month period did not contain comparable projects.

Other

During the 2008 nine-month period, we contributed $2.9 million to our pension plans. During the remainder of fiscal 2008, we expect to contribute an additional $789,000 to our pension plans.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments and estimations that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. We consider our accounting policies relating to intangible assets and income taxes to be critical policies that require judgments or estimations in their application where variances in those judgments or estimations could make a significant difference to future reported results. These critical accounting policies and estimates are more fully disclosed in our Annual Report on Form 10-K for fiscal 2007.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Quarterly Report, the words “believes,” “expects,” “anticipates,” “estimates” and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe our future strategic plans, goals or objectives are also forward-looking statements. Readers of this Quarterly Report are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of our management, are not guarantees of future performance, results or events and involve risks and uncertainties, and that actual results and events may differ materially from those contained in the forward-looking statements as a result of various factors including, but not limited to, those listed in Item 1A of our Annual Report on Form 10-K for fiscal 2007 and the other factors described from time to time in our filings with the Securities and Exchange Commission (the “SEC”). The forward-looking statements included in this Quarterly Report are made only as of the date hereof. We undertake no obligation to update such forward-looking statements to reflect subsequent events or circumstances, except as required by law.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Based upon our average floating rate debt, which excludes the balance fixed by our interest rate swap agreements, outstanding during the nine-month period ended September 30, 2008, a 100 basis point increase in market interest rates would increase our interest expense and decrease our income before income taxes by approximately $3.2 million for a nine-month period ended September 30, 2008. The estimated fair value of our total long-term debt at September 30, 2008 was approximately $647.7 million, which was approximately $182.7 million less than its carrying value. Fair market values are determined from quoted market prices where available or based on estimates made by investment bankers.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and the CFO have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or furnish under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures. There were no changes in our internal control over financial reporting during the nine months ended September 30, 2008 identified in connection with this evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information contained in "Note G — Commitments and Contingencies" to our unaudited Condensed Consolidated Financial Statements filed as part of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

Please refer to Part I, Item 1A in our Form 10-K for fiscal 2007 for a complete description of our risk factors.

Item 5. Other Information.

(a) On November 4, 2008, the New York Stock Exchange (NYSE) notified us that Gray did not satisfy one of the NYSE's standards for continued listing applicable to Gray's common stock. The NYSE noted specifically that Gray was "below criteria" for the NYSE's price criteria for Gray's common stock because the average closing price per share, over a consecutive 30-trading-day period, was less than $1.00 per share as of November 3, 2008.

Under NYSE policy, in order to cure the deficiency for this continued listing standard, Gray's common stock share price and the average share price over a consecutive 30-trading-day period must both exceed $1.00 by six months following receipt of the non-compliance notice.

Gray's common stock and Class A common stock will remain listed on the NYSE under the symbols "GTN" and "GTNA," respectively, during the six month cure period subject to our compliance with other NYSE continued listing requirements.

Within 10 business days of receipt of the non-compliance notice, Gray will notify the NYSE that it intends to cure this price deficiency.

Gray's business operations, revolving credit agreements, other debt obligations and Securities and Exchange Commission reporting requirements are unaffected by this notification.

As of the date of filing this quarterly report, we have not determined what action or response we will take in response to the NYSE's notice.

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Item 6. Exhibits

Exhibit 31.1 Rule 13(a) — 14(a) Certificate of Chief Executive Officer

Exhibit 31.2 Rule 13(a) — 14(a) Certificate of Chief Financial Officer

Exhibit 32.1 Section 1350 Certificate of Chief Executive Officer

Exhibit 32.2 Section 1350 Certificate of Chief Financial Officer

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, thereunto duly authorized.

GRAY TELEVISION, INC.
(Registrant)

Date: November 7, 2008

By: /s/ James C. Ryan
James C. Ryan,
Senior Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Hilton H. Howell, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gray Television, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

By: /s/ Hilton H. Howell, Jr.
Hilton H. Howell, Jr.
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, James C. Ryan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gray Television, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

By: /s/ James C. Ryan
James C. Ryan
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying quarterly report on Form 10-Q of Gray Television, Inc. (the "Company") for the quarterly period ended September 30, 2008 (the "Periodic Report"), the undersigned Chief Executive Officer of the Company, hereby certifies pursuant to Title 18, Section 1350 United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his individual knowledge and belief, that the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2008

/s/ Hilton H. Howell, Jr.
Hilton H. Howell, Jr.
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Gray Television, Inc. and will be retained by Gray Television, Inc. and furnished to the SEC or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying quarterly report on Form 10-Q of Gray Television, Inc. (the "Company") for the quarterly period ended September 30, 2008 (the "Periodic Report"), the undersigned Chief Financial Officer of the Company, hereby certifies pursuant to Title 18, Section 1350 United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his individual knowledge and belief, that the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2008

/s/ James C. Ryan
James C. Ryan,
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Gray Television, Inc. and will be retained by Gray Television, Inc. and furnished to the SEC or its staff upon request.