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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, 2005 or

☐ **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 ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ 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)**
42,957,777 shares outstanding as of October 31, 2005	**5,753,020 shares outstanding as of October 31, 2005**

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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, 2005	December 31, 2004
Assets:		
Current assets:		
Cash and cash equivalents	$ 4,056	$ 50,566
Trade accounts receivable, less allowance for doubtful accounts of $682 and $947, respectively	53,455	56,964
Inventories	904	1,101
Current portion of program broadcast rights, net	10,291	7,679
Related party receivable	1,169	1,411
Other current assets	3,448	2,188
Total current assets	73,323	119,909
Property and equipment:		
Land	19,648	18,394
Buildings and improvements	40,472	37,225
Equipment	225,619	200,474
	285,739	256,093
Accumulated depreciation	(129,091)	(113,884)
	156,648	142,209
Deferred loan costs, net	10,273	12,101
Broadcast licenses	934,742	926,739
Goodwill	158,378	153,858
Other intangible assets, net	2,255	2,832
Investment in broadcasting company	13,599	13,599
Other	2,965	2,222
Total assets	$ 1,352,183	$ 1,373,469

See notes to condensed consolidated financial statements.

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

	September 30, 2005	December 31, 2004
Liabilities and stockholders' equity:		
Current liabilities:		
Trade accounts payable	$ 3,178	$ 3,276
Employee compensation and benefits	7,977	12,389
Current portion of accrued pension costs	2,766	2,685
Accrued interest	6,968	4,233
Other accrued expenses	11,286	7,710
Dividends payable	-0-	5,871
Federal and state income taxes	1,699	1,063
Current portion of program broadcast obligations	11,988	9,225
Acquisition related liabilities	641	1,231
Deferred revenue	2,155	2,386
Current portion of long-term debt	2,076	3,823
Total current liabilities	50,734	53,892
Long-term debt, less current portion	630,930	652,082
Program broadcast obligations, less current portion	986	852
Deferred income taxes	246,563	242,988
Other	6,567	6,415
Total liabilities	935,780	956,229
Commitments and contingencies (Note F)		
Redeemable Serial Preferred Stock, no par value; cumulative; convertible; designated 5 shares, respectively, issued and outstanding 4 shares, respectively ($39,640 aggregate liquidation value, respectively)	39,068	39,003
Stockholders' equity:		
Common Stock, no par value; authorized 100,000 shares, issued 45,139 shares and 44,787 shares, respectively	406,358	402,162
Class A Common Stock, no par value; authorized 15,000 shares; issued 7,332 shares, respectively	11,037	11,037
Retained earnings	12,048	11,669
Accumulated other comprehensive loss, net of tax	(1,414)	(1,414)
Unearned compensation	(834)	(1,056)
	427,195	422,398
Treasury Stock at cost, Common Stock, 2,092 shares and 1,693 shares, respectively	(27,461)	(21,934)
Treasury Stock at cost, Class A Common Stock, 1,579 shares and 1,566 shares, respectively	(22,399)	(22,227)
Total stockholders' equity	377,335	378,237
Total liabilities and stockholders' equity	$ 1,352,183	$ 1,373,469

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, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Operating revenues:				
Broadcasting (less agency commissions)	$ 62,281	$ 73,658	$ 188,578	$ 206,802
Publishing and other	12,837	12,965	39,314	38,148
	75,118	86,623	227,892	244,950
Expenses:				
Operating expenses before depreciation, amortization and (gain) loss on disposal of assets, net:				
Broadcasting	40,019	38,311	118,298	112,762
Publishing and other	9,999	9,337	29,339	27,262
Corporate and administrative	4,672	2,884	11,400	7,420
Depreciation	6,855	6,088	18,557	17,760
Amortization of intangible assets	159	232	576	751
Amortization of restricted stock awards	98	134	294	323
(Gain) loss on disposal of assets, net	(446)	17	(107)	(605)
	61,356	57,003	178,357	165,673
Operating income	13,762	29,620	49,535	79,277
Miscellaneous income, net	256	193	709	600
Interest expense	(11,122)	(10,418)	(33,547)	(31,353)
Loss on early extinguishment of debt	-0-	-0-	(4,770)	-0-
Income before income taxes	2,896	19,395	11,927	48,524
Income tax expense	1,153	7,613	4,716	19,042
Net income	1,743	11,782	7,211	29,482
Preferred dividends (includes accretion of issuance cost of $22, $22, $65 and $65, respectively)	815	815	2,444	2,458
Net income available to common stockholders	$ 928	$ 10,967	$ 4,767	$ 27,024
Basic per share information:				
Net income available to common stockholders	$ 0.02	$ 0.22	$ 0.10	$ 0.54
Weighted average shares outstanding	48,725	49,951	48,655	49,922
Diluted per share information:				
Net income available to common stockholders	$ 0.02	$ 0.22	$ 0.10	$ 0.54
Weighted average shares outstanding	48,920	50,322	48,939	50,471
Dividends declared per share	$ 0.03	$ 0.03	$ 0.09	$ 0.09

See notes to condensed consolidated financial statements.

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

	Class A Common Stock		Common Stock		Retained Earnings	Class A Treasury Stock		Common Treasury Stock		Accumulated Other Comprehensive	Unearned	
	Shares	Amount	Shares	Amount	(Deficit)	Shares	Amount	Shares	Amount	Income (Loss)	Compensation	Total
Balance at December 31, 2004	7,331,574	$11,037	44,786,566	$402,162	$11,669	(1,565,754)	$(22,227)	(1,693,150)	$(21,934)	$ (1,414)	$ (1,056)	$378,237
Net income	-0-	-0-	-0-	-0-	7,211	-0-	-0-	-0-	-0-	-0-	-0-	7,211
Comprehensive income												7,211
Common Stock cash dividends ($0.09) per share	-0-	-0-	-0-	-0-	(4,388)	-0-	-0-	-0-	-0-	-0-	-0-	(4,388)
Preferred Stock dividends	-0-	-0-	-0-	-0-	(2,444)	-0-	-0-	-0-	-0-	-0-	-0-	(2,444)
Issuance of Common Stock:												
401(k) plan	-0-	-0-	97,531	1,251	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,251
Non-qualified stock plan	-0-	-0-	250,230	2,448	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,448
Directors' restricted stock plan	-0-	-0-	5,000	72	-0-	-0-	-0-	-0-	-0-	-0-	(72)	-0-
Amortization of unearned compensation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	294	294
Purchase of Common Stock	-0-	-0-	-0-	-0-	-0-	(12,800)	(172)	(398,400)	(5,527)	-0-	-0-	(5,699)
Income tax benefits relating to stock plans	-0-	-0-	-0-	425	-0-	-0-	-0-	-0-	-0-	-0-	-0-	425
Balance at September 30, 2005	7,331,574	$11,037	45,139,327	$406,358	$12,048	(1,578,554)	$(22,399)	(2,091,550)	$(27,461)	$ (1,414)	$ (834)	$377,335

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2005	2004
Operating activities		
Net income	$ 7,211	$ 29,482
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	18,557	17,760
Amortization of intangible assets	576	751
Amortization of deferred loan costs	1,264	1,441
Amortization of bond discount	103	108
Amortization of restricted stock award	294	323
Amortization of program broadcast rights	8,618	8,315
Write off loan acquisition costs from early extinguishment of debt	2,684	-0-
Payments on program broadcast obligations	(8,572)	(8,164)
Supplemental employee benefits	(37)	(33)
Common Stock contributed to 401(k) Plan	1,251	1,442
Deferred income taxes	3,575	17,198
(Gain) loss on disposal of assets, net	(107)	(605)
Other	1,454	(105)
Changes in operating assets and liabilities, net of business acquisitions:		
Receivables, inventories and other current assets	3,343	4,088
Accounts payable and other current liabilities	(4,334)	1,836
Accrued interest	2,735	6,577
Income taxes payable	636	2,055
Net cash provided by operating activities	39,251	82,469
Investing activities		
Acquisition of television businesses and licenses, net of cash acquired	(19,682)	(1,054)
Purchases of property and equipment	(26,786)	(25,799)
Payments on acquisition related liabilities	(818)	(1,517)
Other	2,111	1,124
Net cash used in investing activities	(45,175)	(27,246)
Financing activities		
Proceeds from borrowings on long-term debt	5,938	938
Repayments of borrowings on long-term debt	(28,939)	(1,060)
Deferred loan costs	(2,121)	(819)
Dividends paid, net of accreted preferred dividend	(12,638)	(6,898)
Income tax benefit relating to stock plans	425	-0-
Proceeds from issuance of common stock	2,448	1,693
Purchase of common stock from unrelated parties	(5,699)	(3,674)
Purchase of common stock from related party	-0-	(360)
Net cash used in financing activities	(40,586)	(10,180)
Increase (decrease) in cash and cash equivalents	(46,510)	45,043
Cash and cash equivalents at beginning of period	50,566	11,947
Cash and cash equivalents at end of period	$ 4,056	$ 56,990

See notes to condensed consolidated financial statements.

NOTE A—BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Gray Television, Inc. ("Gray", "we", "us", "our" or "the Company") have been prepared in accordance with generally accepted accounting principles 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 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 statement have been included. Operating results for the three month and nine month periods ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in Gray's Annual Report on Form 10-K for the year ended December 31, 2004.

Stock-Based Compensation

The Company follows the provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). The provisions of SFAS No. 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), but disclose the pro forma effects on net income had the fair value of the options been expensed. The Company has elected to continue to apply APB 25 in accounting for its stock option incentive plans.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Gray's pro forma information follows (in thousands, except per common share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net income available to common stockholders, as reported	$ 928	$ 10,967	$ 4,767	$ 27,024
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	-0-	-0-	-0-	-0-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(56)	(261)	(911)	(799)
Net income available to common stockholders, pro forma	$ 872	$ 10,706	$ 3,856	$ 26,225
Net income per common share:				
Basic, as reported	$ 0.02	$ 0.22	$ 0.10	$ 0.54
Basic, pro forma	$ 0.02	$ 0.21	$ 0.08	$ 0.53
Diluted, as reported	$ 0.02	$ 0.22	$ 0.10	$ 0.54
Diluted, pro forma	$ 0.02	$ 0.21	$ 0.08	$ 0.52

NOTE A—BASIS OF PRESENTATION (Continued)

Earnings Per Share

Gray computes earnings per share in accordance with FASB Statement No. 128, "Earnings Per Share" ("EPS"). The following table reconciles weighted average shares outstanding — basic to weighted average shares outstanding — diluted for the three months and nine months ended September 30, 2005 and 2004 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Weighted average shares outstanding — basic	48,725	49,951	48,655	49,922
Stock options, warrants, convertible preferred stock and restricted stock	195	371	284	549
Weighted average shares outstanding — diluted	48,920	50,322	48,939	50,471

For the three months and nine months ended September 30, 2005 and 2004, the Company generated net income; therefore, common stock equivalents related to employee stock-based compensation plans, warrants and convertible preferred stock were included in the computation of diluted earnings per share to the extent that their exercise costs and conversion prices exceeded market value. The number of antidilutive common stock equivalents excluded from diluted earnings per share for the respective periods are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Antidilutive common stock equivalents excluded from diluted earnings per share	4,661	4,937	4,571	4,758

Recent Accounting Pronouncements

Accounting Changes and Corrections of Errors — In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 154, ("SFAS No. 154"), *Accounting Changes and Error Corrections,* a replacement of APB Opinion No. 20 and FASB Statement No. 20. SFAS No. 154 replaces APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. SFAS No. 154 is effective for the Company in the first quarter of 2006.

Share-Based Payment — In December 2004, the FASB issued Statement of Financial Accounting Standard No. 123, (revised 2005), *Share-Based Payment* ("SFAS 123(R)"), that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS 123(R) eliminates the ability to account for share-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and generally would require instead that such transactions be accounted for using a fair-value-based method. The Company is currently evaluating SFAS 123(R) to determine which fair-value-based model and transitional provision it will follow upon adoption. The options for transition methods as prescribed in SFAS 123(R) include either the modified prospective or the modified retrospective methods. The modified prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock as the requisite service is rendered beginning with the first quarter of adoption, while the modified retrospective method would record compensation expense for stock options and restricted stock beginning

NOTE A—BASIS OF PRESENTATION (Continued)

Recent Accounting Pronouncements (Continued)

with the first period restated. Under the modified retrospective method, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. SFAS 123(R) will be effective for the Company beginning in its first quarter of fiscal 2006. Although the Company will continue to evaluate the application of SFAS 123(R), based on options issued and outstanding at present, the Company expects that the expense will be between $125,000 and $175,000 for the year ended December 31, 2006.

American Jobs Creation Act of 2004 — On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the “Act”). The Act provides a deduction for income from qualified domestic production activities, which will be phased in from 2005 through 2010. The Company is currently evaluating which of its operations may qualify as “qualified domestic production activities” under the Act and thus the financial effect that the Act may or may not have upon the Company.

Reclassifications

Portions of prior year publishing revenue and expense in the accompanying condensed consolidated financial statements have been reclassified to conform to the 2005 presentation. For the three months and nine months ended September 30, 2004, $289,000 and $1,043,000, respectively, of publishing revenue and expense that was previously recognized separately has been presented on a net basis. The reclassification does not affect operating income, net income or cash flows.

NOTE B—BUSINESS ACQUISITION

WSAZ-TV

On August 22, 2005, Gray announced that it had entered into an agreement with Emmis Communications Corp. to acquire the assets of WSAZ-TV, the NBC affiliate in Charleston-Huntington, West Virginia for $186 million. The agreement is subject to certain conditions and regulatory approval. Gray currently anticipates, but can not assure, that the acquisition will be completed before December 31, 2005.

In connection with this acquisition, Gray has obtained a financing commitment from Wachovia Bank, National Association for a senior secured credit facility in an aggregate principal amount of up to $600 million; a portion of this facility may be used to finance the acquisition of WSAZ-TV.

KKCO-TV

On January 31, 2005, the Company completed its acquisition of KKCO-TV, Channel 11 (“KKCO”) from Eagle III Broadcasting, LLC for a purchase price of $13.5 million plus related transaction costs of $700,000. Total cost was $14.2 million. KKCO, Channel 11 serves the Grand Junction, Colorado television market and is an NBC affiliate. The Company used a portion of its cash on hand to fully fund this acquisition.

The acquisition of KKCO has been accounted for under the purchase method of accounting. Under the purchase method of accounting, the results of operations of the acquired business are included in the accompanying condensed consolidated financial statements as of its acquisition date. The identifiable assets and liabilities of the acquired business are recorded at their estimated fair values with the excess of the purchase price over such identifiable net assets allocated to goodwill.

The following table summarizes the fair values of the assets acquired and the liabilities assumed at the date of acquisition for KKCO (in thousands):

NOTE B—BUSINESS ACQUISITION (Continued)

	Amount
Accounts receivable	$ 442
Current portion of program broadcast rights	35
Other current assets	44
Property and equipment	1,111
Intangible assets not subject to amortization:	
Broadcast licenses	8,338
Goodwill	4,519
Trade payables and accrued expenses	(251)
Current portion of program broadcast obligations	(35)
Total purchase price including expenses	$ 14,203

All of the goodwill recorded in association with the acquisition of KKCO is expected to be deductible for income tax purposes. Broadcast licenses and goodwill are indefinite lived intangible assets. KKCO contributed revenue of $721,000 and operating income of $55,000 to the Company's operating results for the three months ended September 30, 2005. KKCO contributed revenue of $1.9 million and operating income of $148,000 to the Company's operating results for the nine months ended September 30, 2005.

NOTE C—LONG-TERM DEBT

On June 28, 2005, Gray amended its existing senior credit facility. The amended agreement has a maximum term of seven and one half years and the total amount available under the agreement is $400 million, consisting of a $100 million revolving facility, a $100 million term loan A facility and a $200 million term loan B facility. Gray may use the proceeds from the credit facilities for working capital, capital expenditures made in the ordinary course of business and for certain investments and acquisitions permitted under the facilities. The amended agreement contains affirmative and negative covenants that Gray must comply with, including (a) limitations on additional indebtedness, (b) limitations on liens, (c) limitations on the sale of assets, (d) limitations on guarantees, (e) limitations on investments and acquisitions, (f) limitations on the payment of dividends, (g) limitations on mergers, as well as other customary covenants. Also, Gray must not let its leverage ratio and senior leverage ratio exceed certain maximum limits and Gray can not let its interest coverage ratio or fixed charge ratio fall below certain minimum limits as such ratios are defined in the senior credit facility.

Simultaneous with amending its senior credit facility, Gray borrowed $376 million under the senior credit facility to retire all previous outstanding obligations under its previously existing senior credit facility. The previous senior credit facility originally provided for borrowing of up to $450 million, and consisted of a $375 million term facility and a $75 million revolving facility.

Gray paid out approximately $1.6 million in cash for the amendment of the senior credit facility and of this amount $1.2 million was capitalized as deferred financing costs which will be amortized to interest expense over the remaining life of the agreement. The remaining $370,126 was reported as a loss on early extinguishment of debt. Furthermore, Gray wrote off deferred financing costs and recognized a loss on early extinguishment of debt in the amount of $1.8 million. Therefore, the total loss on early extinguishment of debt related to the amendment of the senior credit facility was $2.2 million.

Gray's interest rate is based on the lender's base rate (generally reflecting the lender's prime rate) plus a specified margin or a London Interbank Offered Rate ("LIBOR") plus a specified margin. The specified margin for revolving and term loan A advances is determined by Gray's debt leverage ratio as defined in the agreement.

NOTE C—LONG-TERM DEBT (Continued)

	Range of Applicable Margin for Base Rate Advances		Range of Applicable Margin for LIBOR Rate Advances
Revolving and term loan A advances	0% to 0.25%	—	0.75% to 1.5%
Term loan B advances	0.25%		1.5%

Gray has elected to borrow these funds under its LIBOR option. The interest rate under this option is LIBOR plus the current margin of 1.25% for revolving and term loan A advances and a margin of 1.5% for term loan B advances. The amount outstanding under the senior credit facility as of September 30, 2005 was $373.5 million and was allocated as follows: revolving loan of $74 million, term loan A of $100 million and term loan B of $199.5 million. As of September 30, 2005, Gray had $26 million of available credit under the senior credit facility.

On October 28, 2005, Gray further amended the senior credit facility to modify certain covenants of the agreement to be less restrictive for Gray. The capacity and interest rates of the agreement remained unchanged. Gray did not incur any fees associated with this amendment.

Effective August 19, 2005, a lender of Gray issued an irrevocable $18.6 million stand by letter of credit on behalf of Gray in lieu of an earnest money deposit for the pending acquisition of WSAZ-TV.

During the nine months ended September 30, 2005, Gray repurchased $21.5 million, face amount, of its Senior Subordinated Notes due 2011 (the "9¼% Notes") in the open market. Associated with this repurchase, Gray recorded a loss upon early extinguishment of debt of $2.6 million which included a premium of $2.0 million, the write off of unamortized deferred finance costs of $485,000 and an unaccreted discount of $74,000. Upon repurchase of Gray's 9¼% Notes, Gray paid $749,000 in accrued interest. Gray used cash on hand of $24.3 million for the repurchase of its 9¼% Notes which included amounts for the face amount of the 9¼% Notes, premium and accrued interest. As of September 30, 2005, Gray's 9¼% Notes had a balance outstanding of $257.6 million excluding unaccreted discount of $0.8 million.

The 9¼% Notes are jointly and severally guaranteed (the "Subsidiary Guarantees") by all of Gray's subsidiaries (the "Subsidiary Guarantors"). The obligations of the Subsidiary Guarantors under the Subsidiary Guarantees is subordinated, to the same extent as the obligations of Gray in respect of the 9¼% Notes, to the prior payment in full of all existing and future senior debt of the Subsidiary Guarantors (which will include any guarantee issued by such Subsidiary Guarantors of any senior debt).

Gray is a holding company with no material independent assets or operations, other than its investment in its subsidiaries. The aggregate assets, liabilities, earnings and equity of the Subsidiary Guarantors are substantially equivalent to the assets, liabilities, earnings and equity of Gray on a consolidated basis. The Subsidiary Guarantors are, directly or indirectly, wholly owned subsidiaries of Gray and the Subsidiary Guarantees are full, unconditional and joint and several. All of the current and future direct and indirect subsidiaries of Gray are guarantors of the 9¼% Notes. Accordingly, separate financial statements and other disclosures of each of the Subsidiary Guarantors are not presented because Gray has no independent assets or operations, the guarantees are full and unconditional and joint and several and any subsidiaries of the parent company other than the Subsidiary Guarantors are minor. The senior credit facility is collateralized by substantially all of Gray's existing and hereafter acquired assets except for real estate and the assets utilized in Gray's publishing and paging business.

NOTE D—RETIREMENT PLANS

The following table provides the components of net periodic benefit cost for Gray's pension plans for the three and nine months ended September 30, 2005 and 2004, respectively (in thousands):

NOTE D—RETIREMENT PLANS (Continued)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Service cost	$ 733	$ 546	$ 2,191	$ 1,639
Interest cost	325	259	975	776
Expected return on plan assets	(236)	(202)	(707)	(605)
Loss amortization	120	14	359	41
Net periodic benefit cost	$ 942	$ 617	$ 2,818	$ 1,851

During the quarter ended September 30, 2005, Gray contributed $3.7 million to its pension plans. During the remainder of 2005, Gray expects to contribute an additional $717,000 to its pension plans.

NOTE E—INFORMATION ON BUSINESS SEGMENTS

The Company operates in three business segments: broadcasting, publishing and paging. As of September 30, 2005, the broadcasting segment operates 31 television stations located in the United States. The publishing segment operates five daily newspapers located in Georgia and Indiana. The paging operations are located in Florida, Georgia and Alabama. The following tables present certain financial information concerning Gray's three operating segments (in thousands):

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Operating revenues, net:				
Broadcasting	$ 62,281	$ 73,658	$ 188,578	$ 206,802
Publishing	11,263	11,067	34,066	32,596
Paging	1,574	1,898	5,248	5,552
Total operating revenues	$ 75,118	$ 86,623	$ 227,892	$ 244,950
Operating income:				
Broadcasting	$ 11,705	$ 26,840	$ 42,655	$ 70,933
Publishing	1,696	2,487	6,087	7,501
Paging	361	293	793	843
Total operating income	13,762	29,620	49,535	79,277
Miscellaneous income, net	256	193	709	600
Interest expense	(11,122)	(10,418)	(33,547)	(31,353)
Loss on early extinguishment of debt	-0-	-0-	(4,770)	-0-
Income before income taxes	$ 2,896	$ 19,395	$ 11,927	$ 48,524

Corporate and administrative expenses as well as amortization of restricted stock are allocated to operating income based on segment net revenues.

NOTE F—COMMITMENTS AND CONTINGENCIES

Tarzian Litigation

The Company has an equity investment in Sarkes Tarzian, Inc. ("Tarzian") representing shares in Tarzian which were originally held by the estate of Mary Tarzian (the "Estate"). As described more fully below, the Company's ownership of the Tarzian shares is subject to certain litigation.

On February 12, 1999, Tarzian filed suit in the United States District Court for the Southern District of Indiana against U.S. Trust Company of Florida Savings Bank as Personal Representative of the Estate, claiming that Tarzian had a binding and enforceable contract to purchase the Tarzian shares from the Estate. On February 3, 2003, the Court

NOTE F—COMMITMENTS AND CONTINGENCIES (Continued)

Tarzian Litigation (Continued)

entered judgment on a jury verdict in favor of Tarzian for breach of contract and awarding Tarzian $4.0 million in damages. The Estate appealed the judgment and the Court's rulings on certain post-trial motions, and Tarzian cross-appealed. On February 14, 2005, the U.S. Court of Appeals for the Seventh Circuit issued a decision concluding that no contract was ever created between Tarzian and the Estate, reversing the judgment of the District Court, and remanding the case to the District Court with instructions to enter judgment for the Estate. Tarzian's petition for rehearing was denied by the Seventh Circuit Court of Appeals, and on October 3, 2005, the U.S. Supreme Court denied Tarzian's petition for certiorari. Tarzian also filed a motion for a new trial in the District Court based on the Estate's alleged failure to produce certain documents in discovery, and the District Court denied Tarzian's motion. Tarzian's appeal of the District Court's denial of its motion for new trial and entry of final judgment for the Estate is pending before the Seventh Circuit Court of Appeals. The Company cannot predict when the final resolution of this litigation will occur.

On March 7, 2003, Tarzian filed suit in the United States District Court for the Northern District of Georgia against Bull Run Corporation and the Company for tortious interference with contract and conversion. The lawsuit alleges that Bull Run Corporation and the Company purchased the Tarzian shares with actual knowledge that Tarzian had a binding agreement to purchase the stock from the Estate. The lawsuit seeks damages in an amount equal to the liquidation value of the interest in Tarzian that the stock represents, which Tarzian claims to be as much as $75 million, as well as attorneys' fees, expenses, and punitive damages. The lawsuit also seeks an order requiring the Company and Bull Run Corporation to turn over the stock certificates to Tarzian and relinquish all claims to the stock. The stock purchase agreement with the Estate would permit the Company to make a claim against the Estate in the event that title to the Tarzian Shares is ultimately awarded to Tarzian. There is no assurance that the Estate would have sufficient assets to honor any or all of such potential claims. The Company filed its answer to the lawsuit on May 14, 2003 denying any liability for Tarzian's claims. On May 27, 2005, the Court issued an Order administratively closing the case pending resolution of Tarzian's lawsuit against the Estate in Indiana federal court. The Company believes it has meritorious defenses and intends to vigorously defend the lawsuit. The Company cannot predict when the final resolution of this litigation will occur.

Related Party Receivable

Through a rights-sharing agreement with Host Communications, Inc. ("Host"), a wholly owned subsidiary of Bull Run Corporation ("Bull Run"), Gray participated jointly with Host in the marketing, selling and broadcasting of certain collegiate sporting events and in related programming, production and other associated activities related to the University of Kentucky. Certain executive officers and significant stockholders of Gray are also executive officers and significant stockholders of Bull Run Corporation.

The agreement commenced April 1, 2000 and terminated April 15, 2005. Gray shared the profit or loss from these activities with Host. Under that agreement, in certain circumstances, Gray was called upon to advance payment directly to the respective collegiate institution for a portion of certain upfront rights fees. Gray was given credit for any such advance payments when determining its share of income or loss from these activities. During 2003, Gray paid $1.5 million under this provision. No similar payments were made during 2004 or 2005. As of September 30, 2005 and December 31, 2004, Gray had $1.2 million and $1.4 million respectively, recorded as a related party receivable for payments made in 2003 and earlier years.

Host Commitment

On October 12, 2004, the University of Kentucky jointly awarded a new sports marketing agreement to Gray and Host. The new agreement commenced April 16, 2005 and has an initial term of seven years with the option to extend the license for three additional years. Aggregate license fees to be paid to the University of Kentucky over a full ten year term for the agreement will approximate $80.5 million. Gray and Host will share equally in the cost of the license fees.

NOTE G —NEWSPAPER PUBLISHING AND WIRELESS BUSINESS TRANSACTIONS

Plan for Spin-off of Our Newspaper Publishing and Wireless Businesses

On August 2, 2005, Gray announced that our board of directors approved a plan to spin off our newspaper publishing business and our paging business to our shareholders, which will result in a newly created and separately traded public company named Triple Crown Media, Inc. (“TCM”). We expect that as a result of the spin-off, both Gray and TCM will be better able to focus financial and operational resources on their own business and executing their own strategic plan. In addition, we believe that both Gray and TCM will have greater strategic and financial flexibility to support future growth opportunities.

We currently conduct our newspaper publishing business and wireless business through our subsidiary Gray Publishing, LLC and its subsidiaries. Under the proposed spin-off, we will contribute all of the membership interests of Gray Publishing, LLC and certain other assets to TCM. We will then distribute 100% of TCM’s common stock pro rata as a dividend to our stockholders. Upon completion of the spin-off, each common shareholder of Gray will receive as a dividend one share of common stock of TCM for every 10 shares of Gray common stock and for every 10 shares of Gray Class A common stock. No stockholder vote will be required to effect the spin-off, and no consideration will be required to be paid by our shareholders in order to receive the shares of common stock of TCM. On the date of the spin-off, TCM will distribute $40 million to us, which we intend to use to reduce our outstanding indebtedness. TCM will also be obligated to distribute cash to Gray for approximately 75% of the professional service costs and expenses incurred by Gray related to the spin-off transactions.

Planned Merger of Spun-off Company with Bull Run Corporation

On August 2, 2005, Gray also announced that TCM, BR Acquisition Corp., which is a wholly owned subsidiary of TCM, and Bull Run have entered into an agreement and plan of merger, pursuant to which Bull Run will be merged with and into BR Acquisition Corp. immediately following our spin-off of TCM. In the merger, each Bull Run shareholder will receive 0.0289 shares of TCM common stock for each share of Bull Run common stock owned. In the merger, Bull Run preferred stock held by non-affiliated holders will be redeemed for its current redemption value. Holders of preferred stock and other loans to Bull Run who are affiliates of Bull Run, including J. Mack Robinson, our current Chairman and Chief Executive Officer and Chairman of the Board of Bull Run, will receive shares of TCM common stock in exchange for shares of Bull Run series F preferred stock and accrued and unpaid dividends thereon; shares of TCM series A preferred stock in exchange for shares of Bull Run series D and series E preferred stocks and accrued and unpaid dividends thereon; and shares of TCM series B preferred stock in exchange for cash previously advanced to Bull Run. The agreement is subject to certain closing conditions, including an affirmative vote of Bull Run’s shareholders. On a combined basis, after the merger, current shareholders of Gray will own approximately 95% of the outstanding common stock of TCM and certain holders of Bull Run preferred stock and current holders of Bull Run common stock will hold the remaining 5%. TCM has received a long-term financing commitment from bank lenders that will accommodate the payment of the distribution to us and the refinancing of all of Bull Run’s bank and subordinated indebtedness. Bull Run’s common stock is traded on the Pink Sheets centralized quotation service for OTC securities under the symbol “BULL.PK”.

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. ("the Company" or "Gray") should be read in conjunction with Gray's financial statements contained in this report and in Gray's Form 10-K for the year ended December 31, 2004.

Overview

The Company derives its revenues primarily from its television broadcasting operations and to a lesser extent, from its newspaper publishing and paging operations. The operating revenues of the Company's television stations are derived from broadcast advertising revenues and, to a much lesser extent, from ancillary services such as production of commercials and tower rentals as well as compensation paid by the networks to the stations for broadcasting network programming. The operating revenues of the Company's newspaper publishing operations are derived from advertising, circulation and classified revenue. Paging revenue is derived primarily from the sale of pagers, cellular telephones and related services. Certain information concerning the relative contributions of the Company's television broadcasting, publishing and paging operations is provided in Note E. "Information on Business Segments" to the Company's unaudited consolidated financial statements included elsewhere herein.

In the Company's broadcasting operations, 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.

Most broadcast advertising contracts are short-term, and generally run only for a few weeks. Approximately 67% of the net revenues of the Company's television stations for the nine months ended September 30, 2005 were generated from local advertising, 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 consumer advertising in the spring and retail advertising 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. The Company received significant political advertising revenue during the prior year.

The Company's publishing operations' advertising contracts are generally entered into annually and provide for a commitment as to the volume of advertising to be purchased by an advertiser during the year. The publishing operations' advertising revenues are primarily generated from local advertising and are generally highest in the second and fourth quarters of each year.

The Company's paging subscribers either own pagers, thereby paying solely for the use of the Company's paging services, or lease pagers, thereby paying a periodic charge for both the pagers and the paging services. The terms of the lease contracts are month-to-month, three months, six months or twelve-months in duration. Paging revenues are generally equally distributed throughout the year.

The broadcasting operations' primary operating expenses are employee compensation, related benefits, and programming costs. The publishing operations' primary operating expenses are employee compensation, related benefits, and newsprint costs. The paging operations' primary operating expenses are employee compensation and communications costs. In addition, the broadcasting, publishing and paging operations incur overhead expenses, such as maintenance, supplies, insurance, rent and utilities. A large portion of the operating expenses of the broadcasting, publishing and paging operations is fixed, although the Company has experienced significant variability in its newsprint costs in recent years.

Plan for Spin-off of Our Newspaper Publishing and Wireless Businesses

On August 2, 2005, Gray announced that our board of directors approved a plan to spin off our newspaper publishing business and our paging business to our shareholders, which will result in a newly created and separately traded public company named Triple Crown Media, Inc. ("TCM"). We expect that as a result of the spin-off, both Gray and TCM will be better able to focus financial and operational resources on their own business and executing their own strategic plan. In addition, we believe that both Gray and TCM will have greater strategic and financial flexibility to support future growth opportunities.

We currently conduct our newspaper publishing business and wireless business through our subsidiary Gray Publishing, LLC and its subsidiaries. Under the proposed spin-off, we will contribute all of the membership interests of Gray Publishing, LLC and certain other assets to TCM. We will then distribute 100% of TCM's common stock pro rata as a dividend to our stockholders. Upon completion of the spin-off, each common shareholder of Gray will receive as a dividend one share of common stock of TCM for every 10 shares of Gray common stock and for every 10 shares of Gray Class A common stock. No stockholder vote will be required to effect the spin-off, and no consideration will be required to be paid by our shareholders in order to receive the shares of common stock of TCM. On the date of the spin-off, TCM will distribute $40 million to us, which we intend to use to reduce our outstanding indebtedness. TCM will also be obligated to distribute cash to Gray for approximately 75% of the professional service costs and expenses incurred by Gray related to the spin-off transactions.

Planned Merger of Spun-off Company with Bull Run Corporation

On August 2, 2005, Gray also announced that TCM, BR Acquisition Corp., which is a wholly owned subsidiary of TCM, and Bull Run have entered into an agreement and plan of merger, pursuant to which Bull Run will be merged with and into BR Acquisition Corp. immediately following our spin-off of TCM. In the merger, each Bull Run shareholder will receive 0.0289 shares of TCM common stock for each share of Bull Run common stock owned. In the merger, Bull Run preferred stock held by non-affiliated holders will be redeemed for its current redemption value. Holders of preferred stock and other loans to Bull Run who are affiliates of Bull Run, including J. Mack Robinson, our current Chairman and Chief Executive Officer and Chairman of the Board of Bull Run, will receive shares of TCM common stock in exchange for shares of Bull Run series F preferred stock and accrued and unpaid dividends thereon; shares of TCM series A preferred stock in exchange for shares of Bull Run series D and series E preferred stocks and accrued and unpaid dividends thereon; and shares of TCM series B preferred stock in exchange for cash previously advanced to Bull Run. The agreement is subject to certain closing conditions, including an affirmative vote of Bull Run's shareholders. On a combined basis, after the merger, current shareholders of Gray will own approximately 95% of the outstanding common stock of TCM and certain holders of Bull Run preferred stock and current holders of Bull Run common stock will hold the remaining 5%. TCM has received a long-term financing commitment from bank lenders that will accommodate the payment of the distribution to us and the refinancing of all of Bull Run's bank and subordinated indebtedness. Bull Run's common stock is traded on the Pink Sheets centralized quotation service for OTC securities under the symbol "BULL.PK".

Acquisition of KKCO-TV

On January 31, 2005, the Company completed its acquisition of KKCO-TV, Channel 11 ("KKCO") from Eagle III Broadcasting, LLC for a purchase price of $13.5 million plus related transaction costs of $700,000. Total cost was $14.2 million. KKCO, Channel 11 serves the Grand Junction, Colorado television market and is an NBC affiliate. The Company used a portion of its cash on hand to fully fund this acquisition.

Broadcasting, Publishing and Paging Revenues

Set forth below are the principal types of revenues earned by Gray's broadcasting, publishing and paging operations for the periods indicated and the percentage contribution of each to Gray's total revenues (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2005		2004		2005		2004	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Broadcasting net revenues:								
Local	$ 41,869	55.7%	$ 39,064	45.1%	$ 125,992	55.3%	$ 118,442	48.4%
National	17,201	22.9	17,872	20.6	51,266	22.5	52,918	21.6
Network compensation	986	1.3	2,423	2.8	4,036	1.8	7,335	3.0
Political	448	0.6	11,967	13.8	1,429	0.6	20,923	8.5
Production and other	1,777	2.4	2,332	2.7	5,855	2.6	7,184	2.9
	$ 62,281	82.9%	$ 73,658	85.0%	$ 188,578	82.8%	$ 206,802	84.4%
Publishing and other net revenues:								
Retail	$ 6,075	8.1%	$ 5,804	6.7%	$ 18,327	8.0%	$ 17,316	7.1%
Classified	3,559	4.7	3,546	4.1	10,691	4.7	10,041	4.1
Circulation	1,370	1.8	1,490	1.7	4,143	1.8	4,552	1.8
Paging lease, sales and service	1,574	2.1	1,898	2.2	5,248	2.3	5,552	2.3
Other	259	0.4	227	0.3	905	0.4	687	0.3
	$ 12,837	17.1%	$ 12,965	15.0%	$ 39,314	17.2%	$ 38,148	15.6%
Total	$ 75,118	100.0%	$ 86,623	100.0%	$ 227,892	100.0%	$ 244,950	100.0%

Results of Operations

Three Months Ended September 30, 2005 Compared To Three Months Ended September 30, 2004

Revenues. Total revenues for the three months ended September 30, 2005 decreased 13% to $75.1 million as compared to the same period of the prior year.

- Local broadcasting advertising revenues, excluding political advertising revenues, increased 7% to $41.9 million from $39.1 million. Approximately 32%, or $885,000, of this increase is attributable to results from Gray's launch of six UPN second channels in six of its existing television markets since June 30, 2004, results of WCAV, Charlottesville, VA which began operations in August 2004 and the acquisition of KKCO on January 31, 2005. We attribute the remaining increase in non-political local broadcasting advertising revenues primarily to a moderate increase in demand for commercial time by local advertisers. National broadcasting advertising revenues decreased 4% to $17.2 million from $17.9 million. The decrease in national broadcasting advertising revenues was due to decreased demand from multiple categories of national advertising customers. Political advertising revenues decreased to $448,000 from $12.0 million reflecting the cyclical influence of the 2004 Presidential election. In addition, in the 2004 period Gray recorded approximately $3.1 million of broadcast revenue associated with the broadcast of the 2004 Summer Olympics. There were no such similar Olympic broadcast in the current year. Network compensation revenue decreased 59% to $1.0 million from $2.4 million due to lower revenue from renewed network affiliation agreements. Total broadcasting revenues decreased 15% to $62.3 million. The decrease in total broadcasting revenues reflects decreased political advertising revenues, Olympic broadcast revenues, network compensation and national advertising revenue partially offset by increased non-political local broadcasting advertising revenues as discussed above.

- Publishing and other revenues consists primarily of Gray's newspaper publishing and paging operations. Total publishing and other revenues decreased 1%. Publishing revenues increased 2% to $11.3 million from $11.1 million. Publishing retail advertising increased 5% to $6.1 million from $5.8 million due primarily to growth at the Gwinnett Daily Post due to the expansion of its Sunday newspaper. Publishing circulation revenue decreased 8% to $1.4 million from $1.5 million. Paging revenues decreased 17% to $1.6 million from $1.9 million. The Company had approximately 34,000 and 45,000 units in service at September 30, 2005 and 2004, respectively. The number of units in service decreased due to increased competition from other communication services and products such as cellular telephones. Competition from these products is expected to continue in the future.

Operating expenses. Operating expenses increased 8% to $61.4 million from $57.0 million in the same period of the prior year.

- Broadcasting expenses, before depreciation, amortization and loss on disposal of assets increased 4% to $40.0 million from $38.3 million. Approximately 72%, or $1.2 million, of this increase is attributable to operating expenses relating to Gray's launch of six UPN second channels in six of its existing television markets since June 30, 2004, expenses of WCAV, Charlottesville, VA which began operations in August 2004 and expenses of KKCO, acquired on January 31, 2005, offset, in part, by the sale of the Company's satellite uplink operations on December 31, 2004. We attribute the remaining increase to routine increases in payroll and benefits costs.

- Publishing and other expenses including paging expense, before depreciation, amortization and loss on disposal of assets, increased 7% to $10.0 million from $9.3 million. The increase in expense was primarily due to increased transportation, payroll and other professional services expenses of the publishing operations reflecting expanded deliveries of the Sunday edition of the Gwinnett Daily Post.

- Corporate and administrative expenses, before depreciation, amortization and loss on disposal of assets increased 62% to $4.7 million in the three months ended September 30, 2005 as compared to $2.9 million for the same period in 2004. Legal and other professional service fees increased approximately $1.7 million over the third quarter of 2004. Of this increase, $1.6 million is attributable to professional services associated with Gray's previously announced proposed spin-off of its publishing and paging businesses. The prior period did not include similar expenses. Upon consummation of the spin-off transactions, Triple Crown Media will distribute cash to Gray approximating 75% of the professional service costs and expenses incurred by Gray related to the spin-off transactions. In addition, auditing service fees increased in the third quarter of 2005 by approximately $230,000 which was offset by a decrease in consulting fees of $253,000.

- Depreciation expense increased 13% to $6.9 million in the three months ended September 30, 2005 as compared to $6.1 million for the same period in 2004. The increase is attributable to the purchase of equipment for our existing operating locations as well as the acquisition of KKCO-TV in January of 2005. To a lesser extent, the increase was due to the shortening of the useful life of leasehold improvements at one of Gray's operating locations due to an earlier than expected termination of the associated lease.

- Amortization of intangible assets was $159,000 for the three months ended September 30, 2005, as compared to $232,000 for the same period of the prior year, a decrease of 32%. The decrease in amortization expense was due to certain definite lived intangible assets, that were acquired in 2002, becoming fully amortized.

- Gray recorded a gain on disposal of assets, net of $446,000 for the three months ended September 30, 2005, as compared to a loss on disposal of assets of $17,000 for the same period of the prior year. The gain in the current year was principally the result of a gain of $652,000 on the sale of a paging license partially offset by losses on the disposal of other paging assets. The loss in the prior year is due to a net gain on insurance settlements related to certain broadcast towers damaged in 2003 and to the sale of a building not utilized in operations.

Interest expense. Interest expense increased 7% to $11.1 million. This increase is primarily attributable to higher average interest rates in 2005 compared to 2004. The combined average interest rates on the Company's senior credit facility and $9^{1}/_{4}$% Notes were 6.73% and 5.93% for the three months ended September 30, 2005 and 2004, respectively. The increase in interest rates was partially offset by the repurchase and extinguishment of $21.5 million of Gray's $9^{1}/_{4}$% Notes during the second quarter of 2005.

Income tax expense. An income tax expense of $1.2 million was recorded for the three months ended September 30, 2005 as compared to an income tax expense of $7.6 million for the three months ended September 30, 2004. The decreased expense in the current year as compared to that of the prior year was attributable to having decreased income in the current period as compared to the prior period. The effective income tax rate was approximately 39% for the current year and prior year periods.

Nine Months Ended September 30, 2005 Compared To The Nine Months Ended September 30, 2004

Revenues. Total revenues for the nine months ended September 30, 2005 decreased 7% to $227.9 million as compared to the same period of the prior year.

- Local broadcasting advertising revenues, excluding political advertising revenues, increased 6% to $126.0 million from $118.4 million. Approximately 33%, or $2.5 million, of this increase is attributable to results from Gray's launch of six UPN second channels in six of its existing television markets since June 30, 2004, results of WCAV, Charlottesville, VA which began operations in August 2004 and the acquisition of KKCO on January 31, 2005. We attribute the remaining increase in non-political local broadcasting advertising revenues to a moderate increase in demand for commercial time by local advertisers. National broadcasting advertising revenues decreased 3% to $51.3 million from $52.9 million. The decrease in national broadcasting advertising revenues was due to decreased demand from multiple categories of national advertising customers. Political advertising revenues decreased to $1.4 million from $20.9 million reflecting the cyclical influence of the 2004 Presidential election. In addition, in the 2004 period Gray recorded approximately $3.1 million of broadcast revenue associated with the broadcast of the 2004 Summer Olympics. There were no such similar Olympic broadcast in the current year. Network compensation revenue decreased 45% to $4.0 million from $7.3 million due to lower revenue from renewed network affiliation agreements. Total broadcasting revenues decreased 9% over the same period of the prior year to $188.6 million. The decrease in broadcasting revenues reflects decreased political advertising revenues, national advertising revenues and network compensation, partially offset by increased non-political local broadcasting advertising revenues as discussed above.
- Publishing and other revenues consists primarily of Gray's newspaper publishing and paging operations. Total publishing and other revenues increased 3%. Publishing revenues increased 5% to $34.1 million from $32.6 million. Publishing retail advertising revenue increased 6% to $18.3 million from $17.3 million. Publishing classified revenue increased 7% to $10.7 million. Publishing circulation revenue decreased 9% to $4.1 million. Publishing retail advertising revenues and classified advertising revenues increased primarily due to improved operating results at the Gwinnett Daily Post reflecting the expansion of the Sunday newspaper and increased spending by existing customers. Classified advertising increased due to improved automotive and real estate advertising. Circulation revenues decreased primarily due to a decrease in volumes. Paging revenues decreased 6% to $5.2 million from $5.6 million. The Company had approximately 34,000 and 45,000 units in service at September 30, 2005 and 2004, respectively. The number of units in service decreased due to increased competition from other communication services and products such as cellular telephones. Competition from these products is expected to continue in the future.

Operating expenses. Operating expenses increased 8% to $178.4 million from $165.7 million in the same period of the prior year.

- Broadcasting expenses, before depreciation, amortization and loss on disposal of assets increased 5% to $118.3 million from $112.8 million. Approximately 58%, or $3.2 million, of this increase is attributable to operating expenses relating to Gray's launch of six UPN second channels in six of its existing television markets since June 30, 2004, expenses of WCAV, Charlottesville, VA which began operations in August 2004 and expenses of KKCO, acquired on January 31, 2005, offset, in part, by the sale of the Company's satellite uplink operations on December 31, 2004. We attribute the remaining increase to routine increases in payroll and benefits costs.
- Publishing and other expenses including paging expense, before depreciation, amortization and loss on disposal of assets, increased 8% to $29.3 million from $27.3 million. The increase in expenses was primarily due to increased costs associated with the expanded delivery of the Sunday edition of the Gwinnett Daily Post. Also newsprint increased due to an increase in the cost per ton of newsprint partially offset by lower consumption in the current year.
- Corporate and administrative expenses, before depreciation, amortization and loss on disposal of assets increased 54% to $11.4 million from $7.4 million in the nine months ended September 30, 2005 as compared to the same period in 2004. Legal and other professional service fees increased approximately $3.4 million over the same period of 2004 and such increase is primarily attributable to an increase of $2.8 million in professional services associated with Gray's proposed spin-off of its publishing and paging businesses. In addition, audit fees increased approximately $655,000 over the comparable period of 2004. Upon consummation of the spin-off transactions, Triple Crown Media will distribute cash to Gray approximating 75% of the professional service costs and expenses incurred by Gray related to the spin-off transactions.
- Depreciation expense increased 5% to $18.6 million for the nine months ended September 30, 2005 as compared to $17.8 million for the same period of the prior year. The increase is attributable to the purchase of equipment for our existing operating locations as well as the acquisition of KKCO-TV in January of 2005. To a lesser extent, the increase was due to the shortening of the useful life of leasehold improvements at one of Gray's operating locations due to an earlier than expected termination of the associated lease.
- Amortization of intangible assets was $576,000 for the nine months ended September 30, 2005, as compared to $751,000 for the same period of the prior year, a decrease of $175,000 or 23%. The decrease in amortization expense was due to certain definite lived intangible assets becoming fully amortized.
- Gain on disposal of assets, net was $107,000 for the nine months ended September 30, 2005, as compared to a gain on disposal of assets of $605,000 for the same period of the prior year. The gain in the current year was principally the result of a third quarter gain of $652,000 on the sale of a paging license partially offset by losses on the disposal of other paging assets. The gain in the prior year is due to a net gain on insurance settlements related to certain broadcast towers damaged in 2003 and to the sale of a building not utilized in operations.

Interest expense. Interest expense increased 7% to $33.5 million. This increase is primarily attributable to higher average interest rates in 2005 compared to 2004. The combined average interest rates on the Company's senior credit facility and the $9^1/_4$% Notes were 6.72% and 6.05% for the nine months ended September 30, 2005 and 2004, respectively. The increase in interest rates was partially offset by the repurchase and extinguishment of $21.5 million of Gray's $9^1/_4$% Notes during the second quarter of 2005.

Loss on early extinguishment of debt. Gray reported a loss on early extinguishment of debt in the amount of $4.8 million which related to two events: the repurchase by Gray of a portion of its $9^1/_4$% Notes and the amendment of Gray's senior credit facility.

Gray repurchased $21.5 million, face amount, of its $9^1/_4$% Notes in the open market. Associated with this repurchase, Gray recorded a loss upon early extinguishment of debt of $2.6 million which included a premium of $2.0

million, the write off of unamortized deferred finance costs of $485,000 and an unaccreted discount of $74,000. Upon repurchase of Gray's 9 1/4% Notes, Gray paid $749,000 in accrued interest.

On June 28, 2005, Gray amended its senior credit facility. Gray paid out approximately $1.6 million in cash for the amendment of the senior credit facility and of this amount $1.2 million was capitalized as deferred financing costs which will be amortized to interest expense over the remaining life of the agreement. The remaining $370,126 was reported as a loss on early extinguishment of debt. Furthermore, Gray wrote off deferred financing costs and recognized a loss on early extinguishment of debt in the amount of $1.8 million. The total loss on early extinguishment of debt related to the amendment of the senior credit facility was $2.2 million.

Income tax expense. An income tax expense of $4.7 million was recorded for the nine months ended September 30, 2005 as compared to an income tax expense of $19.0 million for the nine months ended September 30, 2004. The decreased expense in the current year as compared to that of the prior year was attributable to having less income in the current period as compared to the prior period. The effective income tax rate was approximately 39% for the current year and prior year periods.

Liquidity and Capital Resources

General

The following tables present certain data that Gray believes is helpful in evaluating its liquidity and capital resources (in thousands).

	Nine Months Ended September 30,	
	2005	2004
Net cash provided by operating activities	$ 39,251	$ 82,469
Net cash used in investing activities	(45,175)	(27,246)
Net cash used in financing activities	(40,586)	(10,180)
Net increase (decrease) in cash and cash equivalents	$ (46,510)	$ 45,043

	As of	
	September 30, 2005	December 31, 2004
Cash and cash equivalents	$ 4,056	$ 50,566
Long-term debt including current portion	633,006	655,905
Preferred stock	39,068	39,003
Available credit under senior credit agreement	26,000	71,250

Gray and its subsidiaries file a consolidated federal income tax return and such state or local tax returns as are required. Although Gray expects to earn taxable operating income for the foreseeable future, it anticipates that through the use of its available loss carryforwards it will not pay significant amounts of federal or state income taxes in the next several years.

Management believes that current cash balances, cash flows from operations and available funds under its senior credit facility will be adequate to provide for Gray's capital expenditures, debt service, cash dividends and working capital requirements for the foreseeable future.

Management does not believe that inflation in past years has had a significant impact on Gray's 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 decreased $43.2 million in the nine months ended September 30, 2005 as compared to the same period of 2004. The decrease was due primarily to a decrease in net income, deferred income taxes and changes in operating liabilities.

Net cash used in investing activities increased $17.9 million. The increase was due primarily to the acquisition of KKCO-TV representing a use of cash totaling $13.9 million and the acquisition of a partnership whose primary assets were television production equipment, land, and a television studio building in Tallahassee, Florida for $4.8 million.

Net cash used in financing activities increased $30.4 million. The Company repurchased 398,400 shares of Common Stock for $5.5 million and 12,800 shares of Class A Common Stock for $0.2 million. Gray also amended its senior credit facility and repurchased a portion of its 9 1/4% Notes. These transactions are described in more detail below. No similar purchases were made in the prior year. Dividends paid increased $5.9 million due to the payment in January 2005 of a special dividend that was declared in the fourth quarter of 2004.

Capital Expenditures

Set forth below is the Company's capital expenditure activity for the nine months ended September 30, 2005 and 2004 (in thousands):

	2005		
	Non Digital	Digital	Total
Capital expenditure payments made during the nine months ended September 30, 2005	$ 19,183	$ 7,603	$ 26,786

	2004		
	Non Digital	Digital	Total
Capital expenditure payments made during the nine months ended September 30, 2004	$ 16,145	$ 9,654	$ 25,799

The Company will increase the power output of its digital broadcast signals of certain stations. These enhancements will be phased in by July 2006 to meet certain FCC regulations.

Debt

On June 28, 2005, Gray amended its existing senior credit facility. The amended agreement has a maximum term of seven and one half years and the total amount available under the agreement is $400 million, consisting of a $100 million revolving facility, a $100 million term loan A facility and a $200 million term loan B facility. As of September 30, 2005, the balance outstanding and the balance available under Gray's senior credit facility were $373.5 million and $26 million, respectively.

Gray paid approximately $1.6 million in cash for the amendment of the senior credit facility and of this amount $1.2 million was capitalized as deferred financing costs which will be amortized to interest expense over the remaining life of the agreement. The remaining $370,126 was reported as a loss on early extinguishment of debt. Furthermore, Gray wrote off deferred financing costs and recognized a loss on early extinguishment of debt in the amount of $1.8 million. Therefore, the total loss on early extinguishment of debt related to the amendment of the senior credit facility was $2.2 million. As a result of the amendment, on an annual basis we anticipate a savings of $1.4 million in interest expense. For additional information concerning the amendment, see Note C. "Long-Term Debt" to Gray's unaudited condensed consolidated financial statements included elsewhere herein.

On October 28, 2005, Gray further amended the senior credit facility to modify certain covenants of the agreement to be less restrictive for Gray. The capacity and interest rates of the agreement remained unchanged. Gray did not incur any fees associated with this amendment.

Effective August 19, 2005, a lender of Gray issued an irrevocable $18.6 million stand by letter of credit on behalf of Gray in lieu of an earnest money deposit for the pending acquisition of WSAZ-TV.

During the nine months ended September 30, 2005, Gray repurchased $21.5 million, face amount, of its Senior Subordinated Notes due 2011 (the "9 1/4% Notes") in the open market. Associated with this repurchase, Gray recorded a loss upon early extinguishment of debt of $2.6 million which included a premium of $2.0 million, the write off of unamortized deferred finance costs of $485,000 and an unaccreted discount of $74,000. Upon repurchase of Gray's $9^{1}/_{4}$% Notes, Gray paid $749,000 in accrued interest. Gray used cash previously held in its investment account in the amount of $24.3 million for the repurchase of its $9^{1}/_{4}$% Notes which included amounts for the face amount of the $9^{1}/_{4}$% Notes, premium and accrued interest. As a result of these repurchases and extinguishments, on an annual basis we anticipate a savings of $2.0 million in interest expense. As of September 30, 2005, Gray's $9^{1}/_{4}$% Notes had a balance outstanding of $257.6 million excluding unaccreted discount of $0.8 million.

Gray makes semiannual interest payments on the $9^{1}/_{4}$% Notes on June 15th and December 15th. Interest payments on the senior credit facility are made on varying dates throughout the year.

WSAZ-TV

On August 22, 2005, Gray announced that it had entered into an agreement with Emmis Communications Corp. to acquire the assets of WSAZ-TV, the NBC affiliate in Charleston-Huntington, West Virginia for $186 million. The agreement is subject to certain conditions and regulatory approval. Gray currently anticipates, but can not assure, that the acquisition will be completed before December 31, 2005.

In connection with this acquisition, Gray has obtained a financing commitment from Wachovia Bank, National Association for a senior secured credit facility in an aggregate principal amount of up to $600 million; a portion of this facility may be used to finance the acquisition of WSAZ-TV.

Related Party Receivable

Through a rights-sharing agreement with Host Communications, Inc. ("Host"), a wholly owned subsidiary of Bull Run Corporation ("Bull Run"), Gray participated jointly with Host in the marketing, selling and broadcasting of certain collegiate sporting events and in related programming, production and other associated activities related to the University of Kentucky. Certain executive officers and significant stockholders of Gray are also executive officers and significant stockholders of Bull Run Corporation.

The agreement commenced April 1, 2000 and terminated April 15, 2005. Gray shared the profit or loss from these activities with Host. Under that agreement, in certain circumstances, Gray was called upon to advance payment directly to the respective collegiate institution for a portion of certain upfront rights fees. Gray was given credit for any such advance payments when determining its share of income or loss from these activities. During 2003, Gray paid $1.5 million under this provision. No similar payments were made during 2004 or 2005. As of September 30, 2005 and December 31, 2004, Gray had $1.2 million and $1.4 million respectively, recorded as a related party receivable for payments made in 2003 and earlier years.

Host Commitment

On October 12, 2004, the University of Kentucky jointly awarded a new sports marketing agreement to Gray and Host. The new agreement commenced April 16, 2005 and has an initial term of seven years with the option to extend the license for three additional years. Aggregate license fees to be paid to the University of Kentucky over a full ten year term for the agreement will approximate $80.5 million. Gray and Host will share equally in the cost of the license fees.

Other

During the quarter ended September 30, 2005, Gray contributed $3.7 million to its pension plans. During the remainder of 2005, Gray expects to contribute an additional $717,000 to its pension plans.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Gray considers its 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 Gray's Annual Report on Form 10-K for the year ended December 31, 2004.

Recent Accounting Pronouncements

Accounting Changes and Corrections of Errors — In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 154, ("SFAS No. 154"), *Accounting Changes and Error Corrections,* a replacement of APB Opinion No. 20 and FASB Statement No. 20. SFAS No. 154 replaces APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. SFAS No. 154 is effective for the Company in the first quarter of 2006.

Share-Based Payment — In December 2004, the FASB issued Statement of Financial Accounting Standard No. 123, (revised 2005), *Share-Based Payment* ("SFAS 123(R)"), that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS 123(R) eliminates the ability to account for share-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and generally would require instead that such transactions be accounted for using a fair-value-based method. The Company is currently evaluating SFAS 123(R) to determine which fair-value-based model and transitional provision it will follow upon adoption. The options for transition methods as prescribed in SFAS 123(R) include either the modified prospective or the modified retrospective methods. The modified prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock as the requisite service is rendered beginning with the first quarter of adoption, while the modified retrospective method would record compensation expense for stock options and restricted stock beginning with the first period restated. Under the modified retrospective method, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. SFAS 123(R) will be effective for the Company beginning in its first quarter of fiscal 2006. Although the Company will continue to evaluate the application of SFAS 123(R), based on options issued and outstanding at present, the Company expects that the expense will be between $125,000 and $175,000 for the year ended December 31, 2006.

American Jobs Creation Act of 2004 — On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the "Act"). The Act provides a deduction for income from qualified domestic production activities, which will be phased in from 2005 through 2010. The Company is currently evaluating which of its operations may qualify as "qualified domestic production activities" under the Act and thus the financial effect that the Act may or may not have upon the Company.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains "forward-looking statements." When used in this report, the words "believes," "expects," "anticipates," "should", "estimates" and similar words and expressions are generally intended to identify forward-looking statements, but some of those statements may use other phrasing. Statements that describe Gray's future strategic plans, goals or objectives are also forward-looking statements. Readers of this report are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of Gray or 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 in the forward-looking statements as a result of various factors including, but not limited to, (i) general economic conditions in the markets in which Gray operates, (ii) competitive pressures in the markets in which Gray operates, (iii) the effect of future legislation or regulatory changes on Gray's operations and (iv) certain other risks relating to our business, including, our dependence on advertising revenues, our need to acquire non-network television programming, the impact of a loss of any of our FCC broadcast licenses, increased competition and capital costs relating to digital advanced television, pending litigation and our significant level of intangible assets, (v) our high debt levels, (vi) the proposed spin-off of the publishing and paging business and (vii) other factors described from time to time in our SEC filings. The forward-looking statements included in this report are made only as of the date hereof. Gray disclaims any 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

Gray believes that the market risk of its financial instruments as of September 30, 2005 has not materially changed since December 31, 2004. The market risk profile on December 31, 2004 is disclosed in Gray's Annual Report on Form 10-K for the year ended December 31, 2004.

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 the Company's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO have concluded that Gray's disclosure controls and procedures are effective to ensure that information required to be disclosed by Gray in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and to ensure that such information is accumulated and communicated to Gray's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosures. There were no changes in Gray's internal control over financial reporting during the third quarter of 2005 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 F — "Commitments and Contingencies" to Gray's unaudited Condensed Consolidated Financial Statements filed as part of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following tables provide information about Gray's repurchase of its common stock (ticker: GTN) and its class A common stock (ticker: GTN.A) during the quarter ended September 30, 2005.

Issuer Purchases of Common Stock and Class A Common Stock

Period	NYSE Ticker Symbol	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share(1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
July 1, 2005 through July 31, 2005:	GTN	-0-	$ 00.00	-0-	
	GTN.A	-0-	$ 00.00	-0-	1,885,900
August 1, 2005 through August 31, 2005:	GTN	-0-	$ 00.00	-0-	
	GTN.A	-0-	$ 00.00	-0-	1,885,900
September 1, 2005 through September 30, 2005:	GTN	43,500	$ 10.62	43,500	
	GTN.A	-0-	$ 00.00	-0-	1,842,400
Total		43,500	$ 10.62	43,500	1,842,400

(1) Amount excludes standard brokerage commissions.

(2) On November 3, 2004, the Company's Board of Directors increased, from 2 million to 4 million, the aggregate number of shares of its Common Stock or Class A Common Stock authorized for repurchase. On March 3, 2004, Gray's Board of Directors had previously authorized the repurchase, from time to time, of up to an aggregate of 2 million shares of the Company's Common Stock or Class A Common Stock. As of September 30, 2005, 1,842,400 shares of the Company's Common Stock and Class A Common Stock are available for repurchase under the increased limit of 4 million shares. There is no expiration date for this repurchase plan.

Item 6. Exhibits

Exhibit 10.1 This first amendment to the loan agreement is made and entered into as of this 28th day of October, 2005, by and among Gray Television Inc., Wachovia Bank, National Association, Bank of America, N.A., and Deutsche Bank Trust Company Americas.

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, 2005

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

EXHIBIT 10.1

FIRST AMENDMENT TO LOAN AGREEMENT

THIS FIRST AMENDMENT TO LOAN AGREEMENT (this "Amendment") is made and entered into as of this 28th day of October, 2005, with an Effective Date (as defined below) as set forth in Section 3 hereof, by and among **GRAY TELEVISION, INC.**, a Georgia corporation (the "Borrower"), the Subsidiaries of the Borrower listed on the signature pages hereto, the banks and lending institutions party to the Loan Agreement referred to below (the "Lenders") pursuant to an authorization (in the form attached hereto as Annex A, an "Authorization"), **WACHOVIA BANK, NATIONAL ASSOCIATION**, a national banking association, in its capacity as administrative agent for the lenders (the "Administrative Agent"), **BANK OF AMERICA, N.A.**, in its capacity as syndication agent (the "Syndication Agent") and **DEUTSCHE BANK TRUST COMPANY AMERICAS**, in its capacity as documentation agent (the "Documentation Agent").

The Lenders have extended certain credit facilities to the Borrower pursuant to the Fifth Amended and Restated Loan Agreement dated as of June 28, 2005, by and among the Borrower, the Lenders, the Administrative Agent, the Syndication Agent and the Documentation Agent (as amended hereby and as may be further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement").

The parties desire to amend or modify certain provisions of the Loan Agreement in certain respects on the terms and conditions set forth below. Subject to and in accordance with the terms and conditions set forth herein, the Lenders party hereto are willing to consent to the requested amendments.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Capitalized Terms. All capitalized undefined terms used in this Amendment shall have the meanings assigned thereto in the Loan Agreement.

2. Amendments to the Loan Agreement.

(a) Amendment to Existing Definitions. The definition of the following defined term which is set forth in Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"Fixed Charges" shall mean, with respect to the Borrower and its Restricted Subsidiaries, as of any date for any period, the sum of (a) all Interest Expense, (b) all required principal payments due on the Term Loan A, the Term Loan B and, as applicable, Incremental Facility Loan made pursuant to scheduled repayments under Section 2.7(b)(i)(A), Section 2.7(b)(i)(B) or the Notice of Incremental Facility Commitment, as applicable, (c) all principal payments required to be made on Total Debt (other than the Loans), (e) Capital Expenditures made during such period, (e) any federal, state or local income taxes paid in cash during such period, (f) any purchases of common stock of the Borrower by the Borrower or any of its Restricted

Subsidiaries, in each case, for or during such period, plus (g) dividends made in respect of the Ownership Interests of the Borrower or such Restricted Subsidiary (excluding dividends made in such Ownership Interests). For purposes of calculating the Fixed Charge Coverage Ratio as of any date, Fixed Charges shall exclude (i) actual HDTV Capital Expenditures in an amount not to exceed $30,000,000.00 in the aggregate from the Agreement Date to the Maturity Date and (ii) commencing with any calculation on or after September 30, 2005, the aggregate amount of the January 2005 Dividend and the December 2004 Stock Repurchase.

(b) Amendment to Add New Definitions. Section 1.1 of the Loan Agreement is hereby amended by inserting the following new definitions in appropriate alphabetical order:

"January 2005 Dividend" shall mean that certain special cash dividend paid on January 4, 2005 in respect of the Ownership Interests of the Borrower in an aggregate amount of Five Million Eight Hundred and Seventy-One Thousand Four Hundred and Ninety-One Dollars ($5,871,491).

"December 2004 Stock Repurchase " shall mean, collectively, the purchase(s) by the Borrower of its common stock made during the fiscal quarter ended December 31, 2004 for an aggregate amount of Eighteen Million Seven Hundred and Seventy-One Thousand Five Hundred and Forty Eight Dollars ($18,771,548).

3. Effectiveness. This Amendment shall be deemed effective as of September 29, 2005 (the "Effective Date") upon the satisfaction of each of the following conditions:

(a) Amendment Document. The Administrative Agent shall have received (i) a duly executed counterpart of this Amendment executed by (A) the Borrower, (B) each Subsidiary of the Borrower that is party to any Security Document and (C) the Administrative Agent and (ii) Authorizations from the Required Lenders and the Required Revolving Lenders.

(b) Costs and Expenses. The Borrower shall pay all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel for the Administrative Agent.

(c) Other Documents. The Administrative Agent shall have received any other documents, certificates or instruments reasonably requested thereby in connection with the execution of this Amendment.

4. Effect of the Amendment. Except as expressly modified hereby, the Loan Agreement and the other Loan Documents shall be and remain in full force and effect. This Amendment shall not be deemed (a) to be a waiver of, or consent to, a modification or amendment of, any other term or condition of the Loan Agreement or any other Loan Document or (b) to prejudice any other right or rights which the Administrative Agent or the Lenders may now have or may have in the future under or in connection with the Loan Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended or modified from time to time.

5. <u>Acknowledgment by Subsidiary Guarantors; Reaffirmation of Security Documents</u>.

(a) By their execution hereof, each of the Subsidiaries of the Borrower party hereto hereby expressly (a) consents to the modifications and amendments set forth in this Amendment, (b) reaffirms all of its respective covenants, representations, warranties and other obligations set forth in the Subsidiary Guaranty and the other Loan Documents to which it is a party and (c) acknowledges, represents and agrees that its respective covenants, representations, warranties and other obligations set forth in the Subsidiary Guaranty and the other Loan Documents to which it is a party remain in full force and effect.

(b) The Borrower and each of its Subsidiaries party hereto hereby confirms that each of the Security Documents to which it is a party shall continue to be in full force and effect and are hereby ratified and reaffirmed in all respects as if fully restated as of the date hereof by this Agreement. In furtherance of the reaffirmations set forth in this <u>Section 5</u>, the Borrower hereby grants and assigns a security interest in all collateral identified in any Security Document as collateral security for the Obligations.

6. <u>Representations and Warranties/No Default.</u>

(a) By its execution hereof, the Borrower hereby certifies that (i) each of the representations and warranties set forth in the Loan Agreement and the other Loan Documents is true and correct as of the date hereof as if fully set forth herein unless such representations and warranties relate to a specific date, in which case such representations and warranties shall be true and correct as of such specific date and (ii) no Default or Event of Default has occurred and is continuing as of the date hereof.

(b) By its execution hereof, the Borrower represents and warrants that as of the date hereof there are no claims or offsets against or defenses or counterclaims to any of the obligations of the Borrower under the Loan Agreement or any other Loan Document.

(c) By its execution hereof, the Borrower hereby represents and warrants that it has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Amendment and each other document executed in connection herewith to which it is a party in accordance with their respective terms. This Amendment and each other document executed in connection herewith has been duly executed and delivered by the duly authorized officers of the Borrower and each such document constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

7. <u>Governing Law</u>. **THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW (WITHOUT GIVING EFFECT TO THE CONFLICTS OR CHOICE OF LAW PRINCIPLES THEREOF) OF THE STATE OF GEORGIA.**

8. Counterparts. This Amendment may be executed in separate counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

9. Fax Transmission. A facsimile, telecopy or other reproduction of this Amendment may be executed by one or more parties hereto, and an executed copy of this Amendment may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Amendment as well as any facsimile, telecopy or other reproduction hereof.

[Signatures Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date and year first above written.

BORROWER:

GRAY TELEVISION, INC., as Borrower

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

[Signature Pages Continue]

SUBSIDIARY GUARANTORS:

WVLT-TV, INC., as Guarantor

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

GRAY TELEVISION GROUP, INC., as Guarantor

By: /s/ James C. Ryan
Name: James C. Ryan
Title: Treasurer

GRAY TELEVISION LICENSEE, INC., as Guarantor

By: /s/ James C. Ryan
Name: James C. Ryan
Title: Treasurer

GRAY TEXAS L.P., as Guarantor

By: GRAY TELEVISION GROUP, INC., its General Partner

By: /s/ James C. Ryan
Name: James C. Ryan
Title: Treasurer

GRAY TEXAS, LLC, as Guarantor

By: /s/ James C. Ryan
Name: James C. Ryan
Title: Treasurer

[Signature Pages Continue]

ADMINISTRATIVE AGENT:

WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent and Lender and at the request of the Lenders party to the Loan Agreement pursuant to the Authorizations

By: /s/ Joe Mynatt
Name: Joe Mynatt
Title: Director

AUTHORIZATION

______________, 2005

Wachovia Bank, National Association
Charlotte Plaza, CP-8
201 South College Street
Charlotte, North Carolina 28288-0680
Attention: Syndication Agency Services

Re: First Amendment dated as of October 28, 2005 (the "First Amendment") to the Fifth Amended and Restated Loan Agreement dated as of June 28, 2005 (as amended, restated supplemented or otherwise modified from time to time, the "Loan Agreement") by and among Gray Television, Inc. (the "Borrower"), the banks and financial institutions party thereto, as lenders (the "Lenders"), the subsidiaries of the Borrower party thereto, as guarantors (the "Guarantors") and Wachovia Bank, National Association, as administrative agent (the "Administrative Agent").

This letter acknowledges our receipt and review of the First Amendment in the form posted on the Gray Television Intralinks Workspace. By executing this letter, we hereby approve the First Amendment and authorize the Administrative Agent to execute and deliver the First Amendment on our behalf.

Each financial institution executing this Authorization agrees or reaffirms that it shall be a party to the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement) to which Lenders are parties and shall have the rights and obligations of a Lender under each such agreement. In furtherance of the foregoing, each financial institution executing this Authorization agrees to execute any additional documents reasonably requested by the Administrative Agent to evidence such financial institution's rights and obligations under the Loan Agreement.

____
[Insert name of applicable financial institution]

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT 31.1

CERTIFICATION

I, J. Mack Robinson, 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, 2005 By: /s/ J. Mack Robinson

Chairman and 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, 2005 By: /s/ 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, 2005 (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, 2005

/s/ J. Mack Robinson

J. Mack Robinson,
Chairman and 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, 2005 (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, 2005

/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.