

# Gray Television, Inc.

## Certain Non-GAAP Measures Disclosures

The Company has used certain terms that are not measures recognized under generally accepted accounting principles (“GAAP”). The Company defines each of these terms below and discusses why it believes the terms may be meaningful. Other companies in the broadcast industry may use similar terms which may or may not be comparable to the terms used by Gray. These non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

**Broadcast Cash Flow** is a non-GAAP term that the Company uses as a measure of performance and as a measure of valuing the approximate fair value of the Company’s television business. As a performance measure the Company uses this term as a “benchmarking tool” to compare its results to the corresponding results of other companies in the broadcast industry. The Company also believes the broadcast industry uses this measure to estimate the fair market value of the business by multiplying Broadcast Cash Flow by a multiple. Broadcast Cash Flow is defined as net income (loss) plus corporate and administrative expense, depreciation and amortization (including amortization of intangible assets and program broadcast rights), loss on disposal of assets, miscellaneous expense, net, interest expense, income tax expense and, less gain on disposal of assets, payments for program broadcast obligations and network compensation revenue and network payments.

**Broadcast Cash Flow Less Cash Corporate Expenses** is a non-GAAP term the Company uses as a measure of performance. Broadcast Cash Flow Less Cash Corporate Expenses is used by the Company to approximate the amount used to calculate key financial performance covenants including, but not limited to, limitations on our leverage ratio as defined in the Company’s senior credit facility. Broadcast Cash Flow Less Cash Corporate Expenses is defined as Broadcast Cash Flow (as defined immediately above) less corporate and administrative expenses excluding depreciation, amortization, and non-cash stock based compensation.

**Reconciliation:**

Reconciliations of net income to the non-GAAP terms:

	<b>Three Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
Net income	\$ 5,144	\$ 10,994
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:		
Depreciation	5,938	5,716
Amortization of intangible assets	12	18
Non-cash stock based compensation	1,328	140
Gain on disposals of assets, net	(77)	(547)
Miscellaneous expense, net	1	-
Interest expense	12,594	15,126
Income tax expense	3,573	6,926
Amortization of program broadcast rights	2,826	2,719
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	7	5
Network compensation revenue recognized	(157)	(156)
Payments for program broadcast rights	(2,847)	(2,801)
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>28,342</b>	<b>38,140</b>
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	3,965	3,489
<b>Broadcast Cash Flow</b>	<b>\$ 32,307</b>	<b>\$ 41,629</b>