

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Gray Communications Systems, Inc.*(Exact name of registrant as specified in its charter)***Georgia***(State or other jurisdiction of incorporation or organization)***4833***(Primary Standard Industrial Classification Code Number)***52-0285030***(I.R.S. Employer Identification No.)***4370 Peachtree Road, NE
Atlanta, Georgia 30319
(404) 504-9828***(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)***James C. Ryan
Gray Communications Systems, Inc.
4370 Peachtree Road,
Atlanta, Georgia 30319
(404) 504-9828***(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)***Copies to:****Robert A. Cantone, Esq.
Proskauer Rose LLP
1585 Broadway
New York, New York 10036-8299
(212) 969-3000**

Approximate date of commencement of proposed sale to the public: From time to time or at one time after the effective date of this registration statement as determined by the registrant or the selling security holders named in a prospectus contained herein, as applicable.

If the only securities being registered on this Form are being offered pursuant to dividend or interest or interest investment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

TABLE OF ADDITIONAL REGISTRANTS

Each of the following subsidiaries of Gray Communications Systems, Inc., and each other subsidiary that becomes a guarantor of the securities registered hereby, is hereby deemed to be a registrant.

Name	State of Incorporation or Organization	Primary Standard Industrial Classification Code Number	I.R.S. Employer Identification No.
The Albany Herald Publishing Company, Inc.	Georgia	2711	58-1020695
Post Citizen Media, Inc.	Georgia	2711	58-2113856
Gray Communications of Indiana, Inc.	Georgia	2711	58-2443532
WEAU-TV, Inc.	Georgia	4833	58-1048743
WVLT-TV, Inc.	Georgia	4833	58-2256206
WRDW-TV, Inc.	Georgia	4833	58-2165671
WITN-TV, Inc.	Georgia	4833	58-2321711
Gray Kentucky Television, Inc.	Georgia	4833	61-1267738
Gray Communications of Texas, Inc.	Georgia	4833	58-2462154
Gray Communications of Texas — Sherman, Inc.	Georgia	4833	58-2462155
Gray Transportation Company, Inc.	Georgia	7389	58-1162362
Gray Real Estate and Development Co.	Georgia	7389	58-1653626
Gray Florida Holdings, Inc.	Georgia	4833	58-2254140
KOLN/ KGIN, Inc.	Delaware	4833	31-1428060
WEAU Licensee Corp.	Delaware	4833	38-3259567
KOLN/ KGIN License, Inc.	Delaware	4833	38-3259566
WJHG Licensee Corp.	Delaware	4833	51-0376606
WCTV Licensee Corp.	Delaware	4833	51-0376604
WVLT Licensee Corp.	Delaware	4833	51-0376774
WRDW Licensee Corp.	Delaware	4833	51-0376822
WITN Licensee Corp.	Delaware	4833	52-2042287
WKYT Licensee Corp.	Delaware	4833	51-0376629

WYMT Licensee Corp.	Delaware	4833	51-0377389
KWTX-KBTX Licensee Corp.	Delaware	4833	51-0390044
KXII Licensee Corp.	Delaware	4833	51-0390046
Gray Television Management, Inc.	Delaware	4833	51-0376607
Gray MidAmerica Holdings, Inc.	Delaware	4833	38-2750516
Gray Publishing, Inc.	Delaware	2711	51-0407061
Gray Digital, Inc.	Delaware	6799	51-0407051
KWTX-KBTX LP Corp.	Delaware	4833	51-0390045
KXII LP Corp.	Delaware	4833	51-0390237
Porta-Phone Paging Licensee Corp.	Delaware	4812	51-0376605
KXII L.P.	Delaware	4833	58-2486573
KWTX-KBTX L.P.	Delaware	4833	58-2486577
Lynqx Communications, Inc.	Louisiana	4899	72-1120956

(Continued on next page)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities To Be Registered	Amount To Be Registered(1)	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, no par value(5)	—	—	—	—
Preferred Stock, no par value(5)	—	—	—	—
Debt Securities	—	—	—	—
Class B common stock, no par value, issuable upon conversion of Series C convertible preferred stock	3,000,000(6)	\$14.45(2)	\$43,350,000(2)	\$3,988.20(2)
Total	—	—	\$643,350,000(3)(4)	\$59,188.20(3)(4)

- (1) There are being registered under this registration statement (i) such indeterminate amount and number of shares of common stock and preferred stock and such indeterminate principal amount of debt securities, as shall have an aggregate initial offering price not to exceed \$600,000,000, and (ii) 3,000,000 shares of class B common stock issuable upon conversion of the Series C convertible preferred stock of the registrant. Any securities registered under this registration statement may be sold separately or as units with other securities registered under this registration statement. The proposed maximum initial offering price per unit, in the case of the securities described in clause (i) above, will be determined, from time to time, by the registrant, in connection with the issuance by the registrant of the securities registered under this registration statement.
- (2) Estimated pursuant to Rule 457(c) under the Securities Act of 1933, as amended (the "Securities Act"), solely for the purpose of calculating the registration fee, on the basis of an average of the high and low prices of shares of Gray Communications Systems, Inc. class B common stock, reported on the New York Stock Exchange on May 17, 2002.
- (3) Estimated pursuant to Rule 457(o) under the Securities Act, solely for the purpose of calculating the registration fee. This amount includes the \$43,350,000 set forth in clause (2) above.
- (4) Not specified as to each class of securities to be registered hereunder, except with respect to the securities discussed in clause (6) below, pursuant to General Instruction II(D) to Form S-3 under the Securities Act.
- (5) Including such indeterminate number of shares of common stock and preferred stock as may, from time to time, be issued upon conversion or exchange of preferred stock or debt securities registered hereunder, to the extent any of such preferred stock or debt securities are, by their terms, convertible into or exchangeable for common stock or preferred stock.
- (6) Represents the estimated maximum number of shares of class B common stock issuable upon conversion of the Series C convertible preferred stock. The actual number of shares of class B common stock issuable upon conversion of shares of Series C convertible preferred stock will be determined based upon the conversion rate applicable to such shares at the time of conversion.

EXPLANATORY NOTE

This registration statement contains two forms of prospectus: (1) one to be used by us in connection with the offering and sale of common stock, preferred stock or debt securities, as the case may be, including any common stock or preferred stock into which the debt securities may be convertible or exchangeable and any common stock into which the preferred stock may be convertible or exchangeable and (2) one to be used by the selling security holders named in the prospectus in connection with the offering and sale of class B common stock issuable upon conversion of Series C convertible preferred stock owned by such security holders.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated May 20, 2002

Prospectus

\$600,000,000

Gray Communications Systems, Inc.

Common Stock

Preferred Stock

Debt Securities

Gray Communications Systems, Inc. may offer from time to time common stock, preferred stock and debt securities separately or together. The specific terms and amounts of the securities will be fully described in supplements to this prospectus. Please read any prospectus supplements and this prospectus carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

We have two classes of common stock: class A and class B. Our class A common stock is traded on the New York Stock Exchange under the symbol "GCS." Our class B common stock is traded on the New York Stock Exchange under the symbol "GCS.B." On May 17, 2002, the last reported sale price for our class A common stock was \$16.55 per share and the last reported sale price for our class B common stock was \$14.45 per share. We also have Series C convertible preferred stock which is not publicly traded.

Investing in our common stock, preferred stock or debt securities involves risks. See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities may be sold directly by us to investors, through agents designated from time to time or to or through underwriters or dealers. See "Plan of Distribution." If any underwriters are involved in the sale of any securities in respect of which this prospectus is being delivered, the names of such underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement. The net proceeds we expect to receive from such sale also will be set forth in a prospectus supplement.

, 2002

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission utilizing a “shelf” registration process. Under this shelf process, we may, over the next two years, offer any combination of common stock, preferred stock or debt securities, or either common stock, preferred stock or debt securities only, described in this prospectus in one or more offerings up to a total amount of \$560,000,000. This prospectus provides you with a general description of the securities we may issue and sell. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described below under the heading “Where You Can Find More Information.”

PROSPECTUS SUMMARY

In this prospectus, unless otherwise indicated, the words "Gray," "our," "us" and "we" refer to Gray Communications Systems, Inc. and its subsidiaries. Unless otherwise indicated, all station rank, in-market share and television household data contained in this prospectus are derived from the Nielsen Station Index, Viewers in Profile, dated November 2001, as prepared by A.C. Nielsen Company, which we will refer to as "Nielsen." Our discussion of the television stations that we own and operate does not include our interest in the stations owned by Sarkes Tarzian, Inc.

This summary highlights selected information from this document and the materials incorporated by reference and does not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus, any prospectus supplements hereto and the documents to which we have referred you.

The Company

We own and operate 13 network-affiliated television stations in 11 medium-sized markets in the Southeast, Southwest and Midwest United States. Twelve of our 13 stations are ranked first in total viewing audience and news audience, with the remaining station ranked second in total viewing audience and third in news audience. Ten of the stations are affiliated with CBS Inc., or "CBS," and three are affiliated with National Broadcasting Company, Inc., or "NBC." We own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total circulation of over 126,000. We also own and operate a paging business located in the Southeast that had approximately 72,000 units in service at March 31, 2002. For the 12 months ended March 31, 2002, our total revenues and operating cash flow were \$157.0 million and \$51.2 million, respectively.

We were incorporated in 1891 to publish the Albany Herald in Albany, Georgia and entered the broadcasting industry in 1954. We have a dedicated and experienced senior management team, which has an average of over 18 years experience in the media industry.

Broadcasting

Our television stations have leading market positions. We believe that our market position and our strong local revenue stream have helped us to better preserve our revenues in softer economic conditions versus our competitors. Our stations have an extensive reach, covering a population of 7.3 million and an estimated 2.7 million households. Two satellite stations, KGIN, Grand Island, Nebraska and KBTX, Bryan, Texas, expand the depth and breadth of our coverage in two of our markets. With 10 affiliated CBS stations contributing approximately 2.1% of CBS's total national audience distribution, we are one of the leading CBS-affiliated station group owners in the United States.

Within our broadcasting segment, we operate a fleet of 13 mobile satellite uplink units under the trade name "LYNQX." We provide our customers with C-band and Ku-band satellite uplinks, video and data transmission and television production services through LYNQX.

For the 12 months ended March 31, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our broadcasting segment were \$106.8 million and \$42.0 million, respectively. During this 12-month period, approximately 93% of our broadcasting revenue came from sources other than political advertising and network compensation payable to us under our affiliation agreements with CBS and NBC. Approximately 59% of our broadcast revenues came from local advertising, 29% came from national advertising, 6% came from network compensation payments under our network affiliate agreements and our remaining revenues came from political advertising and miscellaneous sources.

We own the following broadcast properties:

Broadcast Operations	Market	DMA Rank(1)	Affiliation	Network Contract Expiration	Commercial Stations in DMA(2)	Station Rank in DMA(3)	Station News Rank in DMA(3)	% of 2001 Broadcast Revenue
WVLT(4)	Knoxville, TN	62	CBS	12/31/04	5	2	3	10%
WKYT	Lexington, KY	66	CBS	12/31/04	6	1	1	15%
WYMT(5)	Hazard, KY	66	CBS	12/31/04	N/A	1	1	4%
KWTX/KBTX(6)	Waco-Temple-Bryan, TX	94	CBS	12/31/05	5	1	1	14%
KOLN/KGIN(7)	Lincoln-Hastings-Kearney, NE	102	CBS	12/31/05	5	1	1	10%
WITN(4)(8)	Greenville-New Bern-Washington, NC	106	NBC	12/31/11	6	1	1	8%
WCTV	Tallahassee, FL-Thomasville, GA	113	CBS	12/31/04	5	1	1	11%
WRDW	Augusta, GA	114	CBS	3/31/05	6	1	1	8%
WEAU(8)	La Crosse-Eau Claire, WI	127	NBC	12/31/11	5	1	1	7%
WJHG(8)	Panama City, FL	159	NBC	12/31/11	5	1	1	5%
KXII	Sherman, TX-Ada, OK	160	CBS	12/31/05	2	1	1	6%
LYNQX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2%

- (1) Ranking of DMA served by a station among all DMAs is measured by the number of television households based within the DMA by Nielsen for the 2001-2002 broadcast season. "DMA" refers to a station's designated market area.
- (2) Includes independent broadcasting stations and excludes satellite stations such as KBTX and KGIN.
- (3) Based on management's review of the Nielsen Station Index, Viewers in Profile, dated November 2001, for the period from Sunday through Saturday, 7:00 a.m. through 1:00 a.m., as prepared by Nielsen.
- (4) Tied in "Station Rank in DMA."
- (5) The market area served by WYMT is a 16-county trading area, as defined by Nielsen, and is included in the Lexington, Kentucky DMA. WYMT's station rank is based upon its rating position in the 16-county trading area.
- (6) KBTX is a VHF station located in Bryan, Texas and is operated primarily as a satellite station of KWTX, which is located in Waco, Texas.
- (7) KGIN is a VHF station located in Grand Island, Nebraska and is operated primarily as a satellite station of KOLN, which is located in Lincoln, Nebraska.
- (8) We have reached preliminary agreements with NBC regarding the extension of the NBC affiliates' contracts to December 11, 2011; we are currently working with NBC to finalize the definitive affiliation agreements.

Publishing

We own and operate four daily newspapers, located in Georgia and Indiana. In the aggregate, our newspapers have over 126,000 daily subscribers. Seeking to build a loyal readership and to distinguish our newspapers from other publications, we focus our papers on local news, sports and lifestyle.

For the 12 months ended March 31, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our publishing segment were \$41.6 million and \$10.1 million, respectively. During this 12-month period, retail advertising at 49% comprised the largest percent of our publishing revenue, while classifieds accounted for 30%, circulation revenue accounted for 19% and miscellaneous revenue accounted for 2%.

We own the following newspapers:

Property Name	Market	Circulation		% of 2001 Publishing Revenue
		Daily	Sunday	
Gwinnett Daily Post	Gwinnett County, GA	65,000	65,000	39%
The Albany Herald	Southwest GA	28,000	31,000	37%
The Goshen News	Elkhart County, IN	16,000	16,000	13%
The Rockdale Citizen/ Newton Citizen	Rockdale County, GA/ Newton County, GA	17,000	17,000	11%

Paging/ Wireless Messaging

Our paging business, which we acquired in September 1996, is based in Tallahassee, Florida and operates in Columbus, Macon, Albany, Thomasville, Savannah and Valdosta, Georgia, in Dothan, Alabama, in Tallahassee, Gainesville, Orlando and Panama City, Florida and in certain contiguous areas. Our paging operations had approximately 72,000 units in service as of March 31, 2002. For the 12 months ended March 31, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our paging segment were \$8.6 million and \$2.8 million, respectively.

Recent Developments

Extension of NBC Affiliation Agreements

In January 2002 we reached a preliminary agreement with NBC on the terms of a new 10-year affiliation agreement for WJHG. The agreement extends WJHG's affiliation with NBC until December 31, 2011. Effective January 1, 2002, WJHG no longer receives network compensation payments from NBC under the affiliation agreement. In addition, we have preliminarily agreed with NBC to extend the existing affiliation agreements for WITN and WEAU until December 31, 2011. The network aggregate compensation payments made by NBC to WITN and WEAU will remain generally consistent with the terms of the existing agreements until June 30, 2006 for WITN and December 31, 2005 for WEAU, after which times NBC will cease making further compensation payments. We are working with NBC to finalize the definitive agreements with respect to these revised NBC affiliation agreements.

Benedek Broadcasting Corporation

On April 1, 2002, Stations Holding Company, Inc., which we will refer to as "Stations," the parent company of Benedek Broadcasting Corporation, which we will refer to as "Benedek," and we executed a nonbinding letter of intent which contemplates that we will acquire all of the capital stock of Stations for \$500 million in cash less the amount of consolidated indebtedness of Stations and its subsidiaries.

Benedek currently operates 22 television stations, which produced in 2001 net revenue of approximately \$138.1 million and broadcasting cash flow of approximately \$47.5 million, excluding its station in Wheeling, West Virginia. Benedek's affiliated stations — 10 CBS, seven ABC, four NBC and one FOX — are located in 21 markets. Benedek's Wheeling, West Virginia station was sold to a third party on April 30, 2002.

As currently proposed, Benedek's and our combined station groups would comprise a total of 35 stations with 20 CBS affiliates, seven NBC affiliates, seven ABC affiliates and one FOX affiliate. These station groups currently have 24 stations ranked number one in viewing audience within their respective markets and reach in excess of 6% of total U.S. TV households. In addition, with 20 CBS affiliated stations, the combined company would be the largest non-network owner of CBS affiliates in the country. Based on results for the year ended December 31, 2001, the Gray and Benedek television stations on a combined basis would have produced approximately \$244.5 million of revenue and \$88.3 million of broadcast cash flow. Including our publishing and other operations, the Gray and Benedek operations for

2001 on a combined basis would have produced approximately \$294.4 million of revenue and \$100.6 million of media cash flow.

Information about Benedek is based on information supplied by Benedek to us. We have not yet completed our review of Benedek's finances and operations, and therefore are not in a position to verify its accuracy at this time.

We intend to finance the acquisition by issuing a combination of debt and equity securities under the registration statement of which this prospectus constitutes a part. We expect the transaction, if it closes, to be completed by the fourth quarter of 2002.

The acquisition is subject to execution of a definitive agreement, as well as approval by, among others, the Federal Communications Commission, or "FCC," of the transfer of control of Benedek's television licenses. The transaction is also subject to the approval of the United States bankruptcy court in Delaware with jurisdiction over the reorganization of Stations, which filed a petition under Chapter 11 of the Federal Bankruptcy Code on March 22, 2002. We cannot guarantee that a definitive agreement will be entered into, that all required approvals will be obtained, or that the transaction contemplated by the letter of intent can or will be consummated.

Exchange of 9.25% Senior Subordinated Notes

On April 12, 2002, we filed with the Securities and Exchange Commission a registration statement on Form S-4, offering to exchange up to \$180,000,000 in aggregate principal amount of our 9.25% Senior Subordinated Notes due 2011 that have been registered under the Securities Act, which we refer to as the "9.25% notes," for our existing 9.25% Senior Subordinated Notes due 2011, which we refer to as the "existing notes." We are offering to issue the 9.25% notes to satisfy our obligations contained in a registration rights agreement entered into when the existing notes were sold in transactions exempt from registration under the Securities Act and therefore not registered with the Securities and Exchange Commission.

The terms of the 9.25% notes are substantially identical in all material respects to the terms of the existing notes that we issued on December 21, 2001, except that the 9.25% notes will be registered under the Securities Act and be freely transferable. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the 9.25% notes to be distributed in the exchange offer or made a determination as to the adequacy or accuracy of the prospectus. See "Description of Outstanding Indebtedness."

Series C Convertible Preferred Stock

On April 22, 2002, we issued a total of \$40,000,000 of new Series C convertible preferred stock, which we will refer to as "Series C." We issued \$31,400,000 of our Series C to a limited number of outside accredited investors, and \$8,600,000 of our Series C to certain executive officers and directors of our company and their affiliates in exchange for all of the outstanding shares of our Series A preferred stock and Series B preferred stock on a one-for-one basis. Shares of our Series C are convertible into our class B common stock at an initial conversion price of \$14.39 per share, subject to customary adjustments.

Shares of our Series C have not been registered under the Georgia Securities Act of 1973, the Securities Act, or any other applicable securities laws, and therefore are restricted securities. Under the terms of a registration rights agreement entered into by us and the investors in the Series C, we are required to:

- file with the Securities and Exchange Commission a shelf registration statement, of which this prospectus and the prospectus relating to the shares of our class B common stock constitute parts, with respect to the shares of our class B common stock into which the Series C is convertible, by June 6, 2002;

- use our reasonable best efforts to cause the registration statement to be declared effective as soon as practicable after filing, but no later than November 8, 2002, otherwise we will be required to pay liquidated damages to the holders of the Series C; and
- cause the registration statement to remain effective until the earlier to occur of (a) April 22, 2004 and (b) the date as of which there no longer are any registrable securities in existence.

In addition, investors in the Series C were granted “piggyback” registration rights with respect to the underlying shares of class B common stock. See “Description of Capital Stock — Terms of Our Preferred Stock.”

We are a Georgia corporation formed in 1891. Our principal offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia 30319, and our telephone number is (404) 504-9828. Additional information regarding Gray is set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002 (which are incorporated by reference in this prospectus).

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information contained in this prospectus or any supplemental prospectus hereto or incorporated herein by reference, before purchasing any of our common stock, preferred stock or debt securities.

Risks Related to Our Business

We have recorded net losses in the last three years and these losses may continue.

We have recorded net losses in the last three years. Our losses are primarily due to increased operating expenses, higher amortization and depreciation costs, increased interest expense relating to our acquisitions and, in 2001, declining advertising revenue caused, in large part, by the weaker economic environment and the cyclical decline in broadcast political revenue. Our net losses may continue for these reasons and also because of the phasing out of network compensation payments under certain of our network affiliation agreements.

We depend on advertising revenues, which have decreased recently as a result of a number of factors and also experience seasonal fluctuations.

Our main source of revenue is sales of advertising time at our television stations and advertising space within our newspapers. Our ability to sell advertising time and space depends on:

- the health of the economy in the areas where our stations and newspapers are located and in the nation as a whole;
- the popularity of our programming and newspapers;
- changes in the makeup of the population in the areas where our stations and newspapers are located;
- pricing fluctuations in local and national advertising;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, particularly network, cable television, direct satellite television and the Internet; and
- other factors that may be beyond our control.

For example, a labor dispute or other disruption at a major national advertiser, or a recession in a particular market, would make it more difficult to sell advertising time and space and could reduce our revenue.

In addition, our results are subject to seasonal fluctuations, which typically result in fourth quarter broadcast operating income being greater than first, second and third quarter broadcast operating income. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period. Furthermore, revenues from political advertising are significantly lower in odd -numbered years.

Restrictions under our existing senior secured credit facility limit our flexibility.

Our existing senior secured credit facility prevents us from taking certain actions and requires us to meet certain tests. These limitations and tests include the following:

- limitations on liens;
- limitations on additional debt;
- limitations on dividends and distributions;

- limitations on management and consulting fees;
- limitations on stock repurchases;
- limitations on transactions with affiliates;
- limitations on guarantees;
- limitations on asset sales;
- limitations on sale-leaseback transactions;
- limitations on acquisitions;
- limitations on changes in our business;
- limitations on mergers and other corporate reorganizations;
- limitations on loans, investments and advances, including investments in joint ventures and foreign subsidiaries; and
- financial ratio and condition tests.

These restrictions and tests may prevent us from taking action that could increase the value of our securities, or may require actions that decrease the value of our securities. In addition, we may fail to meet the tests and thereby default under our senior secured credit facility. If we default on our obligations, creditors could require immediate payment of the obligations or foreclose on collateral. If this happens, we could be forced to sell assets or take other action that would reduce the value of our securities.

Servicing our debt will require a significant amount of cash, and our ability to generate sufficient cash depends on many factors, some of which are beyond our control.

Our ability to service our debt depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. In addition, the ability to borrow funds under our senior secured credit facility in the future will depend on our meeting the financial covenants in that agreement. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our senior secured credit facility or otherwise, in an amount sufficient to enable us to pay our debt or to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. Additional debt or equity financing may not be available in sufficient amounts or on terms acceptable to us, or at all. If we are unable to implement one or more of these alternatives, we may not be able to service our debt obligations.

We must purchase non-network television programming in advance but cannot predict if a particular show will be popular enough to cover its cost.

One of our most significant costs is non-network television programming. If a particular non-network program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of the program. Since we purchase non-network programming content from others, we also have little control over the costs of such programming. We usually must purchase non-network programming several years in advance, and may have to commit to purchase more than one year's worth of non-network programming. In addition, we may replace programs that are doing poorly before we have recaptured any significant portion of the costs we incurred, or fully expensed the costs for financial reporting purposes. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues.

We may lose a large amount of television programming if a network terminates its affiliation with us or if contracts are renewed with lower or no compensation payments.

Our business depends in large part on the success of our network affiliations. Each of our stations is affiliated with a major network pursuant to an affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which the station is affiliated. In exchange for every hour that a station elects to broadcast network programming, the network pays the station a specific network compensation fee, which varies with the time of day. For the 12 months ended March 31, 2002, this network compensation comprised 6% of our broadcasting revenue.

The preliminary NBC affiliation agreements we recently entered into for WJHG, WITN and WEAU expire on December 31, 2011. The CBS affiliation agreements expire as follows: (1) WVLT, WKYT, WYMT and WCTV, on December 31, 2004; (2) WRDW, on March 31, 2005; and (3) KWTX, KBTX, KOLN, KGIN and KXII, on December 31, 2005.

The CBS affiliation agreements for KWTX, KBTX and KXII were renegotiated during the fourth quarter of 2000 and the agreements were extended through December 31, 2005. As a result of these negotiations, network compensation for KWTX, KBTX and KXII is being phased out over 2001 and 2002. In addition, our new NBC affiliation agreement for WJHG does not provide for any network compensation payments by NBC after December 31, 2001. Furthermore, our recent extensions of the WITN and WEAU agreements through December 31, 2011 do not provide for any network compensation payments during the extended terms of those agreements, which begin after June 30, 2006 and December 31, 2005, respectively.

As evidenced by these negotiations, we may not be able to enter into new affiliation agreements that provide us with as much compensation from the networks as our present agreements. In addition, if we do not enter into affiliation agreements to replace any expiring agreements, we may no longer be able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences.

Furthermore, our concentration of CBS affiliates makes us sensitive to adverse changes in our business relationship with, and the general success of, CBS.

We operate in a highly competitive environment and competition from other media entities may cause our advertising sales to go down or our costs to go up.

We face significant competitive pressures from the following:

Television Industry. Competition in the television industry exists on several levels: competition for audience; competition for programming, including news; and competition for advertisers. Additional factors that are material to a television station's competitive position include signal coverage and assigned frequency.

Audience. Stations compete for audience based on program popularity, which has a direct effect on advertising rates. A substantial portion of the daily programming on each of our stations is supplied by the network affiliate. During those periods, the stations are totally dependent upon the performance of the network programs to attract viewers. There can be no assurance that this programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by the station with a combination of self-produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only, and involve significant costs.

In addition, the development of methods of television transmission of video programming other than over-the-air broadcasting and, in particular, cable television have significantly altered competition for audiences in the television industry. These other transmission methods can increase competition for a broadcasting station by bringing into its market distant broadcasting signals not otherwise

available to the station's audience and also by serving as a distribution system for non-broadcasting programming.

Technological innovation and the resulting proliferation of programming alternatives, such as home entertainment systems, "wireless cable" services, satellite master antenna television systems, low power television stations, television translator stations, direct broadcast satellite, video distribution services, pay-per-view and the Internet, have fractionalized television viewing audiences and have subjected free over-the-air television broadcast stations to new types of competition.

Programming. Competition for programming involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Each station competes against the broadcast station competitors in its market for exclusive access to off-network reruns, such as *Seinfeld*, and first-run product, such as *Entertainment Tonight*. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. Competition exists for exclusive news stories and features as well.

Advertising. Advertising rates are based upon the size of the market in which the station operates, a station's overall ratings, a program's popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, the demographic makeup of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces and the development of projects, features and programs that tie advertiser messages to programming. Advertising revenues comprise the primary source of revenues for our stations. Our stations compete for advertising revenues with other television stations in their respective markets. The stations also compete for advertising revenues with other media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail, Internet and local cable systems. Competition for advertising dollars in the broadcasting industry occurs primarily within individual markets.

Deregulation. Recent changes in law have also increased competition. The Telecommunications Act of 1996 created greater flexibility and removed some limits on station ownership. The prices for stations have risen as a result. Telephone, cable and some other content providers are also free to provide video services in competition with us. The FCC is actively reviewing its ownership rules and further deregulation could lead to industry consolidation that could pose new competitive challenges in the markets in which we operate.

Future Technology Under Development. Cable providers and direct broadcast satellite companies are developing new techniques that allow them to transmit more channels on their existing equipment. These so-called "video compression techniques" will reduce the cost of creating channels, and may lead to the division of the television industry into ever more specialized niche markets. Video compression is available to us as well, but competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. Lowering the cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue.

Newspaper Industry. Our newspapers compete for advertisers with a number of other media outlets, including magazines, Internet, radio and television, as well as other newspapers, which also compete for readers with our publications. One of our newspaper competitors is significantly larger than us and operates in two of our newspaper markets. New technological media for the delivery of news and information, such as the Internet, have fragmented historical newspaper audiences and subjected newspaper companies to new types of competition.

Paging Industry. The paging industry is highly competitive. Companies in the industry compete on the basis of price, coverage area offered to subscribers, available services offered in addition to basic numeric or tone paging, transmission quality, system reliability and customer service.

Our primary competitors include those paging companies that provide wireless service in the same geographic areas in which we operate. We experience competition from one or more competitors in all locations in which we operate. Some of our competitors have greater financial and other resources than we have.

Our paging services also compete with other wireless communications services such as cellular service. The typical customer uses paging as a low-cost wireless communications alternative either on a stand-alone basis or in conjunction with cellular services. However, future technological developments in the wireless communications industry and enhancements of current technology could create new products and services, such as personal communications services and mobile satellite services, which are competitive with the paging services we currently offer. Recent and proposed regulatory changes by the FCC are aimed at encouraging these technological developments and new services and promoting competition. There can be no assurance that our paging business would not be adversely affected by these technological developments or regulatory changes.

The phased introduction of digital television will increase our capital and operating costs and may expose us to increased competition.

The FCC has adopted rules and regulations that require television stations to implement digital television service, including high definition, in the United States. Under current regulations, all commercial television stations in the United States must start broadcasting in digital format by May 1, 2002 and must abandon the present analog format by 2006, although the FCC may extend these dates. As of May 1, 2002, four of our stations were broadcasting in digital format. Our remaining nine stations have been granted six-month extensions to the May 2002 deadline. The extensions will need to be renewed if the stations are not broadcasting in digital format by the time they expire. The stations that do not begin broadcasting in digital format by their extended deadlines could be subject to fines. If the stations do not eventually begin broadcasting in digital format, the stations could lose their digital allocation and be required to cease broadcasting at the end of the transition period when the analog spectrum is reclaimed.

There is considerable uncertainty about the final form of the FCC digital regulations. Even so, we believe that these new developments may have the following effects on us:

Signal Quality Issues. Certain industry tests have indicated that the digital standard mandated, currently is unable to provide for reliable reception of a DTV signal through a simple indoor antenna. It also appears likely that additional interference will occur to both analog and digital television stations as new digital television broadcast stations are constructed. We are unable to assess at this time the magnitude of such interference or the efficacy of possible remedies.

Because of this possible reception quality and coverage issue, we may be forced to rely on cable television or other alternative means of transmission to deliver our digital signals to all of the viewers we are able to reach with our current analog signals. While the FCC ruled that cable companies are required to carry the signals of digital-only television stations, the agency has tentatively concluded, subject to additional inquiry, that cable companies should not be required to carry both the analog and digital signals of stations during the transition period when stations will be broadcasting in both modes. If the FCC does not require this, cable customers in our broadcast markets may not receive our digital signal, which could negatively impact our stations.

Capital and Operating Costs. We will incur costs to replace equipment in our stations in order to provide digital television. Even with the flexible operating requirements, our stations will also incur increased utilities costs as a result of converting to digital operations. We cannot be certain we will be able to increase revenues to offset these additional costs.

Conversion and Programming Costs. We expect to incur approximately \$31.4 million in costs, of which we have incurred approximately \$11.1 million through March 31, 2002, to convert our stations from the current analog format to digital format. This \$31.4 million amount includes a capital lease of approximately \$2.5 million for tower facilities at WVLT-TV, our station in Knoxville,

Tennessee. However, our aggregate costs may be higher than this estimate. We also may incur additional costs to obtain programming for the additional channels made available by digital technology. Increased revenues from the additional channels may not make up for the conversion costs and additional programming expenses. Also, multiple channels programmed by other stations could increase competition in our markets.

Certain directors and officers may be subject to potential conflicts.

J. Mack Robinson, President, Chief Executive Officer and a director of Gray, is Chairman of the Board of Bull Run Corporation, our principal stockholder, "Bull Run," and the beneficial owner of approximately 24.1% of Bull Run's common stock. Robert S. Prather, Jr., Executive Vice President-Acquisitions and a director of Gray, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of approximately 8.8% of Bull Run's common stock. Hilton H. Howell, Jr., Executive Vice President and a director of Gray, is Vice President, Secretary and a director of Bull Run. Mr. Howell also is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of our Board of Directors. Accordingly, each of these individuals may be subject to conflicts of interest in connection with, for example, the negotiation of agreements or the provision of services between Gray and Bull Run. Each of these individuals has other duties and responsibilities with Bull Run, or other businesses, that may conflict with the time that might otherwise be devoted to his duties with us.

Bull Run and certain of our directors and executive officers hold substantial equity in us and may use this influence in ways that are not consistent with the interests of other security holders.

Bull Run and the executive officers and directors mentioned above, and their affiliates, hold or have the right to vote in the aggregate approximately 49.9% in voting power of our currently outstanding common stock. Furthermore, if all options and warrants that are currently outstanding were exercised and all of their Series C was converted into class B common stock (although this conversion currently is not permitted under the terms of the Series C), their voting power would increase to approximately 56.7%. Accordingly, these persons may have substantial influence on us in ways that might not be consistent with the interests of other security holders. These persons may also have significant influence and control over the outcome of any matters submitted to our stockholders for approval.

Pending litigation could adversely affect our ownership interest in Tarzian.

On December 3, 2001, we acquired 301,119 shares of the outstanding common stock of Tarzian from Bull Run for \$10 million plus \$3.2 million of related costs which had previously been capitalized. Bull Run had previously acquired these shares from the Estate of Mary Tarzian. Subsequent to Bull Run's acquisition of these shares, Tarzian filed a complaint against Bull Run and the representative of the Estate claiming that Tarzian had a binding and enforceable contract to purchase these shares from the Estate prior to Bull Run's acquisition. Tarzian requested judgment to enforce its alleged contract. Although the action has since been dismissed without prejudice against Bull Run, the litigation between Tarzian and the Estate is ongoing. If Tarzian were to prevail in that litigation, that could ultimately lead to litigation against us, which might involve a claim for rescission of the acquisition of the Tarzian shares from the Estate and/or a claim for damages. The stock purchase agreement with the Estate provides that if a court of competent jurisdiction awards title to the Tarzian shares to a person or entity other than the purchaser, the purchase agreement will be rescinded. In that event, the Estate will be required to pay for our benefit, as successor in interest to the purchaser, the full \$10 million purchase price, plus interest.

We may be unable to identify or integrate acquisitions successfully or on commercially acceptable terms.

We have made a number of acquisitions and in the future may make additional acquisitions. We cannot assure you that we will be able to identify suitable acquisition candidates in the future. Even if we do identify suitable candidates, we cannot assure you that we will be able to make acquisitions on commercially acceptable terms. The failure to acquire suitable candidates, or the consummation of a

future acquisition at a price or on other terms that prove to be unfavorable, could adversely affect our business and results of operations.

In order to integrate successfully these future acquisitions into our business, we will need to coordinate the management and administrative functions and sales, marketing and development efforts of each company. Combining companies presents a number of challenges, including integrating the management of companies that may have different approaches to sales and service, and the integration of a number of geographically separated facilities. In addition, integrating acquisitions requires substantial management time and attention, which may distract management from our day-to-day business, and could disrupt our ongoing business and increase our expenses. If we cannot successfully integrate our future acquisitions, our business and results of operations could be adversely affected.

We may need to incur debt or issue equity securities to pay for any future acquisitions. However, debt or equity financing may not be available in sufficient amounts or on terms acceptable to us, or at all, and equity financing could be dilutive to our shareholders.

Our success depends on our senior management.

Our success depends to a significant extent on the efforts of our senior management. As a result, if any of these individuals were to leave, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any successors gain the necessary experience.

A deficiency has been asserted by the Internal Revenue Service for 1996.

In connection with an audit of our 1996 federal income tax return, the Internal Revenue Service has asserted a deficiency in income taxes of approximately \$12.1 million, plus related interest and penalties. The asserted deficiency relates principally to our acquisition in 1996 of certain assets of First American Media, Inc. On January 18, 2002, we filed a petition in the United States Tax Court to contest this deficiency, and we believe that we have a meritorious position with respect to the issues related to the deficiency. We cannot be certain when, and if, this matter will be resolved in our favor, and if it is not, we could incur negative consequences in future years.

We have a material amount of intangible assets, and if we are required to write-down intangible assets to comply with new accounting standards, it would reduce our net income, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

Our intangible assets principally include FCC licenses, network affiliations and goodwill. In July 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Other Intangible Assets," which generally is effective for us from January 1, 2002. The regulation requires, among other things, the discontinuance of the amortization of goodwill and FCC licenses and network affiliations, and the introduction of annual impairment testing in its place. In addition, the standard includes provisions for the reclassification under limited circumstances of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of identifiable intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The regulation also requires us to complete a transitional goodwill impairment test six months from the date of adoption. Compliance with these new accounting standards may reduce our net income in the future, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

Because a significant portion of our assets are intangible, they may have little value upon a liquidation.

Our assets consist primarily of intangible assets, including affiliation agreements with television networks such as NBC and CBS and FCC licenses, the value of which will depend significantly upon the success of our business and the financial prospects of the television broadcasting and paging industries in general. If we default on our indebtedness, or if we are liquidated, the value of these assets may not be sufficient to satisfy our obligations to our creditors and debtholders, including the holders of the debt

securities that we may offer hereby, and to enable us to make any distribution to the holders of shares of our common stock or preferred stock.

Risks Related to Our Stock

The price of our common stock has experienced substantial volatility and may continue to do so in the future.

There has been significant volatility in the market prices for publicly traded shares of media companies, including ours.

In 2001, the price of our class A common stock fluctuated from a high of \$19.05 to a low of \$12.20. In addition, for the first quarter of 2002, the price of our class A common stock fluctuated from a high of \$16.16 to a low of \$12.90. On May 17, 2002, our class A common stock closed at a price of \$16.55 per share.

In 2001, the price of our class B common stock fluctuated from a high of \$17.65 to a low of \$9.60. In addition, for the first quarter of 2002, the price of our class B common stock fluctuated from a high of \$14.50 to a low of \$10.24. On May 17, 2002, our class B common stock closed at a price of \$14.45 per share.

The prices of our common stock may not remain at or exceed current levels. In the event that we issue preferred stock and it is publicly traded, our preferred stock may also experience substantial volatility. The following factors may have an adverse impact on the market prices of our stock:

- market conditions for media stocks;
- market conditions generally;
- governmental regulation;
- communications legislation;
- fluctuations in our operating results; or
- announcements of technical or product developments by our competitors.

There can be no assurance as to the liquidity of our common stock or preferred stock.

Currently our common stock is traded on the New York Stock Exchange. There can be no assurance as to the future liquidity of the market for our common stock. Any preferred stock that we may offer would be a new issue of securities for which there currently is no public market. There can be no assurance that an active market for our preferred stock would develop or as to the liquidity of any such market.

Purchasers of our common stock or preferred stock may experience immediate and substantial dilution of their investment.

In the event that common stock or preferred stock is offered pursuant to this prospectus and the registration statement of which this prospectus is a part, the public offering price of our common stock or preferred stock may be substantially higher than its book value immediately after the applicable offering. As a result, if you were to purchase shares of our common stock or preferred stock in the offering under such circumstances, you most likely would incur immediate and substantial dilution in the net tangible book value of the shares purchased from the public offering price.

In the event of liquidation of our company, holders of our common stock rank junior to holders of our preferred stock and holders of our common stock and preferred stock rank junior to holders of our debt and therefore may not receive a distribution of assets.

Our common stock ranks junior to our preferred stock and our debt as to dividends and distribution of assets upon liquidation. As a result, in the event of liquidation of our company, holders of our common stock would receive distributions only after distributions are made in full to holders of our preferred stock and our debt. In addition, in the event of a liquidation, holders of our debt will be entitled to receive amounts owed to them prior to any distributions to holders of our preferred stock. There can be no assurance that we would have enough assets to make distributions to holders of our stock in a liquidation.

Risks Related to Our Existing Indebtedness and Debt Securities

We depend on the cash flow of our subsidiaries to satisfy our obligations, including our obligations under our debt securities.

Our operations are conducted through our direct and indirect wholly-owned subsidiaries, which may guarantee our debt securities, jointly and severally, fully and unconditionally. As a holding company, we own no significant assets other than our equity in our subsidiaries, and we are dependent upon the cash flow of our subsidiaries to meet our obligations. Accordingly, our ability to make interest and principal payments when due to holders of our debt securities and our ability to purchase our debt securities upon a change of control will be dependent upon the receipt of sufficient funds from our subsidiaries, which may be restricted by the terms of any senior indebtedness of our subsidiaries, including the terms of existing and future guarantees of our indebtedness given by our subsidiaries. There can be no assurance that the funds received from our subsidiaries will be adequate to allow us to make payments on our debt securities. As a result, our debt securities and any subsidiary guarantees effectively may be subordinated to all senior indebtedness and other liabilities and commitments of our subsidiaries.

The right to receive payment on our debt securities and under any related guarantees may be junior to all of our and the guarantors' senior debt.

All indebtedness under our senior secured credit facility is secured by substantially all of our assets, as well as the assets of our subsidiaries. Additionally, our debt securities and the related guarantees may be subordinated to the claims of the lenders under our senior secured credit facility.

In the event that we or a guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, any debt that ranks ahead of our debt securities and the related guarantees will be entitled to be paid in full in cash or cash equivalents or in any other manner acceptable to holders of senior debt from our assets or the assets of the guarantor, as applicable, before any payment may be made with respect to our debt securities or under the related guarantees. In any of these events, we cannot assure you that we would have sufficient assets to pay amounts due on our debt securities. As a result, holders of our debt securities may receive less, proportionally, than the holders of debt that is senior to our debt securities and the related guarantees. The subordination provisions of the indenture related to the debt securities that we may offer hereby will provide that we can make no payment to holders of our debt securities during the continuance of payment defaults on our senior debt, and payments to holders of our debt securities may be suspended for a period of up to 179 days if a nonpayment default exists under our senior debt. See "Description of Debt Securities — Subordinated Debt Securities" for additional information.

At March 31, 2002, our debt securities and the related guarantees would have ranked junior to \$212.5 million of our and our subsidiaries' senior debt and an additional \$37.5 million of unused availability would have been available to borrow, subject to specified borrowing conditions, under our senior secured credit facility. In addition, our senior secured credit facility permits, and the indenture related to the debt securities that we may offer hereby may permit, subject to specified limitations, the incurrence of additional indebtedness, which may be senior indebtedness. If we incur such additional indebtedness, the

risks described above could intensify. See “Description of Debt Securities — Subordinated Debt Securities” for additional information.

Our indebtedness could materially and adversely affect our business and prevent us from fulfilling our obligations under our debt securities.

We are highly leveraged and have significant fixed debt service obligations in addition to our operating expenses. Our indebtedness could have significant adverse effects on our business. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- reduce the availability of our cash flow to fund working capital, capital expenditures and other general business purposes;
- limit our flexibility in planning for, or reacting to, changes in our industries, making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressure;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

If our indebtedness affects our operations in these ways, our business, financial condition and results of operations could suffer, making it more difficult for us to satisfy our obligations under our debt securities. Furthermore, our senior secured credit facility and the indenture governing our 9.25% notes permit, and the indenture related to the debt securities that we may offer hereby will permit us to incur substantial amounts of additional debt in specified circumstances. If we incur additional debt in the future, the related risks could intensify.

Covenant restrictions under our indentures may limit our ability to operate our business.

The indenture governing our 9.25% notes contains, and the indenture related to the debt securities that we may offer hereby may contain, covenants that may restrict our ability and the guarantors’ ability to finance future operations or capital needs or to engage in other business activities.

In addition, the indenture governing our 9.25% notes restricts, and the indenture related to the debt securities that we may offer hereby may restrict, among other things, our ability and the guarantors’ ability to:

- incur additional indebtedness;
- make specified restricted payments;
- make specified asset sales;
- incur liens;
- engage in intra-company transactions, such as the payment of dividends and the making of loans or advances;
- engage in transactions with affiliates;
- issue and sell capital stock of our subsidiaries; and
- engage in a merger, consolidation or sale of substantial assets.

We cannot assure you that we will meet the covenants in the indentures or that the holders of our debt securities that are party to the indentures will waive any failure to meet these covenants. A breach of any of these covenants would result in a default under the indentures, and may in turn result in a default under our senior secured credit facility. If an event of default occurs under our senior secured credit facility and continues beyond any applicable cure period, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If our

indebtedness were to be accelerated, there can be no assurance that we would be able to pay it. Such acceleration would have a material adverse effect on our financial condition. See “Description of Debt Securities” for additional information.

Any guarantees of our debt securities may not be enforceable because of fraudulent conveyance laws.

We are a holding company with no direct operations and no significant assets other than the stock of our subsidiaries. We will depend on funds from our subsidiaries to meet our obligations, including cash interest payments on our debt securities. If a court voids the guarantees of our debt securities, the right of holders of our debt securities to participate in any distribution of the assets of any of our subsidiaries upon the liquidation, reorganization or insolvency of a subsidiary will be subject to the prior claims of that subsidiary’s creditors.

Our subsidiaries’ guarantees may be subject to review under U.S. federal bankruptcy laws or relevant state fraudulent conveyance laws if a bankruptcy case or lawsuit is commenced by or on behalf of the guarantors’ unpaid creditors. Although laws differ among various jurisdictions, in general under fraudulent conveyance laws a court could subordinate or avoid a guarantee if it is found that:

- the debt under a guarantee was incurred with the actual intent to hinder, delay or defraud creditors; or
- a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee and a guarantor:
 - was insolvent or was rendered insolvent because of its guarantee;
 - was engaged, or about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital; or
 - intended to incur, or believed that we or it would incur, debts beyond its ability to pay upon maturity (as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes).

It may be asserted that, since the guarantors incurred their guarantees for our benefit, they incurred the obligations under the guarantees for less than reasonably equivalent value or fair consideration.

The standards for determining insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in any such proceeding. Generally, a company would be considered insolvent if, at the time it issued the guarantee, either:

- the sum of its debts, including contingent liabilities, is greater than its assets, at fair valuation; or
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured.

We anticipate that, at the time the guarantors initially incur the debt represented by the guarantees, the guarantors will not be insolvent or rendered insolvent by the incurrence of the debt, lacking sufficient capital to run their businesses effectively or unable to pay obligations on the guarantees as they mature or become due.

In reaching the foregoing conclusions, we will rely upon our analyses of internal cash flow projections and estimated values of the assets and liabilities of the guarantors. We cannot assure you, however, that a court passing on the same questions would reach the same conclusions.

If a guarantee is voided as a fraudulent conveyance or found to be unenforceable for any other reason, you will not have a claim against that particular guarantor and you will be a creditor of only guarantors whose obligations were not set aside or found to be unenforceable.

We may not be able to finance change of control payments required by our debt facilities.

If we were to experience a change of control, the indenture related to our 9.25% notes would require us to offer to purchase all of our 9.25% notes then outstanding at 101% of their principal amount, plus accrued interest to the date of purchase. Any new debt securities that we may offer under this prospectus may subject us to a similar requirement. If a change of control were to occur, we cannot assure you that we would have sufficient funds to purchase our debt securities. The purchase of our debt securities may require additional third-party financing and we cannot assure you that we would be able to obtain that financing on favorable terms or at all. In addition, our senior secured credit facility restricts our ability to purchase any debt securities that we may offer under this prospectus.

Furthermore, similar change of control events will result in an event of default under our senior secured credit facility and could cause the acceleration of our debt under that facility. The inability to repay that debt, if accelerated, and to purchase all of the tendered notes in the event of a change of control, would constitute an event of default under the indenture governing the 9.25% notes.

We may enter into transactions, including acquisitions, refinancings or recapitalizations, or highly leveraged transactions, that would not constitute a change of control under our senior secured credit facility, the indenture governing the exchange notes and any indenture governing new debt securities that we may issue. Any of these transactions may result in an increase in our debt or otherwise affect our capital structure, harm our credit ratings or have a material adverse effect on holders of our debt securities or of our common stock and preferred stock.

Guarantors of our debt securities may be released under certain circumstances.

Any guarantee of a guarantor may be released if we sell, exchange or transfer the stock of that guarantor or substantially all of its assets to a non-affiliate and the guarantor no longer guarantees any of our other debt. The indenture related to the debt securities that we may offer hereby also may permit us to sell a majority interest and retain a minority interest in a subsidiary engaged in our paging or satellite business and not require that subsidiary to remain as a guarantor of our debt securities.

Risks Related to Regulatory Matters

Federal regulation of the broadcasting industry limits our operating flexibility.

The FCC regulates our business, just as it does all other companies in the broadcasting industry. We must ask the FCC's approval whenever we need a new license, seek to renew or assign a license, purchase a new station or transfer the control of one of our subsidiaries that holds a license. Our FCC licenses are critical to our operations; our broadcasting segment cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions.

Federal legislation and FCC rules have changed significantly in recent years and can be expected to continue to change. These changes may limit our ability to conduct our business in ways that we believe would be advantageous and therefore may affect our operating results.

The FCC's duopoly restrictions limit our ability to own and operate multiple television stations in the same market and our ability to own and operate a television station and newspaper in the same market.

The FCC's ownership rules generally prohibit us from owning or having "attributable interests" in television stations located in the same markets in which our stations are licensed. Accordingly, our ability to expand through acquisitions of additional stations in markets where we presently are operating is constrained by those rules. Under current FCC cross-ownership rules, we also are not allowed to own and operate a television station and a newspaper in the same market.

Our paging operations are subject to federal regulation.

Our paging operations, which we acquired in September 1996, are subject to regulation by the FCC under the Communications Act of 1934. The FCC has granted us licenses to use the radio frequencies necessary to conduct our paging operations.

The FCC paging licenses granted to us are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. We hold various FCC radio licenses which are used in connection with our paging operations. Paging licenses will expire during calendar year 2009. Licensees in the paging services normally enjoy a license renewal expectancy and the vast majority of license renewal applications are granted in the normal course. We cannot be certain that any of our licenses will be free of competing applications or will be renewed by the FCC. Furthermore, the FCC has the authority to restrict the operations of licensed facilities or to revoke or modify licenses. We cannot be certain that our licenses will not be revoked or modified involuntarily in the future.

Pursuant to Congressional mandate, the FCC has adopted rules regarding the award of license authorizations by competitive bidding. Pursuant to those rules, the FCC may award licenses for new or existing services by auction, as done with the 800 MHz band. The FCC began awarding geographic area and paging licenses by auction in February 2000. We cannot be certain that we will be able to procure additional spectrum or expand our existing paging network into new service areas, which would require us to make significant auction payments.

INDUSTRY AND MARKET DATA

In this prospectus and the documents incorporated by reference, we rely on and refer to information regarding market data obtained from internal surveys, market research, publicly available information and industry publications. Although we believe the information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this prospectus, the words “believes,” “expects,” “anticipates,” “estimates” and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe our future strategic plans, goals or objectives are also forward-looking statements. Readers of this prospectus are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of our management or us, 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:

- the factors described in “Risk Factors” beginning on page of this prospectus;
- general economic conditions in the markets in which we operate;
- competitive pressures in the markets in which we operate;
- the effect of future legislation or regulatory changes on our operations;
- high debt levels; and
- other factors described from time to time in our filings with the Securities and Exchange Commission.

The forward-looking statements included in this prospectus are made only as of the date hereof. We undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

USE OF PROCEEDS

Unless otherwise indicated in a prospectus supplement, the net proceeds from the sale of securities offered by this prospectus are expected to be used for general corporate purposes, including capital expenditures, to meet working capital needs, to refinance our senior debt, to finance one or more acquisitions, including our proposed acquisition of Stations, or all or a combination of the above. We will file a prospectus supplement that will contain additional information about the use of the net proceeds from the sale of securities offered hereby.

RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in thousands)

	For the Year Ended December 31,					For the Quarter Ended March 31, 2002
	1997	1998	1999	2000	2001	
Ratio of earnings to combined fixed charges and preferred dividends	NA(1)	3.0x	NA(1)	NA(1)	NA(1)	NA(1)
Deficiency of earnings to cover combined fixed charges and preferred dividends	\$(3,066)	NA	\$(9,906)	\$(11,982)	\$(20,097)	\$ (374)

(1) The ratio would be less than one and therefore is not shown.

DESCRIPTION OF OUTSTANDING INDEBTEDNESS

Senior Secured Credit Facility

We amended and restated our senior secured credit facility on September 25, 2001. The facility provides us with a \$200 million term facility and a \$50 million reducing revolving credit facility. In addition, the agreement provides us with the ability to access, through December 31, 2003, up to \$100 million of incremental senior secured term loans upon the consent of the lenders.

Under the revolving and term facilities, at our option, we can borrow funds at an interest rate equal to LIBOR plus a margin or at the lenders' base rate plus a margin. The base rate will generally be equal to the lenders' prime rate. Interest rates under the revolving facility are base rate plus a margin ranging from 0.25% to 1.75% or LIBOR plus a margin ranging from 1.5% to 3.0%. Interest rates under the term facility are base rate plus a margin ranging from 1.75% to 2.0% or LIBOR plus a margin ranging from 3.0% to 3.25%. Our applicable margin will be determined by our operating leverage ratio which is calculated quarterly. As of March 31, 2002, the interest rate for the revolving credit facility was the lenders' base rate plus 1.75% or LIBOR plus 3.0% at our option. As of March 31, 2002, the interest rate for the term facility was the lenders' base rate plus 2.0% or LIBOR plus 3.25% at our option.

The lenders' commitments for the revolving facility will reduce quarterly, as specified in the credit agreement, beginning March 31, 2004, and final repayment of any outstanding amounts under the revolving facility is due December 31, 2008. The term facility commences amortization in quarterly installments of \$500,000 beginning March 31, 2003 through December 31, 2008, with the remaining outstanding balance payable in three equal quarterly installments beginning March 31, 2009. The final maturity date for any outstanding amounts under the term facility is September 30, 2009.

The facilities are collateralized by substantially all of the assets, excluding real estate, of our subsidiaries and us. In addition, our subsidiaries are joint and several guarantors of the obligations and our ownership interests in our subsidiaries are pledged to collateralize the obligations. The agreement contains certain restrictive provisions which include, but are not limited to, requiring us to maintain certain financial ratios and limits upon our ability to incur additional indebtedness, make certain acquisitions or investments, sell assets and make other restricted payments.

At March 31, 2002, the balance outstanding and the balance available under our senior secured credit facility were \$212.5 million and \$37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%.

The 9.25% Notes

On April 12, 2002, we filed with the Securities and Exchange Commission a registration statement on Form S-4, offering to exchange up to \$180,000,000 in aggregate principal amount of our 9.25% notes for our existing notes. The terms of the 9.25% notes are substantially identical in all material respects to the terms of our existing notes, except that the 9.25% notes will be registered under the Securities Act and will be freely transferable.

The 9.25% notes are our general unsecured obligations subordinated in right of payment to all of our existing and future senior indebtedness, including all of our obligations under our senior secured credit facility. The interest rate on the 9.25% notes is 9.25% per year (calculated using a 360-day year) payable on June 15 and December 15 of each year, beginning on June 15, 2002.

The 9.25% notes are guaranteed, jointly and severally, fully and unconditionally, on a senior subordinated basis by each of the guarantors, which consist of all of our subsidiaries. The obligations of a guarantor under its guarantee of the notes are subordinated in right of payment, to the same extent as our obligations under the 9.25% notes, to all existing and future senior indebtedness of such guarantor, which includes any guarantee by it of our indebtedness under our senior secured credit facility.

The indenture governing the 9.25% notes contains certain covenants that, among other things, limit our ability to (1) transfer or issue shares of capital stock of subsidiaries to third parties, (2) pay dividends or make certain other payments, (3) incur additional indebtedness, (4) issue preferred stock, (5) incur liens to secure our indebtedness, (6) apply net proceeds from certain asset sales, (7) enter into certain transactions with affiliates or (8) merge with or into any other person.

We may redeem:

- all or part of the original principal amount of the 9.25% notes beginning on December 15, 2006, at various redemption prices, based on the year of redemption, plus accrued and unpaid interest;
- up to 35% of the original principal amount of the 9.25% notes at any time prior to December 15, 2004 at a price of 109.250% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, with the proceeds of certain public equity offerings of our company; and
- all but not part of the 9.25% notes at any time prior to December 15, 2006 at a price equal to 100% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, if any, to the date of redemption plus a make whole premium based upon the present value of the remaining payments on the 9.25% notes.

Upon a change in control, defined as the acquisition by any persons of beneficial ownership of more than 35% of the voting power of the outstanding shares of our common stock, transfers of substantially all of our assets, certain substantial changes in our Board of Directors, certain consolidations or mergers of our company involving a significant change in shareholdings or the liquidation of our company, we will be required to make an offer to repurchase all of the outstanding 9.25% notes at 101% of their aggregate principal amount plus accrued and unpaid interest to the date of purchase. Under certain circumstances, we may not be required to make a such a change of control offer.

DESCRIPTION OF CAPITAL STOCK

We are authorized to issue 50,000,000 shares of all classes of stock, of which, 15,000,000 shares are designated class A common stock, 15,000,000 shares are designated class B common stock, and 20,000,000 shares are designated preferred stock for which our Board of Directors has the authority to determine the rights, powers, limitations and restrictions.

Terms of Our Common Stock

As of May 20, 2002, 6,848,467 shares of class A common stock were issued and outstanding and 8,813,017 shares of class B common stock were issued and outstanding. The rights of our class A and class B common stock are identical, except that our class A common stock entitles the holder to ten votes on all matters on which shareholders are permitted to vote and our class B common stock entitles the holder to one vote on all matters on which shareholders are permitted to vote. The holders of our common stock are entitled to dividends when, as and if declared by our board of directors out of funds legally available therefor and, upon liquidation, to a pro rata share in any distribution to shareholders. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our class A and class B common stock are fully paid and nonassessable.

Terms of Our Preferred Stock

As of May 20, 2002, 4,000 shares of Series C were issued and outstanding. The following is a description of our Series C:

- Our Series C is preferred stock and ranks senior to our class A and class B common stock as to payment of dividends and distribution of assets upon liquidation.
- Our Series C has a liquidation value equal to \$10,000 per share plus accrued and unpaid dividends to the date of final distribution. There are no sinking fund provisions applicable to our Series C.
- Our Series C has a cumulative annual dividend of \$800 per share, and beginning on April 22, 2009, \$850 per share, payable, at our option, in cash or in additional shares of Series C on a quarterly basis beginning on June 30, 2002.
- Our Series C is convertible, at the option of the holder, into shares of our class B common stock at an initial conversion price of \$14.39 per share, subject to certain adjustments, except that our affiliates may not convert their shares of Series C unless and until the issuance of the Series C to them has been approved by our shareholders or otherwise permitted by the New York Stock Exchange.
- Our Series C is redeemable, in whole or in part, at our option, on or after April 22, 2007, at a redemption price equal to \$10,000 per share plus accrued and unpaid dividends. We must redeem all of the then outstanding shares of Series C on April 22, 2012 at a redemption price equal to \$10,000 per share plus accrued and unpaid dividends.
- Holders of our Series C will not have any voting rights except as set forth below or as otherwise required by law. Holders of our Series C: (1) will be entitled to elect two additional directors of our company in the event that dividends on our Series C are in arrears in an amount equal to at least six quarterly dividends and (2) have approval rights over (A) the authorization or issuance of any shares of, or the reclassification of any shares of our capital stock into shares of, our capital stock ranking senior to our Series C, (B) the authorization or issuance of any additional shares of Series C and (C) any amendment of our Restated Articles of Incorporation that adversely affects the powers, preferences or special rights of our Series C.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Mellon Investor Services LLC. It is located at One Mellon Bank Center, 500 Grant Street, Room 2122, Pittsburgh, PA 15258-0001 and its telephone number is (412) 236-8172.

DESCRIPTION OF DEBT SECURITIES

The following is a summary description of the general terms of the debt securities covered by this prospectus. We will file a prospectus supplement that may contain additional terms when we issue debt securities under one or more senior or subordinated indentures. The terms presented here, together with the terms in a related prospectus supplement, which could be different from the terms described below, will be a description of the material terms of the debt securities. You should also read the applicable indenture. We are filing forms of indentures with the SEC as exhibits to the registration statement of which this prospectus is a part. All capitalized terms have the meanings specified in the indentures. The indentures are substantially identical except for the subordination provisions described below under "Subordinated Debt Securities." The terms and provisions of the debt securities below most likely will be modified by the documents that set forth the specific terms of the debt securities issued.

We may issue, from time to time, debt securities, in one or more series, that will consist of either our senior or subordinated debt. The debt securities we offer will be issued under an indenture or indentures between us and a trustee. Debt securities, whether senior or subordinated, may be issued as convertible debt securities or exchangeable debt securities.

General

Debt securities may be issued in separate series without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the debt securities of any series.

We are not limited as to the amount of debt securities we may issue under the indentures. The prospectus supplement will set forth:

- whether the debt securities will be senior or subordinated,
- the offering price,
- the title,
- any limit on the aggregate principal amount,
- the person who shall be entitled to receive interest, if other than the record holder on the record date,
- the date the principal will be payable,
- the interest rate, if any, the date interest will accrue, the interest payment dates and the regular record dates,
- the place where payments may be made,
- any mandatory or optional redemption provisions,
- any obligation to redeem or purchase the debt securities pursuant to a sinking fund,
- if applicable, the method for determining how the principal, premium, if any, or interest will be calculated by reference to an index or formula,
- conversion or exchange provisions, if any, including conversion or exchange prices or rates and adjustments thereto,
- if other than U.S. currency, the currency or currency units in which principal, premium, if any, or interest will be payable and whether we or the holder may elect payment to be made in a different currency,
- the portion of the principal amount that will be payable upon acceleration of stated maturity, if other than the entire principal amount,

- if the principal amount payable at stated maturity will not be determinable as of any date prior to stated maturity, the amount which will be deemed to be the principal amount,
- any defeasance provisions if different from those described below under “Satisfaction and Discharge; Defeasance,”
- any conversion or exchange provisions,
- whether the debt securities will be issuable in the form of a global security,
- any subordination provisions, if different than those described below under “Subordinated Debt Securities,”
- any deletions of, or changes or additions to, the events of default or covenants, and
- any other specific terms of such debt securities.

Unless otherwise specified in a prospectus supplement:

- the debt securities will be registered debt securities, and
- registered debt securities denominated in U.S. dollars will be issued in denominations of \$1,000 or an integral multiple of \$1,000.

Debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at time of issuance is below market rates.

Exchange and Transfer

Debt securities may be transferred or exchanged at the office of the security registrar or at the office of any transfer agent designated by us.

We will not impose a service charge for any transfer or exchange, but we may require holders to pay any tax or other governmental charges associated with any transfer or exchange.

In the event of any potential redemption of debt securities of any series, we will not be required to:

- issue, register the transfer of, or exchange, any debt security of that series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption and ending at the close of business on the day of the mailing, or
- register the transfer of or exchange any debt security of that series selected for redemption, in whole or in part, except the unredeemed portion being redeemed in part.

We may initially appoint the trustee as the security registrar. Any transfer agent, in addition to the security registrar, initially designated by us will be named in a prospectus supplement. We may designate additional transfer agents or change transfer agents or change the office of the transfer agent. However, we will be required to maintain a transfer agent in each place of payment for the debt securities of each series.

Global Securities

The debt securities of any series may be represented, in whole or in part, by one or more global securities. Each global security will:

- be registered in the name of a depository that we will identify in a prospectus supplement,
- be deposited with the depository or nominee or custodian, and
- bear any required legends.

No global security may be exchanged in whole or in part for debt securities registered in the name of any person other than the depositary or any nominee unless:

- the depositary has notified us that it is unwilling or unable to continue as depositary or has ceased to be qualified to act as depositary,
- an event of default is continuing, or
- any other circumstances described in a prospectus supplement.

As long as the depositary, or its nominee, is the registered owner of a global security, the depositary or nominee will be considered the sole owner and holder of the debt securities represented by the global security for all purposes under the indenture. Except in the above limited circumstances, owners of beneficial interests in a global security:

- will not be entitled to have the debt securities registered in their names,
- will not be entitled to physical delivery of certificated debt securities, and
- will not be considered to be holders of those debt securities under the indentures.

Payments on a global security will be made to the depositary or its nominee as the holder of the global security. Some jurisdictions have laws that require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Institutions that have accounts with the depositary or its nominee are referred to as “participants.” Ownership of beneficial interests in a global security will be limited to participants and to persons that may hold beneficial interests through participants. The depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of debt securities represented by the global security to the accounts of its participants.

Ownership of beneficial interests in a global security will be shown on and effected through records maintained by the depositary, with respect to participants’ interests, or any participant, with respect to interests of persons held by participants on their behalf.

Payments, transfers and exchanges relating to beneficial interests in a global security will be subject to policies and procedures of the depositary.

The depositary policies and procedures may change from time to time. Neither we nor the trustee will have any responsibility or liability for the depositary’s or any participant’s records with respect to beneficial interests in a global security.

Payment and Paying Agents

The provisions of this paragraph will apply to the debt securities unless otherwise indicated in a prospectus supplement. Payment of interest on a debt security on any interest payment date will be made to the person in whose name the debt security is registered at the close of business on the regular record date. Payment on debt securities of a particular series will be payable at the office of a paying agent or paying agents designated by us. However, at our option, we may pay interest by mailing a check to the record holder. The corporate trust office will be designated as our sole paying agent.

We may also name any other paying agents in a prospectus supplement. We may designate additional paying agents, change paying agents or change the office of any paying agent. However, we will be required to maintain a paying agent in each place of payment for the debt securities of a particular series.

All moneys paid by us to a paying agent for payment on any debt security which remain unclaimed at the end of two years after such payment was due will be repaid to us. Thereafter, the holder may look only to us for such payment.

Consolidation, Merger and Sale of Assets

We may not consolidate with or merge into any other person, in a transaction in which we are not the surviving corporation, or convey, transfer or lease our properties and assets substantially as an entirety to, any person, unless:

- the successor, if any, is a U.S. corporation, limited liability company, partnership, trust or other entity,
- the successor assumes all of our obligations under the debt securities and the indenture,
- immediately after giving effect to the transaction, no default or event of default shall have occurred and be continuing, and
- certain other conditions are met.

Events of Default

Unless we inform you otherwise in a prospectus supplement, the indenture will define an event of default with respect to any series of debt securities as one or more of the following events:

- (1) failure to pay principal of or any premium on any debt security of that series when due,
- (2) failure to pay any interest on any debt security of that series for 30 days when due,
- (3) failure to deposit any sinking fund payment when due,
- (4) failure to perform any other covenant in the indenture continued for 60 days after being given the notice required in the indenture,
- (5) our bankruptcy, insolvency or reorganization, and
- (6) any other event of default specified in a prospectus supplement.

An event of default of one series of debt securities is not necessarily an event of default for any other series of debt securities. If an event of default, other than an event of default described in clause (5) above, shall occur and be continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the outstanding securities of that series may declare the principal amount of the debt securities of that series to be due and payable immediately.

If an event of default described in clause (5) above shall occur, the principal amount of all the debt securities of that series will automatically become immediately due and payable. Any payment by us on the subordinated debt securities following any such acceleration will be subject to the subordination provisions described below under "Subordinated Debt Securities."

After acceleration the holders of a majority in aggregate principal amount of the outstanding securities of that series may, under certain circumstances, rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal, or other specified amount, have been cured or waived.

Other than the duty to act with the required care during an event of default, the trustee will not be obligated to exercise any of its rights or powers at the request of the holders unless the holders shall have offered to the trustee reasonable indemnity. Generally, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

A holder will not have any right to institute any proceeding under the indentures, or for the appointment of a receiver or a trustee, or for any other remedy under the indentures, unless:

- (1) the holder has previously given to the trustee written notice of a continuing event of default with respect to the debt securities of that series,

(2) the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made a written request and have offered reasonable indemnity to the trustee to institute the proceeding, and

(3) the trustee has failed to institute the proceeding and has not received direction inconsistent with the original request from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series within 60 days after the original request.

Holders may, however, sue to enforce the payment of principal, premium or interest on any debt security on or after the due date or to enforce the right, if any, to convert any debt security without following the procedures listed in (1) through (3) above.

We will furnish the trustee an annual statement by our officers as to whether or not we are in default in the performance of the indenture and, if so, specifying all known defaults.

Modification and Waiver

We and the trustee may make modifications and amendments to the indentures with the consent of the holders of a majority in aggregate principal amount of the outstanding securities of each series affected by the modification or amendment.

However, neither we nor the trustee may make any modification or amendment without the consent of the holder of each outstanding security of that series affected by the modification or amendment if such modification or amendment would:

- change the stated maturity of any debt security,
- reduce the principal, premium, if any, or interest on any debt security,
- reduce the principal of an original issue discount security or any other debt security payable on acceleration of maturity,
- reduce the rate of interest on any debt security,
- change the currency in which any debt security is payable,
- impair the right to enforce any payment after the stated maturity or redemption date,
- waive any default or event of default in payment of the principal of, premium or interest on any debt security,
- waive a redemption payment or modify any of the redemption provisions of any debt security,
- adversely affect the right to convert any debt security, or
- change the provisions in the indenture that relate to modifying or amending the indenture.

Satisfaction and Discharge; Defeasance

We may be discharged from our obligations on the debt securities of any series that have matured or will mature or be redeemed within one year if we deposit with the trustee enough cash to pay all the principal, interest and any premium due to the stated maturity date or redemption date of the debt securities.

Each indenture contains a provision that permits us to elect:

- to be discharged from all of our obligations, subject to limited exceptions, with respect to any series of debt securities then outstanding, and/or
- to be released from our obligations under the following covenants and from the consequences of an event of default resulting from a breach of these covenants:
 - the subordination provisions under the subordinated indenture, and

- covenants as to payment of taxes and maintenance of corporate existence.

To make either of the above elections, we must deposit in trust with the trustee enough money to pay in full the principal, interest and premium on the debt securities. This amount may be made in cash and/or U.S. government obligations. As a condition to either of the above elections, we must deliver to the trustee an opinion of counsel that the holders of the debt securities will not recognize income, gain or loss for Federal income tax purposes as a result of the action.

If any of the above events occurs, the holders of the debt securities of the series will not be entitled to the benefits of the indenture, except for the rights of holders to receive payments on debt securities or the registration of transfer and exchange of debt securities and replacement of lost, stolen or mutilated debt securities.

Notices

Notices to holders will be given by mail to the addresses of the holders in the security register.

Governing Law

The indentures and the debt securities will be governed by, and construed under, the laws of the State of New York.

Regarding the Trustee

The indenture limits the right of the trustee, should it become a creditor of us, to obtain payment of claims or secure its claims.

The trustee is permitted to engage in certain other transactions. However, if the trustee acquires any conflicting interest, and there is a default under the debt securities of any series for which they are trustee, the trustee must eliminate the conflict or resign.

Subordinated Debt Securities

Payment on the subordinated debt securities will, to the extent provided in the indenture, be subordinated in right of payment to the prior payment in full of all our senior indebtedness.

Upon any distribution of our assets upon any dissolution, winding up, liquidation or reorganization, the payment of the principal of and interest on the subordinated debt securities will be subordinated in right of payment to the prior payment in full in cash or other payment satisfactory to the holders of senior indebtedness of all senior indebtedness. In the event of any acceleration of the subordinated debt securities because of an event of default, the holders of any senior indebtedness would be entitled to payment in full in cash or other payment satisfactory to such holders of all senior indebtedness obligations before the holders of the subordinated debt securities are entitled to receive any payment or distribution. The indenture requires us or the trustee to promptly notify holders of designated senior indebtedness if payment of the subordinated debt securities is accelerated because of an event of default.

We may not make any payment on the subordinated debt securities, including upon redemption at the option of the holder of any subordinated debt securities or at our option, if:

- a default in the payment of the principal, premium, if any, interest, rent or other obligations in respect of designated senior indebtedness occurs and is continuing beyond any applicable period of grace (called a "payment default"), or
- a default other than a payment default on any designated senior indebtedness occurs and is continuing that permits holders of designated senior indebtedness to accelerate its maturity, and the trustee receives a notice of such default (called a "payment blockage notice") from us or any other person permitted to give such notice under the indenture (called a "non-payment default").

We may resume payments and distributions on the subordinated debt securities:

- in the case of a payment default, upon the date on which such default is cured or waived or ceases to exist, and
- in the case of a non-payment default, upon the earlier of the date on which such nonpayment default is cured or waived or ceases to exist and 179 days after the date on which the payment blockage notice is received by the trustee, if the maturity of the designated senior indebtedness has not been accelerated.

No new period of payment blockage may be commenced pursuant to a payment blockage notice unless 365 days have elapsed since the initial effectiveness of the immediately prior payment blockage notice and all scheduled payments of principal, premium and interest, including any liquidated damages, on the debt securities that have come due have been paid in full in cash. No non-payment default that existed or was continuing on the date of delivery of any payment blockage notice shall be the basis for any later payment blockage notice unless the non-payment default is based upon facts or events arising after the date of delivery of such payment blockage notice.

If the trustee or any holder of the notes receives any payment or distribution of our assets in contravention of the subordination provisions on the subordinated debt securities before all senior indebtedness is paid in full in cash, property or securities, including by way of set-off, or other payment satisfactory to holders of senior indebtedness, then such payment or distribution will be held in trust for the benefit of holders of senior indebtedness or their representatives to the extent necessary to make payment in full in cash or payment satisfactory to the holders of senior indebtedness of all unpaid senior indebtedness.

In the event of our bankruptcy, dissolution or reorganization, holders of senior indebtedness may receive more, ratably, and holders of the subordinated debt securities may receive less, ratably, than our other creditors (including our trade creditors). This subordination will not prevent the occurrence of any event of default under the indenture.

At March 31, 2002, the balance outstanding and the balance available under our senior secured credit facility were \$212.5 million and \$37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%. We are not prohibited from incurring debt, including senior indebtedness, under the indenture. We may from time to time incur additional debt, including senior indebtedness.

We are obligated to pay reasonable compensation to the trustee and to indemnify the trustee against certain losses, liabilities or expenses incurred by the trustee in connection with its duties relating to the subordinated debt securities. The trustee's claims for these payments will generally be senior to those of noteholders in respect of all funds collected or held by the trustee.

Conversion or Exchange Rights

Debt securities may be convertible into or exchangeable for shares of our common stock. The terms and conditions of conversion or exchange will be stated in the applicable prospectus supplement. The terms will include, among others, the following:

- the conversion or exchange price,
- the conversion or exchange period,
- provisions regarding the convertibility or exchangeability of the debt securities, including who may convert or exchange,
- events requiring adjustment to the conversion or exchange price,
- provisions affecting conversion or exchange in the event of our redemption of the debt securities, and
- any anti-dilution provisions, if applicable.

No Individual Liability of Stockholders, Officers or Directors

The indentures provide that none of our past, present or future stockholders, officers or directors, or stockholders, officers or directors of any successor corporation, in their capacity as such shall have any individual liability for any of our obligations, covenants or agreements under the debt securities or the applicable indenture.

PLAN OF DISTRIBUTION

We may sell the securities separately or together:

- through one or more underwriters or dealers in a public offering and sale by them,
- directly to investors, or
- through agents.

We may sell the securities from time to time in one or more transactions:

- at a fixed price or prices, which may be changed from time to time,
- at market prices prevailing at the time of sale,
- at prices related to such prevailing market prices, or
- at negotiated prices.

We will describe the method of distribution of the securities in the applicable prospectus supplement.

Underwriters, dealers or agents may receive compensation in the form of discounts, concessions or commissions from us or our purchasers (as their agents in connection with the sale of securities). These underwriters, dealers or agents may be considered to be underwriters under the Securities Act. As a result, discounts, commissions or profits on resale received by the underwriters, dealers or agents may be treated as underwriting discounts and commissions. The applicable prospectus supplement will identify any such underwriter, dealer or agent, and describe any compensation received by them from us.

Underwriters, dealers and agents may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments made by the underwriters, dealers and agents.

We may grant underwriters who participate in the distribution of securities an option to purchase additional securities to cover over-allotments, if any, in connection with the distribution.

All debt securities will be new issues of securities with no established trading market. Underwriters involved in the public offering and sale of debt securities may make a market in the debt securities. However, they are not obligated to make a market and may discontinue market making activity at any time. No assurance can be given as to the liquidity of the trading market for any debt securities.

Underwriters or agents and their associates may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

LEGAL MATTERS

Proskauer Rose LLP, New York, New York, and Troutman Sanders, LLP, Atlanta, Georgia, will pass on the validity of the issuance of the securities offered in this prospectus.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements and schedule of Gray Communications Systems, Inc. incorporated by reference in this prospectus and registration statement have been audited by Ernst &

Young LLP, independent auditors, to the extent indicated in their reports thereon also incorporated by reference herein and in the registration statement. Such consolidated financial statements have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Gray Communications Systems, Inc. as of December 31, 2001, and for the year then ended, and as of March 31, 2002, and for the quarter then ended, incorporated into this prospectus, respectively, by reference to the Gray Communications Systems, Inc. Annual Report on Form 10-K for the year ended December 31, 2001, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file at the SEC's public reference rooms at 450 Fifth Street, N.W., Washington, D.C., 20549 and also at its locations in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public at the SEC's web site at <http://www.sec.gov>. Our class A common stock and class B common stock are listed on the New York Stock Exchange. Our reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002 and any future filings that we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934. You may request a copy of those filings, at no cost, by writing or telephoning us at the following:

Gray Communications Systems, Inc.

4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attention: James C. Ryan
Telephone: (404) 504-9828

This prospectus is part of a registration statement we filed with the SEC. You should rely on only the information or representations provided in this prospectus. We have authorized no one to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of the document.

The information in this prospectus is not complete and may be changed. The selling security holders named in this prospectus may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and neither we nor the selling security holders named in this prospectus are soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated May 20, 2002

Prospectus

3,000,000 shares

Gray Communications Systems, Inc.

Class B Common Stock

This prospectus relates to resales of shares of class B common stock of Gray Communications Systems, Inc. that are issuable upon conversion of shares of our Series C convertible preferred stock. The number of shares of class B common stock issuable upon conversion of shares of Series C convertible preferred stock will be determined based upon the conversion rate applicable to such shares at the time of conversion. The selling security holders identified in this prospectus, or their pledgees, donees, transferees or other successors-in-interest, may offer the shares from time to time through public or private transactions at prevailing market prices, at prices related to prevailing market prices or at privately negotiated prices.

We have two classes of common stock: class A and class B. Our class A common stock is traded on the New York Stock Exchange under the symbol "GCS." Our class B common stock is traded on the New York Stock Exchange under the symbol "GCS.B." On May 17, 2002, the last reported sale price for our class B common stock was \$14.45 per share. We also have Series C convertible preferred stock which is not publicly traded.

Investing in our class B common stock involves risks. See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities may be sold directly by the selling security holders to investors, through agents designated from time to time or to or through underwriters or dealers. See "Plan of Distribution." If any underwriters are involved in the sale of any securities in respect of which this prospectus is being delivered, the names of such underwriters and any applicable commissions or discounts will be set forth in a prospectus supplement. We are not offering or selling any shares of our class B common stock pursuant to this prospectus. We will not receive any proceeds from the sale of shares by the selling security holders.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission utilizing a “shelf” registration process. Under this shelf process, the selling security holders may, until April 22, 2004, offer our class B common stock described in this prospectus in one or more offerings up to a maximum of 3,000,000 shares. This prospectus provides you with a general description of the securities they may offer. You should read this prospectus together with additional information described below under the heading “Where You Can Find More Information.”

PROSPECTUS SUMMARY

In this prospectus, unless otherwise indicated, the words "Gray," "our," "us" and "we" refer to Gray Communications Systems, Inc. and its subsidiaries. Unless otherwise indicated, all station rank, in-market share and television household data contained in this prospectus are derived from the Nielsen Station Index, Viewers in Profile, dated November 2001, as prepared by A.C. Nielsen Company, which we will refer to as "Nielsen." Our discussion of the television stations that we own and operate does not include our interest in the stations owned by Sarkes Tarzian, Inc.

This summary highlights selected information from this document and the materials incorporated by reference and does not contain all of the information that is important to you. For a more complete understanding of this offering, we encourage you to read this entire prospectus, any prospectus supplements hereto and the documents to which we have referred you.

The Company

We own and operate 13 network-affiliated television stations in 11 medium-sized markets in the Southeast, Southwest and Midwest United States. Twelve of our 13 stations are ranked first in total viewing audience and news audience, with the remaining station ranked second in total viewing audience and third in news audience. Ten of the stations are affiliated with CBS Inc., or "CBS," and three are affiliated with National Broadcasting Company, Inc., or "NBC." We own and operate four daily newspapers, three located in Georgia and one in Goshen, Indiana, with a total circulation of over 126,000. We also own and operate a paging business located in the Southeast that had approximately 72,000 users as of March 31, 2002. For the 12 months ended March 31, 2002, our total revenues and operating cash flow were \$157.0 million and \$51.2 million, respectively.

We were incorporated in 1891 to publish the Albany Herald in Albany, Georgia and entered the broadcasting industry in 1954. We have a dedicated and experienced senior management team, which has an average of over 18 years experience in the media industry.

Broadcasting

Our television stations have leading market positions. We believe that our market position and our strong local revenue stream have helped us to better preserve our revenues in softer economic conditions versus our competitors. Our stations have an extensive reach, covering a population of 7.3 million and an estimated 2.7 million households. Two satellite stations, KGIN, Grand Island, Nebraska and KBTX, Bryan, Texas, expand the depth and breadth of our coverage in two of our markets. With 10 affiliated CBS stations contributing approximately 2.1% of CBS's total national audience distribution, we are one of the leading CBS-affiliated station group owners in the United States.

Within our broadcasting segment, we operate a fleet of 13 mobile satellite uplink units under the trade name "LYNQX." We provide our customers with C-band and Ku-band satellite uplinks, video and data transmission and television production services through LYNQX.

For the 12 months ended March 31, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our broadcasting segment were \$106.8 million and \$42.0 million, respectively. During this 12-month period, approximately 93% of our broadcasting revenue came from sources other than political advertising and network compensation payable to us under our affiliation agreements with CBS and NBC. Approximately 59% of our broadcast revenues came from local advertising, 29% came from national advertising, 6% came from network compensation payments under our network affiliate agreements and our remaining revenues came from political advertising and miscellaneous sources.

We own the following broadcast properties:

Broadcast Operations	Market	DMA Rank(1)	Affiliation	Network Contract Expiration	Commercial Stations in DMA(2)	Station Rank in DMA(3)	Station News Rank in DMA(3)	% of 2001 Broadcast Revenue
WVLT(4)	Knoxville, TN	62	CBS	12/31/04	5	2	3	10%
WKYT	Lexington, KY	66	CBS	12/31/04	6	1	1	15%
WYMT(5)	Hazard, KY	66	CBS	12/31/04	N/A	1	1	4%
KWTX/KBTX(6)	Waco-Temple-Bryan, TX	94	CBS	12/31/05	5	1	1	14%
KOLN/KGIN(7)	Lincoln-Hastings-Kearney, NE	102	CBS	12/31/05	5	1	1	10%
WITN(4)(8)	Greenville-New Bern-Washington, NC	106	NBC	12/31/11	6	1	1	8%
WCTV	Tallahassee, FL-Thomasville, GA	113	CBS	12/31/04	5	1	1	11%
WRDW	Augusta, GA	114	CBS	3/31/05	6	1	1	8%
WEAU(8)	La Crosse-Eau Claire, WI	127	NBC	12/31/11	5	1	1	7%
WJHG(8)	Panama City, FL	159	NBC	12/31/11	5	1	1	5%
KXII	Sherman, TX-Ada, OK	160	CBS	12/31/05	2	1	1	6%
LYNQX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2%

- (1) Ranking of DMA served by a station among all DMAs is measured by the number of television households based within the DMA by Nielsen for the 2001-2002 broadcast season. "DMA" refers to a station's designated market area.
- (2) Includes independent broadcasting stations and excludes satellite stations such as KBTX and KGIN.
- (3) Based on management's review of the Nielsen Station Index, Viewers in Profile, dated November 2001, for the period from Sunday through Saturday, 7:00 a.m. through 1:00 a.m., as prepared by Nielsen.
- (4) Tied in "Station Rank in DMA."
- (5) The market area served by WYMT is a 16-county trading area, as defined by Nielsen, and is included in the Lexington, Kentucky DMA. WYMT's station rank is based upon its rating position in the 16-county trading area.
- (6) KBTX is a VHF station located in Bryan, Texas and is operated primarily as a satellite station of KWTX, which is located in Waco, Texas.
- (7) KGIN is a VHF station located in Grand Island, Nebraska and is operated primarily as a satellite station of KOLN, which is located in Lincoln, Nebraska.
- (8) We have reached preliminary agreements with NBC regarding the extension of the NBC affiliates' contracts to December 11, 2011; we are currently working with NBC to finalize the definitive affiliation agreements.

Publishing

We own and operate four daily newspapers, located in Georgia and Indiana. In the aggregate, our newspapers have over 126,000 daily subscribers. Seeking to build a loyal readership and to distinguish our newspapers from other publications, we focus our papers on local news, sports and lifestyle.

For the 12 months ended March 31, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our publishing segment were \$41.6 million and \$10.1 million, respectively. During this 12-month period, retail advertising at 49% comprised the largest percent of our publishing revenue, while classifieds accounted for 30%, circulation revenue accounted for 19% and miscellaneous revenue accounted for 2%.

We own the following newspapers:

Property Name	Market	Circulation		% of 2001 Publishing Revenue
		Daily	Sunday	
Gwinnett Daily Post	Gwinnett County, GA	65,000	65,000	39%
The Albany Herald	Southwest GA	28,000	31,000	37%
The Goshen News	Elkhart County, IN	16,000	16,000	13%
The Rockdale Citizen/ Newton Citizen	Rockdale County, GA/ Newton County, GA	17,000	17,000	11%

Paging/Wireless Messaging

Our paging business, which we acquired in September 1996, is based in Tallahassee, Florida and operates in Columbus, Macon, Albany, Thomasville, Savannah and Valdosta, Georgia, in Dothan, Alabama, in Tallahassee, Gainesville, Orlando and Panama City, Florida and in certain contiguous areas. Our paging operations had approximately 72,000 units in service as of March 31, 2002. For the 12 months ended March 31, 2002, revenues and operating cash flow before corporate and administrative expenses generated by our paging segment were \$8.6 million and \$2.8 million, respectively.

Recent Developments

Extension of NBC Affiliation Agreements

In January 2002 we reached a preliminary agreement with NBC on the terms of a new 10-year affiliation agreement for WJHG. The agreement extends WJHG's affiliation with NBC until December 31, 2011. Effective January 1, 2002, WJHG no longer receives network compensation payments from NBC under the affiliation agreement. In addition, we have preliminarily agreed with NBC to extend the existing affiliation agreements for WITN and WEAU until December 31, 2011. The network aggregate compensation payments made by NBC to WITN and WEAU will remain generally consistent with the terms of the existing agreements until June 30, 2006 for WITN and December 31, 2005 for WEAU, after which times NBC will cease making further compensation payments. We are working with NBC to finalize the definitive agreements with respect to these revised NBC affiliation agreements.

Benedek Broadcasting Corporation

On April 1, 2002, Stations Holding Company, Inc., which we will refer to as "Stations," the parent company of Benedek Broadcasting Corporation, which we will refer to as "Benedek," and we executed a nonbinding letter of intent which contemplates that we will acquire all of the capital stock of Stations for \$500 million in cash less the amount of consolidated indebtedness of Stations and its subsidiaries.

Benedek currently operates 22 television stations, which produced in 2001 net revenue of approximately \$138.1 million and broadcasting cash flow of approximately \$47.5 million, excluding its station in Wheeling, West Virginia. Benedek's affiliated stations — 10 CBS, seven ABC, four NBC and one FOX — are located in 21 markets. Benedek's Wheeling, West Virginia station was sold to a third party on April 30, 2002.

As currently proposed, Benedek's and our combined station groups would comprise a total of 35 stations with 20 CBS affiliates, seven NBC affiliates, seven ABC affiliates and one FOX affiliate. These station groups currently have 24 stations ranked number one in viewing audience within their respective markets and reach in excess of 6% of total U.S. TV households. In addition, with 20 CBS affiliated stations, the combined company would be the largest non-network owner of CBS affiliates in the country. Based on results for the year ended December 31, 2001, the Gray and Benedek television stations on a combined basis would have produced approximately \$244.5 million of revenue and \$88.3 million of broadcast cash flow. Including our publishing and other operations, the Gray and Benedek operations for

2001 on a combined basis would have produced approximately \$294.4 million of revenue and \$100.6 million of media cash flow.

Information about Benedek is based on information supplied by Benedek to us. We have not yet completed our review of Benedek's finances and operations, and therefore are not in a position to verify its accuracy at this time.

We intend to finance the acquisition by issuing a combination of debt and equity securities under the registration statement of which this prospectus and the prospectus relating to the securities offered by us constitute parts. We expect the transaction, if it closes, to be completed by the fourth quarter of 2002.

The acquisition is subject to execution of a definitive agreement, as well as approval by, among others, the Federal Communications Commission, or "FCC," of the transfer of control of Benedek's television licenses. The transaction is also subject to the approval of the United States bankruptcy court in Delaware with jurisdiction over the reorganization of Stations, which filed a petition under Chapter 11 of the Federal Bankruptcy Code on March 22, 2002. We cannot guarantee that a definitive agreement will be entered into, that all required approvals will be obtained, or that the transaction contemplated by the letter of intent can or will be consummated.

Exchange of 9.25% Senior Subordinated Notes

On April 12, 2002, we filed with the Securities and Exchange Commission a registration statement on Form S-4, offering to exchange up to \$180,000,000 in aggregate principal amount of our 9.25% Senior Subordinated Notes due 2011 that have been registered under the Securities Act, which we refer to as the "9.25% notes," for our existing 9.25% Senior Subordinated Notes due 2011, which we refer to as the "existing notes." We are offering to issue the 9.25% notes to satisfy our obligations contained in a registration rights agreement entered into when the existing notes were sold in transactions exempt from registration under the Securities Act and therefore not registered with the Securities and Exchange Commission.

The terms of the 9.25% notes are substantially identical in all material respects to the terms of the existing notes that we issued on December 21, 2001, except that the 9.25% notes will be registered under the Securities Act and be freely transferable. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the 9.25% notes to be distributed in the exchange offer or made a determination as to the adequacy or accuracy of the prospectus. See "Description of Outstanding Indebtedness."

Series C Convertible Preferred Stock

On April 22, 2002, we issued a total of \$40,000,000 of new Series C convertible preferred stock, which we will refer to as "Series C." We issued \$31,400,000 of our Series C to a limited number of outside accredited investors, and \$8,600,000 of our Series C to certain executive officers and directors of our company and their affiliates in exchange for all of the outstanding shares of our Series A preferred stock and Series B preferred stock on a one-for-one basis. Shares of our Series C are convertible into our class B common stock at an initial conversion price of \$14.39 per share, subject to customary adjustments.

Shares of our Series C have not been registered under the Georgia Securities Act of 1973, the Securities Act, or any other applicable securities laws, and therefore are restricted securities. Under the terms of a registration rights agreement entered into by us and the investors in the Series C, we are required to:

- file with the Securities and Exchange Commission a shelf registration statement, of which this prospectus constitutes a part, with respect to the shares of our class B common stock into which the Series C is convertible, by June 6, 2002;

- use our reasonable best efforts to cause the registration statement to be declared effective as soon as practicable after filing, but no later than November 8, 2002, otherwise we will be required to pay liquidated damages to the holders of the Series C; and
- cause the registration statement to remain effective until the earlier to occur of (a) April 22, 2004 and (b) the date as of which there no longer are any registrable securities in existence.

In addition, investors in the Series C were granted “piggyback” registration rights with respect to the underlying shares of class B common stock. See “Description of Capital Stock — Terms of Our Preferred Stock.”

We are a Georgia corporation formed in 1891. Our principal offices are located at 4370 Peachtree Road, NE, Atlanta, Georgia 30319, and our telephone number is (404) 504-9828. Additional information regarding Gray is set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002 (which are incorporated by reference in this prospectus).

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information contained in this prospectus or any supplemental prospectus hereto or incorporated herein by reference, before purchasing any of our class B common stock.

Risks Related to Our Business

We have recorded net losses in the last three years and these losses may continue.

We have recorded net losses in the last three years. Our losses are primarily due to increased operating expenses, higher amortization and depreciation costs, increased interest expense relating to our acquisitions and, in 2001, declining advertising revenue caused, in large part, by the weaker economic environment and the cyclical decline in broadcast political revenue. Our net losses may continue for these reasons and also because of the phasing out of network compensation payments under certain of our network affiliation agreements.

We depend on advertising revenues, which have decreased recently as a result of a number of factors and also experience seasonal fluctuations.

Our main source of revenue is sales of advertising time at our television stations and advertising space within our newspapers. Our ability to sell advertising time and space depends on:

- the health of the economy in the areas where our stations and newspapers are located and in the nation as a whole;
- the popularity of our programming and newspapers;
- changes in the makeup of the population in the areas where our stations and newspapers are located;
- pricing fluctuations in local and national advertising;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, particularly network, cable television, direct satellite television and the Internet; and
- other factors that may be beyond our control.

For example, a labor dispute or other disruption at a major national advertiser, or a recession in a particular market, would make it more difficult to sell advertising time and space and could reduce our revenue.

In addition, our results are subject to seasonal fluctuations, which typically result in fourth quarter broadcast operating income being greater than first, second and third quarter broadcast operating income. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period. Furthermore, revenues from political advertising are significantly lower in odd-numbered years.

Restrictions under our existing senior secured credit facility limit our flexibility.

Our existing senior secured credit facility prevents us from taking certain actions and requires us to meet certain tests. These limitations and tests include the following:

- limitations on liens;
- limitations on additional debt;
- limitations on dividends and distributions;

- limitations on management and consulting fees;
- limitations on stock repurchases;
- limitations on transactions with affiliates;
- limitations on guarantees;
- limitations on asset sales;
- limitations on sale-leaseback transactions;
- limitations on acquisitions;
- limitations on changes in our business;
- limitations on mergers and other corporate reorganizations;
- limitations on loans, investments and advances, including investments in joint ventures and foreign subsidiaries; and
- financial ratio and condition tests.

These restrictions and tests may prevent us from taking action that could increase the value of our securities, or may require actions that decrease the value of our securities. In addition, we may fail to meet the tests and thereby default under our senior secured credit facility. If we default on our obligations, creditors could require immediate payment of the obligations or foreclose on collateral. If this happens, we could be forced to sell assets or take other action that would reduce the value of our securities.

Servicing our debt will require a significant amount of cash, and our ability to generate sufficient cash depends on many factors, some of which are beyond our control.

Our ability to service our debt depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. In addition, the ability to borrow funds under our senior secured credit facility in the future will depend on our meeting the financial covenants in that agreement. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our senior secured credit facility or otherwise, in an amount sufficient to enable us to pay our debt or to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. Additional debt or equity financing may not be available in sufficient amounts or on terms acceptable to us, or at all. If we are unable to implement one or more of these alternatives, we may not be able to service our debt obligations.

We must purchase non-network television programming in advance but cannot predict if a particular show will be popular enough to cover its cost.

One of our most significant costs is non-network television programming. If a particular non-network program is not popular in relation to its costs, we may not be able to sell enough advertising time to cover the costs of the program. Since we purchase non-network programming content from others, we also have little control over the costs of such programming. We usually must purchase non-network programming several years in advance, and may have to commit to purchase more than one year's worth of non-network programming. In addition, we may replace programs that are doing poorly before we have recaptured any significant portion of the costs we incurred, or fully expensed the costs for financial reporting purposes. Any of these factors could reduce our revenues or otherwise cause our costs to escalate relative to revenues.

We may lose a large amount of television programming if a network terminates its affiliation with us or if contracts are renewed with lower or no compensation payments.

Our business depends in large part on the success of our network affiliations. Each of our stations is affiliated with a major network pursuant to an affiliation agreement. Each affiliation agreement provides the affiliated station with the right to broadcast all programs transmitted by the network with which the station is affiliated. In exchange for every hour that a station elects to broadcast network programming, the network pays the station a specific network compensation fee, which varies with the time of day. For the 12 months ended March 31, 2002, this network compensation comprised 6% of our broadcasting revenue.

The preliminary NBC affiliation agreements we recently entered into for WJHG, WITN and WEAU expire on December 31, 2011. The CBS affiliation agreements expire as follows: (1) WVLT, WKYT, WYMT and WCTV, on December 31, 2004; (2) WRDW, on March 31, 2005; and (3) KWTX, KBTX, KOLN, KGIN and KXII, on December 31, 2005.

The CBS affiliation agreements for KWTX, KBTX and KXII were renegotiated during the fourth quarter of 2000 and the agreements were extended through December 31, 2005. As a result of these negotiations, network compensation for KWTX, KBTX and KXII is being phased out over 2001 and 2002. In addition, our new NBC affiliation agreement for WJHG does not provide for any network compensation payments by NBC after December 31, 2001. Furthermore, our recent extensions of the WITN and WEAU agreements through December 31, 2011 do not provide for any network compensation payments during the extended terms of those agreements, which begin after June 30, 2006 and December 31, 2005, respectively.

As evidenced by these negotiations, we may not be able to enter into new affiliation agreements that provide us with as much compensation from the networks as our present agreements. In addition, if we do not enter into affiliation agreements to replace any expiring agreements, we may no longer be able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences.

Furthermore, our concentration of CBS affiliates makes us sensitive to adverse changes in our business relationship with, and the general success of, CBS.

We operate in a highly competitive environment and competition from other media entities may cause our advertising sales to go down or our costs to go up.

We face significant competitive pressures from the following:

Television Industry. Competition in the television industry exists on several levels: competition for audience; competition for programming, including news; and competition for advertisers. Additional factors that are material to a television station's competitive position include signal coverage and assigned frequency.

Audience. Stations compete for audience based on program popularity, which has a direct effect on advertising rates. A substantial portion of the daily programming on each of our stations is supplied by the network affiliate. During those periods, the stations are totally dependent upon the performance of the network programs to attract viewers. There can be no assurance that this programming will achieve or maintain satisfactory viewership levels in the future. Non-network time periods are programmed by the station with a combination of self-produced news, public affairs and other entertainment programming, including news and syndicated programs purchased for cash, cash and barter, or barter only, and involve significant costs.

In addition, the development of methods of television transmission of video programming other than over-the-air broadcasting and, in particular, cable television have significantly altered competition for audiences in the television industry. These other transmission methods can increase competition for a broadcasting station by bringing into its market distant broadcasting signals not otherwise available to the station's audience and also by serving as a distribution system for non-broadcasting programming.

Technological innovation and the resulting proliferation of programming alternatives, such as home entertainment systems, “wireless cable” services, satellite master antenna television systems, low power television stations, television translator stations, direct broadcast satellite, video distribution services, pay-per-view and the Internet, have fractionalized television viewing audiences and have subjected free over-the-air television broadcast stations to new types of competition.

Programming. Competition for programming involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. Each station competes against the broadcast station competitors in its market for exclusive access to off-network reruns, such as *Seinfeld*, and first-run product, such as *Entertainment Tonight*. Cable systems generally do not compete with local stations for programming, although various national cable networks from time to time have acquired programs that would have otherwise been offered to local television stations. Competition exists for exclusive news stories and features as well.

Advertising. Advertising rates are based upon the size of the market in which the station operates, a station’s overall ratings, a program’s popularity among the viewers that an advertiser wishes to attract, the number of advertisers competing for the available time, the demographic makeup of the market served by the station, the availability of alternative advertising media in the market area, aggressive and knowledgeable sales forces and the development of projects, features and programs that tie advertiser messages to programming. Advertising revenues comprise the primary source of revenues for our stations. Our stations compete for advertising revenues with other television stations in their respective markets. The stations also compete for advertising revenues with other media, such as newspapers, radio stations, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail, Internet and local cable systems. Competition for advertising dollars in the broadcasting industry occurs primarily within individual markets.

Deregulation. Recent changes in law have also increased competition. The Telecommunications Act of 1996 created greater flexibility and removed some limits on station ownership. The prices for stations have risen as a result. Telephone, cable and some other content providers are also free to provide video services in competition with us. The FCC is actively reviewing its ownership rules and further deregulation could lead to industry consolidation that could pose new competitive challenges in the markets in which we operate.

Future Technology Under Development. Cable providers and direct broadcast satellite companies are developing new techniques that allow them to transmit more channels on their existing equipment. These so-called “video compression techniques” will reduce the cost of creating channels, and may lead to the division of the television industry into ever more specialized niche markets. Video compression is available to us as well, but competitors who target programming to such sharply defined markets may gain an advantage over us for television advertising revenues. Lowering the cost of creating channels may also encourage new competitors to enter our markets and compete with us for advertising revenue.

Newspaper Industry. Our newspapers compete for advertisers with a number of other media outlets, including magazines, Internet, radio and television, as well as other newspapers, which also compete for readers with our publications. One of our newspaper competitors is significantly larger than us and operates in two of our newspaper markets. New technological media for the delivery of news and information, such as the Internet, have fragmented historical newspaper audiences and subjected newspaper companies to new types of competition.

Paging Industry. The paging industry is highly competitive. Companies in the industry compete on the basis of price, coverage area offered to subscribers, available services offered in addition to basic numeric or tone paging, transmission quality, system reliability and customer service.

Our primary competitors include those paging companies that provide wireless service in the same geographic areas in which we operate. We experience competition from one or more competitors

in all locations in which we operate. Some of our competitors have greater financial and other resources than we have.

Our paging services also compete with other wireless communications services such as cellular service. The typical customer uses paging as a low-cost wireless communications alternative either on a stand-alone basis or in conjunction with cellular services. However, future technological developments in the wireless communications industry and enhancements of current technology could create new products and services, such as personal communications services and mobile satellite services, which are competitive with the paging services we currently offer. Recent and proposed regulatory changes by the FCC are aimed at encouraging these technological developments and new services and promoting competition. There can be no assurance that our paging business would not be adversely affected by these technological developments or regulatory changes.

The phased introduction of digital television will increase our capital and operating costs and may expose us to increased competition.

The FCC has adopted rules and regulations that require television stations to implement digital television service, including high definition, in the United States. Under current regulations, all commercial television stations in the United States must start broadcasting in digital format by May 1, 2002 and must abandon the present analog format by 2006, although the FCC may extend these dates. As of May 1, 2002, four of our stations were broadcasting in digital format. Our remaining nine stations have been granted six-month extensions to the May 2002 deadline. The extensions will need to be renewed if the stations are not broadcasting in digital format by the time they expire. The stations that do not begin broadcasting in digital format by their extended deadlines could be subject to fines. If the stations do not eventually begin broadcasting in digital format, the stations could lose their digital allocation and be required to cease broadcasting at the end of the transition period when the analog spectrum is reclaimed.

There is considerable uncertainty about the final form of the FCC digital regulations. Even so, we believe that these new developments may have the following effects on us:

Signal quality issues. Certain industry tests have indicated that the digital standard mandated, currently is unable to provide for reliable reception of a DTV signal through a simple indoor antenna. It also appears likely that additional interference will occur to both analog and digital television stations as new digital television broadcast stations are constructed. We are unable to assess at this time the magnitude of such interference or the efficacy of possible remedies.

Because of this possible reception quality and coverage issue, we may be forced to rely on cable television or other alternative means of transmission to deliver our digital signals to all of the viewers we are able to reach with our current analog signals. While the FCC ruled that cable companies are required to carry the signals of digital-only television stations, the agency has tentatively concluded, subject to additional inquiry, that cable companies should not be required to carry both the analog and digital signals of stations during the transition period when stations will be broadcasting in both modes. If the FCC does not require this, cable customers in our broadcast markets may not receive our digital signal, which could negatively impact our stations.

Capital and operating costs. We will incur costs to replace equipment in our stations in order to provide digital television. Even with the flexible operating requirements, our stations will also incur increased utilities costs as a result of converting to digital operations. We cannot be certain we will be able to increase revenues to offset these additional costs.

Conversion and programming costs. We expect to incur approximately \$31.4 million in costs, of which we have incurred approximately \$11.1 million through March 31, 2002, to convert our stations from the current analog format to digital format. This \$31.4 million amount includes a capital lease of approximately \$2.5 million for tower facilities at WVLT-TV, our station in Knoxville, Tennessee. However, our aggregate costs may be higher than this estimate. We also may incur additional costs to obtain programming for the additional channels made available by digital technology. Increased

revenues from the additional channels may not make up for the conversion costs and additional programming expenses. Also, multiple channels programmed by other stations could increase competition in our markets.

Certain directors and officers may be subject to potential conflicts.

J. Mack Robinson, President, Chief Executive Officer and a director of Gray, is Chairman of the Board of Bull Run Corporation, our principal stockholder, "Bull Run," and the beneficial owner of approximately 24.1% of Bull Run's common stock. Robert S. Prather, Jr., Executive Vice President-Acquisitions and a director of Gray, is President, Chief Executive Officer and a director of Bull Run and the beneficial owner of approximately 8.8% of Bull Run's common stock. Hilton H. Howell, Jr., Executive Vice President and a director of Gray, is Vice President, Secretary and a director of Bull Run. Mr. Howell also is the son-in-law of J. Mack Robinson and Harriett J. Robinson, both members of our Board of Directors. Accordingly, each of these individuals may be subject to conflicts of interest in connection with, for example, the negotiation of agreements or the provision of services between Gray and Bull Run. Each of these individuals has other duties and responsibilities with Bull Run, or other businesses, that may conflict with the time that might otherwise be devoted to his duties with us.

Bull Run and certain of our directors and executive officers hold substantial equity in us and may use this influence in ways that are not consistent with the interests of other security holders.

Bull Run and the executive officers and directors mentioned above, and their affiliates, hold or have the right to vote in the aggregate approximately 49.9% in voting power of our currently outstanding common stock. Furthermore, if all options and warrants that are currently outstanding were exercised and all of their Series C was converted into class B common stock (although this conversion currently is not permitted under the terms of the Series C), their voting power would increase to approximately 56.7%. Accordingly, these persons may have substantial influence on us in ways that might not be consistent with the interests of other security holders. These persons may also have significant influence and control over the outcome of any matters submitted to our stockholders for approval.

Pending litigation could adversely affect our ownership interest in Tarzian.

On December 3, 2001, we acquired 301,119 shares of the outstanding common stock of Tarzian from Bull Run for \$10 million plus \$3.2 million of related costs which had previously been capitalized. Bull Run had previously acquired these shares from the Estate of Mary Tarzian. Subsequent to Bull Run's acquisition of these shares, Tarzian filed a complaint against Bull Run and the representative of the Estate claiming that Tarzian had a binding and enforceable contract to purchase these shares from the Estate prior to Bull Run's acquisition. Tarzian requested judgment to enforce its alleged contract. Although the action has since been dismissed without prejudice against Bull Run, the litigation between Tarzian and the Estate is ongoing. If Tarzian were to prevail in that litigation, that could ultimately lead to litigation against us, which might involve a claim for rescission of the acquisition of the Tarzian shares from the Estate and/ or a claim for damages. The stock purchase agreement with the Estate provides that if a court of competent jurisdiction awards title to the Tarzian shares to a person or entity other than the purchaser, the purchase agreement will be rescinded. In that event, the Estate will be required to pay for our benefit, as successor in interest to the purchaser, the full \$10 million purchase price, plus interest.

We may be unable to identify or integrate acquisitions successfully or on commercially acceptable terms.

We have made a number of acquisitions and in the future may make additional acquisitions. We cannot assure you that we will be able to identify suitable acquisition candidates in the future. Even if we do identify suitable candidates, we cannot assure you that we will be able to make acquisitions on commercially acceptable terms. The failure to acquire suitable candidates, or the consummation of a future acquisition at a price or on other terms that prove to be unfavorable, could adversely affect our business and results of operations.

In order to integrate successfully these future acquisitions into our business, we will need to coordinate the management and administrative functions and sales, marketing and development efforts of each company. Combining companies presents a number of challenges, including integrating the management of companies that may have different approaches to sales and service, and the integration of a number of geographically separated facilities. In addition, integrating acquisitions requires substantial management time and attention, which may distract management from our day-to-day business, and could disrupt our ongoing business and increase our expenses. If we cannot successfully integrate our future acquisitions, our business and results of operations could be adversely affected.

We may need to incur debt or issue equity securities to pay for any future acquisitions. However, debt or equity financing may not be available in sufficient amounts or on terms acceptable to us, or at all, and equity financing could be dilutive to our shareholders.

Our success depends on our senior management.

Our success depends to a significant extent on the efforts of our senior management. As a result, if any of these individuals were to leave, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any successors gain the necessary experience.

A deficiency has been asserted by the Internal Revenue Service for 1996.

In connection with an audit of our 1996 federal income tax return, the Internal Revenue Service has asserted a deficiency in income taxes of approximately \$12.1 million, plus related interest and penalties. The asserted deficiency relates principally to our acquisition in 1996 of certain assets of First American Media, Inc. On January 18, 2002, we filed a petition in the United States Tax Court to contest this deficiency, and we believe that we have a meritorious position with respect to the issues related to the deficiency. We cannot be certain when, and if, this matter will be resolved in our favor, and if it is not, we could incur negative consequences in future years.

We have a material amount of intangible assets, and if we are required to write-down intangible assets to comply with new accounting standards, it would reduce our net income, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

Our intangible assets principally include FCC licenses, network affiliations and goodwill. In July 2001, the Financial Accounting Standards Board issued Statement No. 142, "Goodwill and Other Intangible Assets," which generally is effective for us from January 1, 2002. The regulation requires, among other things, the discontinuance of the amortization of goodwill and FCC licenses and network affiliations, and the introduction of annual impairment testing in its place. In addition, the standard includes provisions for the reclassification under limited circumstances of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of identifiable intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. The regulation also requires us to complete a transitional goodwill impairment test six months from the date of adoption. Compliance with these new accounting standards may reduce our net income in the future, which in turn could materially and adversely affect our results of operations and the trading prices of our common stock.

Because a significant portion of our assets are intangible, they may have little value upon a liquidation.

Our assets consist primarily of intangible assets, including affiliation agreements with television networks such as NBC and CBS and FCC licenses, the value of which will depend significantly upon the success of our business and the financial prospects of the television broadcasting and paging industries in general. If we default on our indebtedness, or if we are liquidated, the value of these assets may not be sufficient to satisfy our obligations to our creditors and debtholders and to enable us to make any distributions to the holders of shares of our class B common stock.

Our indebtedness could materially and adversely affect our business.

We are highly leveraged and have significant fixed debt service obligations in addition to our operating expenses. Our indebtedness could have significant adverse effects on our business. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- reduce the availability of our cash flow to fund working capital, capital expenditures and other general business purposes;
- limit our flexibility in planning for, or reacting to, changes in our industries, making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressure;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds.

If our indebtedness affects our operations in these ways, our business, financial condition and results of operations could suffer. Furthermore, our senior secured credit facility and the indenture governing our 9.25% senior subordinated notes permit, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part may permit, us to incur substantial amounts of additional debt in specified circumstances. If we incur additional debt in the future, the related risks could intensify.

Covenant restrictions under our indentures may limit our ability to operate our business.

The indenture governing our 9.25% notes contains, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part may contain, covenants that restrict our and our subsidiaries' ability to finance future operations or capital needs or to engage in other business activities.

In addition, the indenture governing our 9.25% notes restricts, and the indenture related to the debt securities that we may offer under the registration statement of which this prospectus constitutes a part may restrict, among other things, our ability and our subsidiary guarantors' ability to:

- incur additional indebtedness;
- make specified restricted payments;
- make specified asset sales;
- incur liens;
- engage in intra-company transactions, such as the payment of dividends and the making of loans or advances;
- engage in transactions with affiliates;
- issue and sell capital stock of our subsidiaries; and
- engage in a merger, consolidation or sale of substantial assets.

We cannot assure you that we will meet the covenants in the indentures or that the holders of our debt securities that are party to the indentures will waive any failure to meet these covenants. A breach of any of these covenants would result in a default under the indentures, and may in turn result in a default under our senior secured credit facility. If an event of default occurs under our senior secured credit facility and continues beyond any applicable cure period, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If our indebtedness were to be accelerated, there can be no assurance that we would be able to pay it. Such acceleration would have a material adverse effect on our financial condition.

We may not be able to finance change of control payments required by our debt facilities.

If we were to experience a change of control, the indenture related to our 9.25% notes would require us to offer to purchase all of our 9.25% notes then outstanding at 101% of their principal amount, plus accrued interest to the date of purchase. Any new debt securities that we may offer may subject us to a similar requirement. The purchase of our debt securities may require additional third-party financing and we cannot assure you that we would be able to obtain that financing on favorable terms or at all. Furthermore, similar change of control events will result in an event of default under our senior secured credit facility and could cause the acceleration of our debt under that facility. The inability to repay that debt, if accelerated, and to purchase all of the tendered notes in the event of a change of control, would constitute an event of default under the indenture governing the 9.25% notes.

We may enter into transactions, including acquisitions, refinancings or recapitalizations, or highly leveraged transactions, that may result in an increase in our debt or otherwise affect our capital structure, harm our credit ratings or have a material adverse effect on holders of shares of our class B common stock.

Risks Related to Our Class B Common Stock

The price of our class B common stock has experienced substantial volatility and may continue to do so in the future.

There has been significant volatility in the market prices for publicly traded shares of media companies, including ours.

In 2001, the price of our class B common stock fluctuated from a high of \$17.65 to a low of \$9.60. In addition, for the first quarter of 2002, the price of our class B common stock fluctuated from a high of \$14.50 to a low of \$10.24. On May 17, 2002, our class B common stock closed at a price of \$14.45 per share.

The price of our class B common stock may not remain at or exceed current levels. The following factors may have an adverse impact on the market price of our class B common stock:

- market conditions for media stocks;
- market conditions generally;
- governmental regulation;
- communications legislation;
- fluctuations in our operating results; or
- announcements of technical or product developments by our competitors.

There can be no assurance as to the liquidity of our class B common stock.

Currently our class B common stock is traded on the New York Stock Exchange. There can be no assurance as to the future liquidity of the market for our class B common stock.

Purchasers of our class B common stock may experience immediate and substantial dilution of their investment.

The public offering price of our class B common stock may be substantially higher than its book value immediately after its offering. As a result, if you were to purchase shares of our class B common stock in the offering under such circumstances, you most likely would incur immediate and substantial dilution in the net tangible book value of the shares purchased from the public offering price.

In the event of liquidation of our company, holders of our class B common stock rank junior to holders of our preferred stock and holders of our debt and therefore may not receive a distribution of assets.

Our class B common stock ranks junior to our preferred stock and our debt as to dividends and distribution of assets upon liquidation. As a result, in the event of liquidation of our company, holders of our class B common stock would receive distributions only after distributions are made in full to holders of our preferred stock and our debt. There can be no assurance that we would have enough assets to make distributions to holders of our class B common stock in a liquidation.

Risks Related to Regulatory Matters

Federal regulation of the broadcasting industry limits our operating flexibility.

The FCC regulates our business, just as it does all other companies in the broadcasting industry. We must ask the FCC's approval whenever we need a new license, seek to renew or assign a license, purchase a new station or transfer the control of one of our subsidiaries that holds a license. Our FCC licenses are critical to our operations; our broadcasting segment cannot operate without them. We cannot be certain that the FCC will renew these licenses in the future or approve new acquisitions.

Federal legislation and FCC rules have changed significantly in recent years and can be expected to continue to change. These changes may limit our ability to conduct our business in ways that we believe would be advantageous and therefore may affect our operating results.

The FCC's duopoly restrictions limit our ability to own and operate multiple television stations in the same market and our ability to own and operate a television station and newspaper in the same market.

The FCC's ownership rules generally prohibit us from owning or having "attributable interests" in television stations located in the same markets in which our stations are licensed. Accordingly, our ability to expand through acquisitions of additional stations in markets where we presently are operating is constrained by those rules. Under current FCC cross-ownership rules, we also are not allowed to own and operate a television station and a newspaper in the same market.

Our paging operations are subject to federal regulation.

Our paging operations, which we acquired in September 1996, are subject to regulation by the FCC under the Communications Act of 1934. The FCC has granted us licenses to use the radio frequencies necessary to conduct our paging operations.

The FCC paging licenses granted to us are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. We hold various FCC radio licenses which are used in connection with our paging operations. Paging licenses will expire during calendar year 2009. Licensees in the paging services normally enjoy a license renewal expectancy and the vast majority of license renewal applications are granted in the normal course. We cannot be certain that any of our licenses will be free of competing applications or will be renewed by the FCC. Furthermore, the FCC has the authority to restrict the operations of licensed facilities or to revoke or modify licenses. We cannot be certain that our licenses will not be revoked or modified involuntarily in the future.

Pursuant to Congressional mandate, the FCC has adopted rules regarding the award of license authorizations by competitive bidding. Pursuant to those rules, the FCC may award licenses for new or existing services by auction, as done with the 800 MHz band. The FCC began awarding geographic area and paging licenses by auction in February 2000. We cannot be certain that we will be able to procure additional spectrum or expand our existing paging network into new service areas, which would require us to make significant auction payments.

INDUSTRY AND MARKET DATA

In this prospectus and the documents incorporated by reference, we rely on and refer to information regarding market data obtained from internal surveys, market research, publicly available information and industry publications. Although we believe the information is reliable, we cannot guarantee the accuracy or completeness of the information and have not independently verified it.

FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this prospectus, the words “believes,” “expects,” “anticipates,” “estimates” and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe our future strategic plans, goals or objectives are also forward-looking statements. Readers of this prospectus are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of our management or us, 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:

- the factors described in “Risk Factors” beginning on page of this prospectus;
- general economic conditions in the markets in which we operate;
- competitive pressures in the markets in which we operate;
- the effect of future legislation or regulatory changes on our operations;
- high debt levels; and
- other factors described from time to time in our filings with the Securities and Exchange Commission.

The forward-looking statements included in this prospectus are made only as of the date hereof. We undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

USE OF PROCEEDS

We will not receive any proceeds from the sale by any selling security holder of our class B common stock.

DESCRIPTION OF OUTSTANDING INDEBTEDNESS

Senior Secured Credit Facility

We amended and restated our senior secured credit facility on September 25, 2001. The facility provides us with a \$200 million term facility and a \$50 million reducing revolving credit facility. In addition, the agreement provides us with the ability to access, through December 31, 2003, up to \$100 million of incremental senior secured term loans upon the consent of the lenders.

Under the revolving and term facilities, at our option, we can borrow funds at an interest rate equal to LIBOR plus a margin or at the lenders' base rate plus a margin. The base rate will generally be equal to the lenders' prime rate. Interest rates under the revolving facility are base rate plus a margin ranging from 0.25% to 1.75% or LIBOR plus a margin ranging from 1.5% to 3.0%. Interest rates under the term facility are base rate plus a margin ranging from 1.75% to 2.0% or LIBOR plus a margin ranging from 3.0% to 3.25%. Our applicable margin will be determined by our operating leverage ratio which is calculated quarterly. As of March 31, 2002, the interest rate for the revolving credit facility was the lenders' base rate plus 1.75% or LIBOR plus 3.0% at our option. As of March 31, 2002, the interest rate for the term facility was the lenders' base rate plus 2.0% or LIBOR plus 3.25% at our option.

The lenders' commitments for the revolving facility will reduce quarterly, as specified in the credit agreement, beginning March 31, 2004, and final repayment of any outstanding amounts under the revolving facility is due December 31, 2008. The term facility commences amortization in quarterly installments of \$500,000 beginning March 31, 2003 through December 31, 2008, with the remaining outstanding balance payable in three equal quarterly installments beginning March 31, 2009. The final maturity date for any outstanding amounts under the term facility is September 30, 2009.

The facilities are collateralized by substantially all of the assets, excluding real estate, of our subsidiaries and us. In addition, our subsidiaries are joint and several guarantors of the obligations and our ownership interests in our subsidiaries are pledged to collateralize the obligations. The agreement contains certain restrictive provisions which include, but are not limited to, requiring us to maintain certain financial ratios and limits upon our ability to incur additional indebtedness, make certain acquisitions or investments, sell assets and make other restricted payments.

At March 31, 2002, the balance outstanding and the balance available under our senior secured credit facility were \$212.5 million and \$37.5 million, respectively, and the interest rate on the balance outstanding was 5.3%.

The 9.25% Notes

On April 12, 2002, we filed with the Securities and Exchange Commission a registration statement on Form S-4, offering to exchange up to \$180,000,000 in aggregate principal amount of our 9.25% notes for our existing notes. The terms of the 9.25% notes are substantially identical in all material respects to the terms of our existing notes, except that the 9.25% notes will be registered under the Securities Act and will be freely transferable.

The 9.25% notes are our general unsecured obligations subordinated in right of payment to all of our existing and future senior indebtedness, including all of our obligations under our senior secured credit facility. The interest rate on the 9.25% notes is 9.25% per year (calculated using a 360-day year) payable on June 15 and December 15 of each year, beginning on June 15, 2002.

The 9.25% notes are guaranteed, jointly and severally, fully and unconditionally, on a senior subordinated basis by each of the guarantors, which consist of all of our subsidiaries. The obligations of a guarantor under its guarantee of the notes are subordinated in right of payment, to the same extent as our obligations under the 9.25% notes, to all existing and future senior indebtedness of such guarantor, which includes any guarantee by it of our indebtedness under our senior secured credit facility.

The indenture governing the 9.25% notes contains certain covenants that, among other things, limit our ability to (1) transfer or issue shares of capital stock of subsidiaries to third parties, (2) pay dividends or make certain other payments, (3) incur additional indebtedness, (4) issue preferred stock, (5) incur liens to secure our indebtedness, (6) apply net proceeds from certain asset sales, (7) enter into certain transactions with affiliates or (8) merge with or into any other person.

We may redeem:

- all or part of the original principal amount of the 9.25% notes beginning on December 15, 2006, at various redemption prices, based on the year of redemption, plus accrued and unpaid interest;
- up to 35% of the original principal amount of the 9.25% notes at any time prior to December 15, 2004 at a price of 109.250% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, with the proceeds of certain public equity offerings of our company; and
- all but not part of the 9.25% notes at any time prior to December 15, 2006 at a price equal to 100% of the principal amount of the 9.25% notes, plus accrued and unpaid interest, if any, to the date of redemption plus a make whole premium based upon the present value of the remaining payments on the 9.25% notes.

Upon a change in control, defined as the acquisition by any persons of beneficial ownership of more than 35% of the voting power of the outstanding shares of our common stock, transfers of substantially all of our assets, certain substantial changes in our Board of Directors, certain consolidations or mergers of our company involving a significant change in shareholdings or the liquidation of our company, we will be required to make an offer to repurchase all of the outstanding 9.25% notes at 101% of their aggregate principal amount plus accrued and unpaid interest to the date of purchase. Under certain circumstances, we may not be required to make a such a change of control offer.

SELLING SECURITY HOLDERS

The following table sets forth certain information known to us with respect to the beneficial ownership of our class B common stock as of May 17, 2002 and the security holders who may sell their class B common stock pursuant to this prospectus, and who we refer to as the “selling security holders.”

The shares offered by this prospectus may be offered for sale from time to time by the selling security holders. Because the selling security holders may offer all, some or none of the shares pursuant to this prospectus, and because there are currently no agreements, arrangements or understandings with respect to the sale of any shares, except for a provision in our Articles of Amendment to our Articles of Incorporation that restricts certain of the selling security holders from converting their shares of Series C unless the issuance of such shares to such security holders has been approved by the requisite vote of our shareholders, or unless otherwise permitted by the New York Stock Exchange or the rules thereof, no estimate can be given as to the number of shares that will be held by the selling security holders after the completion of this offering. It is assumed that all the shares offered pursuant to this prospectus are sold, although the aforementioned security holders may not convert their Series C into class B common stock and offer those shares of class B common stock until such approval has been obtained or unless otherwise permitted by the New York Stock Exchange. No selling security holder has, or within the past three years has had, any position, office or other material relationship with us or any of our predecessors or affiliates, except as noted.

The second column lists, for each selling security holder, the number of shares of class B common stock held prior to May 17, 2002 plus the number of shares of class B common stock held based on the selling security holder’s ownership of Series C which is convertible into our class B common stock at the selling security holder’s option, including upon payment of PIK dividends, at any time or from time to time. The third column lists each selling security holder’s portion of the 3,000,000 shares of class B common stock being offered in this prospectus. The fourth and fifth columns assume the sale of all the shares offered in this prospectus by each selling security holder. Except as otherwise indicated, to our knowledge, the selling security holders have sole voting and investment power with respect to the shares of Series C owned by each selling security holder and the underlying shares of class B common stock, and will have sole voting and investment power at the time such shares are sold. The percentages shown in the table below are based upon 8,813,017 shares of class B common stock outstanding as of May 17, 2002 and 3,000,000 shares of class B common stock into which our Series C is convertible.

Selling Security Holder	Number of Shares Beneficially Owned Before this Offering(1)	Shares Being Offered	Number of Shares Beneficially Owned After this Offering(2)	Percentage Beneficial Ownership After this Offering
J. Mack Robinson(3)	119,950	27,000	92,950	*
Harriett J. Robinson(4)	73,400	40,500	32,900	*
Harriett J. Robinson Trustee UVA 08-25-84				
FBO Jill E. Robinson(5)	47,000	27,000	20,000	*
Harriett J. Robinson Trustee UVA 08-25-84				
FBO Robin M. Robinson(5)	47,000	27,000	20,000	*
Georgia Casualty and Surety Co.	137,250	131,250	6,000	*
Bankers Fidelity Life Insurance Co.	131,250	131,250	—	—
Delta Life Insurance Company	233,500	223,500	10,000	*
Delta Fire & Casualty Insurance Company	37,500	37,500	—	—
Teachers Insurance and Annuity Association of America	1,125,000	1,125,000	—	—

Selling Security Holder	Number of Shares Beneficially Owned Before this Offering(1)	Shares Being Offered	Number of Shares Beneficially Owned After this Offering(2)	Percentage Beneficial Ownership After this Offering
Continental Casualty Company	412,500	412,500	—	—
American High-Income Trust	225,000	225,000	—	—
American Funds Insurance Series-High-Yield Bond Fund	225,000	225,000	—	—
The Gabelli Equity Income Fund(6)	75,000	75,000	—	—
The Gabelli Small Cap Growth Fund(6)	265,000	75,000	190,000	1.61
The Gabelli Global Multimedia Trust, Inc.(6)	175,000	75,000	100,000	*
The Gabelli Convertible Securities Fund, Inc.(6)	75,000	75,000	—	—
The Gabelli Equity Trust, Inc.(6)	92,500	67,500	25,000	*

* Less than one percent

- (1) Pursuant to Rule 13d-3 of the Exchange Act, as used in this table, “beneficial ownership” means the sole or shared power to vote, or to direct the disposition of, a security and a person is deemed to have “beneficial ownership” of any security that the person has the right to acquire within 60 days.
- (2) Assumes the sale by the selling security holders of all shares registered hereby.
- (3) President and Chief Executive Officer of the Company since 1996. Chairman of the Executive Committee and a member of the Management Personnel Committee of the Company’s Board of Directors. Director of the Company since 1993. Husband of Harriett J. Robinson, a member of our Board of Directors. Father-in-law of Hilton H. Howell, Jr., Executive Vice President and a member of our Board of Directors. Shares beneficially owned by Mr. Robinson exclude options for 265,000 shares exercisable within 60 days. Mr. Robinson disclaims beneficial ownership of the following shares and options or warrants exercisable within 60 days: (a) options for 5,000 shares held by his wife; (b) 73,400 shares held by his wife; (c) 94,000 shares held by his wife as trustee for their children; (d) 11,750 shares held by Bull Run; (e) warrants for 100,000 shares held by Bull Run; (f) 137,250 shares held by Georgia Casualty and Surety Co.; (g) 131,250 shares held by Bankers Fidelity Life Insurance Co.; (h) 233,500 shares held by Delta Life Insurance Company; and (i) 37,500 shares held by Delta Fire & Casualty Insurance Company.
- (4) Director of the Company since 1997. Wife of J. Mack Robinson and mother-in-law of Hilton H. Howell, Jr. Shares beneficially owned by Mrs. Robinson exclude options for 5,000 shares exercisable within 60 days. Mrs. Robinson disclaims beneficial ownership of the following shares included in the number of beneficial shares owned before this offering: (a) options for 265,000 shares held by her husband; (b) 119,950 shares held by her husband; (c) 94,000 shares held by her as trustee for their children; (d) 11,750 shares held by Bull Run; (e) warrants for 100,000 shares held by Bull Run; (f) 137,250 shares held by Georgia Casualty and Surety Co.; (g) 131,250 shares held by Bankers Fidelity Life Insurance Co.; (h) 233,500 shares held by Delta Life Insurance Company; and (i) 37,500 shares held by Delta Fire & Casualty Insurance Company.
- (5) Trusts for the benefit of Jill E. Robinson and Robin M. Robinson, both daughters of J. Mack Robinson and Harriett J. Robinson.
- (6) Each Gabelli fund listed herein disclaims beneficial ownership of the shares owned by each other Gabelli fund listed herein and also disclaims beneficial ownership of class B common stock owned by the following affiliates of the Gabelli funds: (a) 497,833 shares owned by other Gabelli funds not listed herein; (b) 1,570,791 shares owned by GAMCO; (c) 11,000 shares owned by GPP; (d) 44,100 shares owned by GIL; (e) 16,340 shares owned by GSI; (f) 277 shares owned by Gemini; and (g) 29,000 shares owned by Gabelli Advisors.

DESCRIPTION OF CAPITAL STOCK

We are authorized to issue 50,000,000 shares of all classes of stock, of which, 15,000,000 shares are designated class A common stock, 15,000,000 shares are designated class B common stock, and 20,000,000 shares are designated preferred stock for which our Board of Directors has the authority to determine the rights, powers, limitations and restrictions.

Terms of Our Common Stock

As of May 17, 2002, 6,848,467 shares of class A common stock were issued and outstanding and 8,813,017 shares of class B common stock were issued and outstanding. The rights of our class A and class B common stock are identical, except that our class A common stock entitles the holder to ten votes on all matters on which shareholders are permitted to vote and our class B common stock entitles the holder to one vote on all matters on which shareholders are permitted to vote. The holders of our common stock are entitled to dividends when, as and if declared by our board of directors out of funds legally available therefor and, upon liquidation, to a pro rata share in any distribution to shareholders. Our common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of our class A and class B common stock are fully paid and nonassessable.

Terms of Our Preferred Stock

As of May 17, 2002, 4,000 shares of Series C were issued and outstanding. The following is a description of our Series C:

- Our Series C is preferred stock and ranks senior to our class A and class B common stock as to payment of dividends and distribution of assets upon liquidation.
- Our Series C has a liquidation value equal to \$10,000 per share plus accrued and unpaid dividends to the date of final distribution. There are no sinking fund provisions applicable to our Series C.
- Our Series C has a cumulative annual dividend of \$800 per share, and beginning on April 22, 2009, \$850 per share, payable, at our option, in cash or in additional shares of Series C on a quarterly basis beginning on June 30, 2002.
- Our Series C is convertible, at the option of the holder, into shares of our class B common stock at an initial conversion price of \$14.39 per share, subject to certain adjustments, except that our affiliates may not convert their shares of Series C unless and until the issuance of the Series C to them has been approved by our shareholders or otherwise permitted by the New York Stock Exchange.
- Our Series C is redeemable, in whole or in part, at our option, on or after April 22, 2007, at a redemption price equal to \$10,000 per share plus accrued and unpaid dividends. We must redeem all of the then outstanding shares of Series C on April 22, 2012 at a redemption price equal to \$10,000 per share plus accrued and unpaid dividends.
- Holders of our Series C will not have any voting rights except as set forth below or as otherwise required by law. Holders of our Series C: (1) will be entitled to elect two additional directors of our company in the event that dividends on our Series C are in arrears in an amount equal to at least six quarterly dividends and (2) have approval rights over (A) the authorization or issuance of any shares of, or the reclassification of any shares of our capital stock into shares of, our capital stock ranking senior to our Series C, (B) the authorization or issuance of any additional shares of Series C and (C) any amendment of our Restated Articles of Incorporation that adversely affects the powers, preferences or special rights of our Series C.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Mellon Investor Services LLC. It is located at One Mellon Bank Center, 500 Grant Street, Room 2122, Pittsburgh, PA 15258-0001 and its telephone number is (412) 236-8172.

PLAN OF DISTRIBUTION

The shares covered by this prospectus may be offered and sold from time to time by the selling security holders. For the purposes of this plan of distribution, the term “selling security holders” includes donees, pledgees, transferees or other successors-in-interest selling shares received after the date of this prospectus from a selling security holder as a gift, pledge, partnership distribution or other non-sale related transfer. The selling security holders will act independently of us in making decisions with respect to the timing, manner and size of each sale. The selling security holders may sell their shares by one or more of, or a combination of, the following methods:

- directly by the selling security holders to one or more purchasers;
- through underwriters, broker-dealers or agents;
- in one or more transactions at fixed prices (which may be changed), at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices;
- in option or other transactions with broker-dealers that require the delivery by such broker-dealers of the shares, which shares may be resold thereafter pursuant to this prospectus;
- in hedging transactions with broker-dealers who may engage in short sales of shares in the course of hedging the positions they assume with the selling security holders; or
- in the following additional transactions (which may involve crosses or block transactions):
 - on any national securities exchange or U.S. inter-dealer quotation system of a registered national securities association on which the shares may be listed or quoted at the time of sale;
 - in the over-the-counter market;
 - in transactions otherwise than on such exchanges or services or in over-the-counter market;
 - through the writing of options, whether the options are listed on an option exchange or otherwise; or
 - through the settlement of short sales.

In addition, any shares that qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this prospectus.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution. In connection with distributions of the shares or otherwise, the selling security holders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with such transactions, broker-dealers or other financial institutions may engage in short sales of the class B common stock in the course of hedging the positions they assume with selling security holders. The selling security holders may also sell the class B common stock short and redeliver the shares to close out such short positions. The selling security holders may also enter into option or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction). The selling security holders may also pledge or grant a security interest in shares and, upon a default in the performance of the secured obligation, such pledgee or secured party may effect sales of the pledged shares pursuant to this prospectus (as supplemented or amended to reflect such transaction).

In effecting sales, broker-dealers or agents engaged by the selling security holders may arrange for other broker-dealers to participate. Broker-dealers, underwriters or agents may receive commissions, discounts or concessions from the selling security holders and/or purchasers of the shares for whom they may act as agents.

In offering the shares covered by this prospectus, the selling security holders and any broker-dealers, underwriters or agents who execute sales for the selling security holders may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. Any profits realized by the selling security holders and the compensation of any broker-dealer, underwriter or agent may be deemed to be underwriting discounts and commissions. Neither we nor any selling security holder can presently estimate the amount of such compensation. We know of no existing arrangements between any selling security holder and any other selling security holder, underwriter, broker-dealer or other agent relating to the sale or distribution of the shares. No underwriter, broker-dealer or agent has been engaged by us in connection with the distribution of the shares.

In order to comply with the securities laws of certain states, if applicable, the shares must be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

We have advised the selling security holders that the anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling security holders and their affiliates. We will make copies of this prospectus available to the selling security holders for the purpose of satisfying the prospectus delivery requirements of the Securities Act, which may include delivery through the facilities of the New York Stock Exchange pursuant to Rule 153 under the Securities Act. The selling security holders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

At the time a particular offer of shares is made, if required, a prospectus supplement will be distributed that will set forth the number of shares being offered and the terms of the offering, including the name of any underwriter, dealer or agent, the purchase price paid by any underwriter, any discount, commission and other item constituting compensation, any discount, commission or concession allowed or reallocated or paid to any dealer, and the proposed selling price to the public.

We have agreed to indemnify the selling security holders against certain liabilities, including certain liabilities under the Securities Act. We will be indemnified by the selling security holders severally against certain liabilities, including certain liabilities under the Securities Act.

We have agreed with the selling security holders to keep the registration statement of which this prospectus constitutes a part effective until the earlier of April 22, 2004 and the date as of which there are no longer in existence any registrable securities under the registration rights agreement that we entered into with the selling security holders.

The selling security holders will pay any underwriting discounts and commissions and brokerage fees incurred by the selling security holders in disposing of the shares, as well as all transfer taxes and other similar expenses. We will bear some of the legal expenses incurred by the selling security holders and all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including all registration and filing fees, New York Stock Exchange listing fees and fees and expenses of our counsel and our accountants.

LEGAL MATTERS

Proskauer Rose LLP, New York, New York, and Troutman Sanders, LLP, Atlanta, Georgia, will pass on the validity of the issuance of the securities offered in this prospectus.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements and schedule of Gray Communications Systems, Inc. incorporated by reference in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, to the extent indicated in their reports thereon also incorporated by

reference herein and in the registration statement. Such consolidated financial statements have been incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Gray Communications Systems, Inc. as of December 31, 2001, and for the year then ended, and as of March 31, 2002, and for the quarter then ended, incorporated into this prospectus, respectively, by reference to the Gray Communications Systems, Inc. Annual Report on Form 10-K for the year ended December 31, 2001, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file at the SEC's public reference rooms at 450 Fifth Street, N.W., Washington, D.C., 20549 and also at its locations in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public at the SEC's web site at <http://www.sec.gov>. Our class A common stock and class B common stock are listed on the New York Stock Exchange. Our reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002 and any future filings that we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934. You may request a copy of those filings, at no cost, by writing or telephoning us at the following:

Gray Communications Systems, Inc.

4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attention: James C. Ryan
Telephone: (404) 504-9828

This prospectus is part of a registration statement we filed with the SEC. You should rely on only the information or representations provided in this prospectus. We have authorized no one to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of the document.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

An estimate (other than the SEC registration fee) of the fees and expenses of issuance and distribution (other than discounts and commissions) of the common stock offered hereby (all of which will be paid by Gray Communications Systems, Inc., the “registrant”) is as follows:

SEC registration fee	\$
New York Stock Exchange listing fee	
Trustee’s fees and expenses	
Legal fees and expenses	
Accounting fees and expenses	
Printing Costs	
Miscellaneous expenses	
Total	\$

Item 15. Indemnification of Directors and Officers.

Sections 14-2-851 and 14-2-857 of the Georgia Business Corporation Code (the “GBCC”) permit, in general, a Georgia corporation to indemnify any person made, or threatened to be made, a party to an action or proceeding by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, against any judgment, fines, amounts paid in settlement and expenses, including attorney’s fees actually and reasonably incurred as a result of such action or proceeding, or any appeal therein, if such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, in criminal actions or proceedings, had no reasonable cause to believe that his or her conduct was unlawful, provided that a corporation may not indemnify a person in any action brought by or in the right of the corporation. Sections 14-2-853 and 14-2-857 of the GBCC permit the corporation to pay in advance of a final disposition of such action or proceeding the expenses incurred in defending such action or proceeding upon receipt, in the case of a director or officer, of a written affirmation of his or her good faith belief that he or she has met the standard of conduct required by Section 14-2-851 and of an undertaking by or on behalf of the director or officer to repay such amount as, and to the extent, required by statute.

The certificate of incorporation of the registrant provides that the registrant shall indemnify, to the fullest extent permitted by the GBCC, all directors from and against any and all of the expenses, liabilities or other matters referred to in, or covered by, the GBCC; provided, however, that to the extent required by the GBCC, the registrant shall not eliminate or limit the liability of a director (1) for any appropriation, in violation of his or her duties, of any business opportunity of the registrant, (2) for acts or omissions which involve intentional misconduct or a knowing violation of law, (3) for types of liability set forth in Section 14-2-832 of the GBCC, or (4) for any transaction from which the director derived an improper personal benefit.

Item 16. Exhibits.

The following is a list of all the exhibits filed herewith, incorporated by reference as part of the registration statement or to be filed by amendment as noted.

Exhibit Number	Description
3.1	— Restated Articles of Incorporation of Gray Communications Systems, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-K for the year ended December 31, 1996)
3.2	— Articles of Amendment to the Articles of Incorporation of Gray Communications Systems, Inc. dated April 15, 2002
3.3	— By-Laws of Gray Communications Systems, Inc., as amended (incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-K for the year ended December 31, 1996)
3.4	— Amendment of the By-Laws of Gray Communications Systems, Inc. dated January 6, 1999 (incorporated by reference to Exhibit 3.3 to the Registrant's Form 10-K for the year ended December 31, 1998)
4.1	— Registration Rights Agreement, dated April 22, 2002, by and among Gray Communications Systems, Inc. and each of the investors in the Series C convertible preferred stock
4.2	— Preferred Stock Purchase Agreement, dated April 22, 2002, by and among Gray Communications Systems, Inc. and certain of the investors in the Series C convertible preferred stock
4.3	— Exchange Agreement, dated April 22, 2002, among Gray Communications Systems, Inc. and certain of the investors in the Series C convertible preferred stock
4.4	— Form of Indenture for Senior Debt Securities to be entered into between Gray and a Trustee to be named
4.5	— Form of Indenture for Subordinated Debt Securities to be entered into between Gray and a Trustee to be named
5.1*	— Opinion of Proskauer Rose LLP
5.2*	— Opinion of Troutman Sanders LLP
12.1	— Statement Regarding Computation of Ratios
23.1	— Consent of PricewaterhouseCoopers LLP
23.2	— Consent of Ernst & Young LLP
23.3*	— Consent of Proskauer Rose LLP (incorporated by reference to Exhibit 5.1)
23.4*	— Consent of Troutman Sanders LLP (incorporated by reference to Exhibit 5.2)
24.1	— Power of Attorney (included in Signature Page)

* To be filed by amendment.

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such

information in the registration statement; provided, however, that (i) and (ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by (i) and (ii) is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

SIGNATURE OF REGISTRANT

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on May 20, 2002.

GRAY COMMUNICATIONS SYSTEMS, INC.
(registrant)

By: _____ /s/ J. MACK ROBINSON

J. Mack Robinson
President and Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on May 20, 2002. Each of the undersigned officers and directors of the Registrant hereby constitutes J. Mack Robinson, Robert S. Prather, Jr. and James C. Ryan, any of whom may act, his or her true and lawful attorneys-in-fact with full power to sign for him or her and in his or her name in the capacities indicated below and to file any and all amendments to the Registration Statement filed herewith, making such changes in the Registration Statement as the Registrant deems appropriate, and generally to do all such things in his or her name and behalf in his or her capacity as an officer and/or director to enable the Registrant to comply with the provisions of the Securities Act of 1933 and all requirements of the Securities and Exchange Commission.

Signature	Title
/s/ J. MACK ROBINSON	
J. Mack Robinson	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ JAMES C. RYAN	
James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ ROBERT S. PRATHER, JR.	
Robert S. Prather, Jr.	Director
/s/ HILTON H. HOWELL, JR.	
Hilton H. Howell, Jr.	Director
/s/ WILLIAM E. MAYHER, III	
William E. Mayher, III	Director
/s/ RICHARD L. BOGER	
Richard L. Boger	Director

Signature

Title

/s/ RAY M. DEEVER

Director

Ray M. Deaver

/s/ HOWELL W. NEWTON

Director

Howell W. Newton

/s/ HUGH NORTON

Director

Hugh Norton

/s/ HARRIETT J. ROBINSON

Director

Harriett J. Robinson

Signature

Title

/s/ RAY M. DEEVER

Director

Ray M. Deaver

/s/ HOWELL W. NEWTON

Director

Howell W. Newton

/s/ HUGH NORTON

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Hugh Norton

/s/ HARRIETT J. ROBINSON

Director

Harriett J. Robinson

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Director

Howell W. Newton

/s/ HUGH NORTON

Director

Hugh Norton

/s/ HARRIETT J. ROBINSON

Director

Harriett J. Robinson

SIGNATURE OF REGISTRANT

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on May 20, 2002.

GRAY COMMUNICATIONS OF INDIANA, INC.
(registrant)

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act, this registration statement has been signed below by the following persons in the capacities indicated on May 20, 2002. Each of the undersigned officers and directors of the registrant hereby constitutes J. Mack Robinson, Robert S. Prather, Jr. and James C. Ryan, any of whom may act, his or her true and lawful attorneys-in-fact with full power to sign for him or her and in his or her name in the capacities indicated below and to file any and all amendments to the registration statement filed herewith, making such changes in the registration statement as the registrant deems appropriate, and generally to do all such things in his or her name and behalf in his or her capacity as an officer and/or director to enable the registrant to comply with the provisions of the Securities Act and all requirements of the Securities and Exchange Commission.

Signature	Title
/s/ J. MACK ROBINSON	
J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN	
James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ ROBERT S. PRATHER, JR.	
Robert S. Prather, Jr.	Director
/s/ HILTON H. HOWELL, JR.	
Hilton H. Howell, Jr.	Director
/s/ WILLIAM E. MAYHER, III	
William E. Mayher, III	Director
/s/ RICHARD L. BOGER	
Richard L. Boger	Director

Signature

Title

/s/ RAY M. DEEVER

Director

Ray M. Deaver

/s/ HOWELL W. NEWTON

Director

Howell W. Newton

/s/ HUGH NORTON

Director

Hugh Norton

/s/ HARRIETT J. ROBINSON

Director

Harriett J. Robinson

SIGNATURE OF REGISTRANT

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on May 20, 2002.

WEAU-TV, INC.
(registrant)

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board
(Principal Executive Officer)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act, this registration statement has been signed below by the following persons in the capacities indicated on May 20, 2002. Each of the undersigned officers and directors of the registrant hereby constitutes J. Mack Robinson, Robert S. Prather, Jr. and James C. Ryan, any of whom may act, his or her true and lawful attorneys-in-fact with full power to sign for him or her and in his or her name in the capacities indicated below and to file any and all amendments to the registration statement filed herewith, making such changes in the registration statement as the registrant deems appropriate, and generally to do all such things in his or her name and behalf in his or her capacity as an officer and/or director to enable the registrant to comply with the provisions of the Securities Act and all requirements of the Securities and Exchange Commission.

Signature	Title
/s/ J. MACK ROBINSON	
J. Mack Robinson	Chairman of the Board (Principal Executive Officer)
/s/ JAMES C. RYAN	
James C. Ryan	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ ROBERT S. PRATHER, JR.	
Robert S. Prather, Jr.	Director
/s/ HILTON H. HOWELL, JR.	
Hilton H. Howell, Jr.	Director
/s/ WILLIAM E. MAYHER, III	
William E. Mayher, III	Director
/s/ RICHARD L. BOGER	
Richard L. Boger	Director

Signature

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Director

Ray M. Deaver

/s/ HOWELL W. NEWTON

Director

Howell W. Newton

/s/ HUGH NORTON

Director

Hugh Norton

/s/ HARRIETT J. ROBINSON

Director

Harriett J. Robinson

Signature

Title

/s/ RAY M. DEEVER

Director

Ray M. Deaver

/s/ HOWELL W. NEWTON

Director

Howell W. Newton

/s/ HUGH NORTON

Director

Hugh Norton

/s/ HARRIETT J. ROBINSON

Director

Harriett J. Robinson

SIGNATURE OF REGISTRANT

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on May 20, 2002.

KOLN/ KGIN LICENSE, INC.
(registrant)

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
(Principal Executive Officer)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act, this registration statement has been signed below by the following persons in the capacities indicated on May 20, 2002. Each of the undersigned officers and directors of the registrant hereby constitutes J. Mack Robinson, Robert S. Prather, Jr. and James C. Ryan, any of whom may act, his or her true and lawful attorneys-in-fact with full power to sign for him or her and in his or her name in the capacities indicated below and to file any and all amendments to the registration statement filed herewith, making such changes in the registration statement as the registrant deems appropriate, and generally to do all such things in his or her name and behalf in his or her capacity as an officer and/or director to enable the registrant to comply with the provisions of the Securities Act and all requirements of the Securities and Exchange Commission.

Signature	Title
<hr/> /s/ J. MACK ROBINSON <hr/> J. Mack Robinson	 Chairman of the Board and President (Principal Executive Officer)
<hr/> /s/ JAMES C. RYAN <hr/> James C. Ryan	 Treasurer (Principal Financial and Accounting Officer)
<hr/> /s/ ROBERT A. BEIZER <hr/> Robert A. Beizer	 Director
<hr/> /s/ LISA M. OAKES <hr/> Lisa M. Oakes	 Director

Signature

Title

/s/ RAY M. DEEVER

Director

Ray M. Deaver

/s/ HOWELL W. NEWTON

Director

Howell W. Newton

/s/ HUGH NORTON

Director

Hugh Norton

/s/ HARRIETT J. ROBINSON

Director

Harriett J. Robinson

SIGNATURE OF REGISTRANT

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on May 20, 2002.

GRAY DIGITAL, INC.
(registrant)

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
(Principal Executive Officer)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act, this registration statement has been signed below by the following persons in the capacities indicated on May 20, 2002. Each of the undersigned officers and directors of the registrant hereby constitutes J. Mack Robinson, Robert S. Prather, Jr. and James C. Ryan, any of whom may act, his or her true and lawful attorneys-in-fact with full power to sign for him or her and in his or her name in the capacities indicated below and to file any and all amendments to the registration statement filed herewith, making such changes in the registration statement as the registrant deems appropriate, and generally to do all such things in his or her name and behalf in his or her capacity as an officer and/or director to enable the registrant to comply with the provisions of the Securities Act and all requirements of the Securities and Exchange Commission.

Signature	Title
/s/ J. MACK ROBINSON	
J. Mack Robinson	Chairman of the Board and President (Principal Executive Officer)
/s/ JAMES C. RYAN	
James C. Ryan	Treasurer (Principal Financial and Accounting Officer)
/s/ ROBERT A. BEIZER	
Robert A. Beizer	Director
/s/ LISA M. OAKES	
Lisa M. Oakes	Director

SIGNATURE OF REGISTRANT

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on May 20, 2002.

KXII LP CORP.
(registrant)

By: /s/ J. MACK ROBINSON

J. Mack Robinson
Chairman of the Board and President
(Principal Executive Officer)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act, this registration statement has been signed below by the following persons in the capacities indicated on May 20, 2002. Each of the undersigned officers and directors of the registrant hereby constitutes J. Mack Robinson, Robert S. Prather, Jr. and James C. Ryan, any of whom may act, his or her true and lawful attorneys-in-fact with full power to sign for him or her and in his or her name in the capacities indicated below and to file any and all amendments to the registration statement filed herewith, making such changes in the registration statement as the registrant deems appropriate, and generally to do all such things in his or her name and behalf in his or her capacity as an officer and/or director to enable the registrant to comply with the provisions of the Securities Act and all requirements of the Securities and Exchange Commission.

Signature	Title
/s/ J. MACK ROBINSON	
J. Mack Robinson	Chairman of the Board and President (Principal Executive Officer)
/s/ JAMES C. RYAN	
James C. Ryan	Treasurer (Principal Financial and Accounting Officer)
/s/ ROBERT A. BEIZER	
Robert A. Beizer	Director
/s/ LISA M. OAKES	
Lisa M. Oakes	Director

Signature	Title
/s/ RICHARD L. BOGER	Director
Richard L. Boger	
/s/ RAY M. DEAVER	Director
Ray M. Deaver	
/s/ HOWELL W. NEWTON	Director
Howell W. Newton	
/s/ HUGH NORTON	Director
Hugh Norton	
/s/ HARRIETT J. ROBINSON	Director
Harriett J. Robinson	

Signature	Title
<hr/> <i>/s/</i> RICHARD L. BOGER	Director
Richard L. Boger	
<hr/> <i>/s/</i> RAY M. DEAVER	Director
Ray M. Deaver	
<hr/> <i>/s/</i> HOWELL W. NEWTON	Director
Howell W. Newton	
<hr/> <i>/s/</i> HUGH NORTON	Director
Hugh Norton	
<hr/> <i>/s/</i> HARRIETT J. ROBINSON	Director
Harriett J. Robinson	

Signature

Title

/s/ RAY M. DEEVER

Director

Ray M. Deaver

/s/ HOWELL W. NEWTON

Director

Howell W. Newton

/s/ HUGH NORTON

Director

Hugh Norton

/s/ HARRIETT J. ROBINSON

Director

Harriett J. Robinson

INDEX TO EXHIBITS

3.1	—	Restated Articles of Incorporation of Gray Communications Systems, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-K for the year ended December 31, 1996)
3.2	—	Articles of Amendment to the Articles of Incorporation of Gray Communications Systems, Inc. dated April 15, 2002
3.3	—	By-Laws of Gray Communications Systems, Inc., as amended (incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-K for the year ended December 31, 1996)
3.4	—	Amendment of the By-Laws of Gray Communications Systems, Inc. dated January 6, 1999 (incorporated by reference to Exhibit 3.3 to the Registrant's Form 10-K for the year ended December 31, 1998)
4.1	—	Registration Rights Agreement, dated April 22, 2002, by and among Gray Communications Systems, Inc. and each of the investors in the Series C convertible preferred stock
4.2	—	Preferred Stock Purchase Agreement, dated April 22, 2002, by and among Gray Communications Systems, Inc. and certain of the investors in the Series C convertible preferred stock
4.3	—	Exchange Agreement, dated April 22, 2002, among Gray Communications Systems, Inc. and certain of the investors in the Series C convertible preferred stock
4.4	—	Form of Indenture for Senior Debt Securities to be entered into between Gray and a Trustee to be named
4.5	—	Form of Indenture for Subordinated Debt Securities to be entered into between Gray and a Trustee to be named
5.1*	—	Opinion of Proskauer Rose LLP
5.2*	—	Opinion of Troutman Sanders LLP
12.1	—	Statement Regarding Computation of Ratios
23.1	—	Consent of PricewaterhouseCoopers LLP
23.2	—	Consent of Ernst & Young LLP
23.3*	—	Consent of Proskauer Rose LLP (incorporated by reference to Exhibit 5.1)
23.4*	—	Consent of Troutman Sanders LLP (incorporated by reference to Exhibit 5.2)
24.1	—	Power of Attorney (included in Signature Page)

* To be filed by amendment.

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
GRAY COMMUNICATIONS SYSTEMS, INC.

I.

The name of the corporation is Gray Communications Systems, Inc.

II.

Effective the date hereof, the Section entitled "PREFERRED STOCK" of Article 4 of the Articles of Incorporation of Gray Communications Systems, Inc. is hereby amended by adding the subsection entitled "SERIES C CONVERTIBLE PREFERRED STOCK" as set forth in Exhibit A attached hereto.

III.

All other provisions of the Articles of Incorporation, including the remaining sections of Article 4, shall remain in full force and effect.

IV.

This Amendment was duly adopted on March 14, 2002 by the Board of Directors in accordance with the provisions of ss. 14-2-602(d) and ss. 14-2-1002(9) of the Georgia Business Corporation Code, and pursuant to said code sections, shareholder action was not required.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed by its duly authorized officer on this the 15th day of April, 2002.

GRAY COMMUNICATIONS SYSTEMS, INC.

/s/ James C. Ryan by H. Ray

Name: James C. Ryan
Title: Vice President and
Chief Financial Officer
By: Neal H. Ray, Power of Attorney

[STAMP:
SECRETARY OF STATE
2002 APR 15 P 4:27
CORPORATIONS DIVISION]

Exhibit A

SERIES C CONVERTIBLE PREFERRED STOCK

Section 1. Designation and Amount. The shares of such series shall be designated as "Series C Convertible Preferred Stock" (the "SERIES C PREFERRED STOCK"), and the number of shares constituting the Series C Preferred Stock shall be 5,000 and if and to the extent further shares are needed in order to pay dividends in shares of Series C Preferred Stock as provided for in Section 3 hereof, the Board of Directors of the Corporation (the "BOARD OF DIRECTORS" or the "BOARD") will authorize additional shares of Series C Preferred Stock so that at all times, so long as Series C Preferred Stock is outstanding, there will be a sufficient number of Series C Preferred Stock authorized and reserved to pay dividends as provided for in Section 3 hereof in shares of Series C Preferred Stock for the next succeeding four quarters.

Section 2. Rank. All Series C Preferred Stock shall rank, as to payment of dividends and as to distribution of assets upon liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary (any such event, a "LIQUIDATION EVENT"):

(i) senior to (A) all classes or series of common stock of the Corporation, whether voting or non-voting, including, without limitation, the Class A Common Stock, no par value (the "CLASS A COMMON STOCK"), and the Class B Common Stock, no par value (the "CLASS B COMMON STOCK"), whether now or hereafter issued (collectively, the "COMMON STOCK") and (B) all other shares, interests, participations or other equivalents (however designated) of capital stock of the Corporation which does not constitute Parity Stock or Senior Stock (as each such term is defined below) (all of the foregoing collectively referred to as "JUNIOR STOCK");

(ii) on a parity with (A) the Series A Preferred Stock, no par value, now or hereafter issued, (B) the Series B Preferred Stock, no par value, now or hereafter issued and (C) each other series or class of Preferred Stock (as defined in Article 4 of the Restated Articles of Incorporation

of the Corporation) hereafter created, the terms of which expressly provide that such series or class ranks on a parity with the Series C Preferred Stock as to dividends and distribution of assets upon a Liquidation Event (collectively referred to as "Parity Stock"); and

(iii) junior to each series or class of Preferred Stock hereafter created, the terms of which expressly provide that such class or series ranks senior to the Series C Preferred Stock as to dividends and distributions of assets upon a Liquidation Event (collectively referred to as "Senior Stock").

Section 3. Dividends and Distributions. The holders of shares of Series C Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for such purposes, dividends at the rate of \$800.00 per annum per share (which amount shall increase to \$850.00 per annum per share commencing on the seventh anniversary of the date of the initial issuance of shares of Series C Preferred Stock) (as such dollar amounts and the references to \$10,000.00 in Section 4 hereof and in Section 5(a) hereof may be appropriately adjusted to reflect any stock split, stock dividend, reclassification, recapitalization or similar event involving the Series C Preferred Stock), which shall be fully cumulative and shall accrue without interest from the date of original issuance of such share (whether or not declared by the Board of Directors). Dividends shall be payable when, as, and if declared by the Board of Directors. Dividends shall be payable, at the Corporation's option in cash, or in additional shares (whether whole or fractional) of Series C Preferred Stock valued, for the purpose of determining the number of shares (or fraction thereof) of such Series C Preferred Stock to be issued, at the value of \$10,000.00 per whole share, quarterly on March 31, June 30, September 30 and December 31, of each year commencing June 30, 2002 (except that if any such date is a Saturday, Sunday or legal holiday, then such dividend shall be payable on the next day that is not a Saturday, Sunday, or legal holiday) to holders of record as they appear on the stock books of the

Corporation on the 15th day of the month in which the dividend is to be paid. The amount of dividends payable per share of Series C Preferred Stock for each quarterly dividend period shall be computed by dividing the annual dividend amount by four. The amount of dividends payable for the initial dividend period and any period shorter than a full quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months. No dividends or other distributions, other than dividends payable solely in shares of Junior Stock, shall be paid, declared or set apart for payment on, and except for the use of Common Stock to enable option holders to exercise stock options pursuant to the stock option plans of the Corporation and its subsidiaries, no purchase, redemption, or other acquisition shall be made by the Corporation of any shares of Junior Stock (and no moneys shall be paid to or made available to a sinking fund for the redemption of any shares of such stock) unless and until all accrued and unpaid dividends on the Series C Preferred Stock, including the full dividends for the then current dividend period, shall have been, or contemporaneously are, declared and paid.

If at any time any dividend on any Senior Stock shall be in default, in whole or in part, no dividend shall be paid, declared or set apart for payment on the Series C Preferred Stock unless and until all accrued and unpaid dividends with respect to the Senior Stock, including the full dividends for the then current dividend period, shall have been, or contemporaneously are, declared and paid. No full dividends shall be paid, declared or set apart for payment on any Parity Stock for any period unless all accrued by unpaid dividends have been, or contemporaneously are, respectively paid, declared or set apart for such payment on the Series C Preferred Stock. No full dividends shall be paid, declared or set apart for payment on the Series C Preferred Stock for any period unless all accrued but unpaid dividends have been, or contemporaneously are, respectively paid, declared or set apart for payment on the Parity Stock for all dividend periods terminating on or prior to the date of payment of such full dividends.

When dividends are not paid, declared or set aside in full upon the Series C Preferred Stock and the Parity Stock, all dividends paid, declared or set apart for payment upon shares of Series C Preferred Stock and the Parity Stock shall be respectively paid, declared or set apart for payment pro rata, so that the amount of dividends paid, declared or set apart for payment, as the case may be, per share on the Series C Preferred Stock and the Parity Stock shall in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of Series C Preferred Stock and the Parity Stock bear to each other.

Any reference to "distribution" contained in this Section 3 shall not be deemed to include any stock dividend or distribution made in connection with any Liquidation Event.

Section 4. Liquidation Preference. In the event of a Liquidation Event, the holders of Series C Preferred Stock shall be entitled to receive out of the assets of the Corporation, whether such assets constitute stated capital or surplus of any nature, an amount equal to the sum of (i) dividends accrued and unpaid thereon to the date of final distribution to such holders, without interest, and (ii) \$10,000,000 per share (such sum, as of any given time, the "LIQUIDATION PREFERENCE") and no more, before any payment shall be made or any assets distributed to the holders of Junior Stock; provided, however, that the holders of Series C Preferred Stock shall be entitled to such payment only in the event that the Corporation's payment with respect to the liquidation preference of the holders of Senior Stock are fully met. After the liquidation preferences of the Senior Stock are fully met, the entire assets of the Corporation available for distribution shall be distributed ratably among the holders of the Series C Preferred Stock and any Parity Stock in proportion to the respective preferential amounts to which each is entitled (but only to the extent of such preferential amounts). After payment in full of the Liquidation Preference of the shares of the Series C Preferred Stock, the holders of such shares shall not be

entitled to any further participation in any distribution of assets by the Corporation. Neither a consolidation or merger of the Corporation with another corporation nor a sale or transfer of all or part of the Corporation's assets for cash, securities, or other property will be considered a Liquidation Event.

Section 5. Redemption of Series C Preferred Stock.

(a) Redemption at Option of the Corporation. At any time on or after the fifth anniversary of the date of the initial issuance of shares of Series C Preferred Stock, the Corporation at its option, may redeem at any time all, or from time to time a portion, of the Series C Preferred Stock on any date set by the Board of Directors (any such date, an "OPTIONAL REDEMPTION DATE"), at a redemption price equal to the sum of (i) \$10,000.00 per share plus (ii) an amount per share equal to all dividends on the Series C Preferred Stock accrued and unpaid on such share, pro rata to the date fixed for redemption (or through the date of actual payment if the Corporation fails to satisfy its payment obligations upon a holder's compliance with the procedures set forth in Section 5(c) hereof) (such amount, as of any given time, the "REDEMPTION PRICE"). The Redemption Price shall be payable in cash.

In case of the redemption of less than all of the then outstanding Series C Preferred Stock, the Corporation shall effect such redemption pro rata. Notwithstanding the foregoing, the Corporation shall not redeem less than all of the Series C Preferred Stock at any time outstanding until all accrued but unpaid dividends upon all Series C Preferred Stock then outstanding shall have been paid.

(b) Mandatory Redemption of Series C Preferred Stock. On the tenth anniversary of the date of the initial issuance of shares of Series C Preferred Stock (the "MANDATORY REDEMPTION DATE"), the Corporation shall redeem all of the then outstanding shares of Series C Preferred

Stock at a price per share equal to the Redemption Price. The Redemption Price shall be payable in cash. In the event the Corporation fails for any reason to satisfy such repurchase obligation on the Mandatory Redemption Date (the "MANDATORY REDEMPTION OBLIGATION"), the Mandatory Redemption Obligation shall be discharged as soon as the Corporation is able to do so. If and for so long as any Mandatory Redemption Obligation with respect to the Series C Preferred Stock shall not be fully discharged, the Corporation shall not (i) redeem, purchase, or otherwise acquire any Parity Stock or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Parity Stock (except in connection with a redemption, sinking fund or other similar obligation to be satisfied pro rata with the Series C Preferred Stock) or (ii) declare any dividend or make any distribution on Junior Stock, redeem, purchase or otherwise acquire any Junior Stock or discharge any mandatory or optional redemption, sinking fund or other similar obligation in respect of any Junior Stock.

(c) Mechanics of Redemption. Not more than 60 nor less than 30 days prior to an Optional Redemption Date or the Mandatory Redemption Date, as applicable, the Corporation shall give notice by a nationally recognized overnight courier and sent by facsimile transmission with receipt confirmed, to the holders of record of the Series C Preferred Stock to be redeemed, addressed to such shareholders at their last addresses as shown on the books of the Corporation. Each such notice of redemption shall specify the date fixed for redemption, the Redemption Price, the place or places of payment, that payment will be made upon presentation and surrender of the Series C Preferred Stock, that accrued but unpaid dividends to the date fixed for redemption will be paid on the date fixed for redemption, and that on and after the redemption date, dividends will cease to accrue on such shares.

Any notice which is sent to a holder as herein provided shall be conclusively presumed to have been duly given, whether or not the holder of the Series C Preferred Stock receives such

notice; and failure to give such notice, or any defect in such notice, to the holders of any shares designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series C Preferred Stock. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate (or certificates) evidencing such shares to the Corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the Redemption Price and thereupon the Corporation shall pay, or cause to be paid, the full Redemption Price for the shares so surrendered in cash, provided that if a certificate is not surrendered by a holder of record of shares of Series C Preferred Stock represented by such certificate but such holder delivers an affidavit to the Corporation stating that the certificate or certificates representing its shares of Series C Preferred Stock have been lost, stolen or destroyed and executes an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such lost, stolen or destroyed certificates, payment of the full Redemption Price shall be made to such holder. In the case of an optional redemption by the Corporation pursuant to Section 5(a) hereof, if fewer than all the shares represented by any such surrendered certificate (or certificates) are redeemed, a new certificate shall be issued representing the unredeemed shares. If, on the date fixed for redemption, funds necessary for the redemption shall be available therefor and shall have been irrevocably deposited in a separate account for the benefit of the holders of the shares called for redemption in a nationally recognized financial institution, then, notwithstanding that the certificates evidencing any shares so called for redemption shall not have been surrendered, the dividends with respect to the shares so called shall cease to accrue after the date fixed for redemption, the shares shall no longer be deemed outstanding, the holders thereof shall cease to be shareholders, and all rights whatsoever with respect to the shares so called for redemption (except the right of the holders to receive the

Redemption Price without interest upon surrender of their certificates therefor) shall terminate. The Corporation shall cause any monies deposited by the Corporation pursuant to the foregoing provision and unclaimed by the holders of the shares called for redemption at the end of one year from the date fixed for redemption, to the extent permitted by law, to be returned by such financial institution to the Corporation, after which the holders of shares of Series C Preferred Stock so called for redemption who have not claimed the Redemption Price shall look only to the Corporation for the payment thereof. Shares of Series C Preferred Stock redeemed by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock of the Corporation, without designation as to series, and may thereafter be reissued, but not as shares of Series C Preferred Stock.

Section 6. Conversion Rights. The Series C Preferred Stock will be convertible into Class B Common Stock as follows:

(a) Conversion. Subject to and upon compliance with the provisions of this Section 6 hereof, the holder of any shares of Series C Preferred Stock will have the right at such holder's option, at any time or from time to time, to convert any of such shares of Series C Preferred Stock into fully paid and nonassessable shares of Class B Common Stock at the Conversion Price in effect on the Conversion Date without the payment of any additional consideration by the holder thereof (as such terms are defined below); provided, however, that none of the persons (as defined below) specified in New York Stock Exchange Rule 312.03(b) may convert shares of Series C Preferred Stock unless and until the issuance of such shares to such persons has been approved by the requisite vote of the shareholders of the Corporation, or unless otherwise permitted by the New York Stock Exchange or the rules thereof.

(b) Conversion Price. Each share of Series C Preferred Stock will be converted into a number of shares of Class B Common Stock determined by dividing (i) the Liquidation

Preference by (ii) the Conversion Price in effect on the Conversion Date. The Conversion at which shares of Class B Common Stock will initially be issuable upon conversion of the shares of Series C Preferred Stock will be \$14.39. The Conversion Price will be subject to adjustment as set forth in Section 6(e) hereof. Subject to Section 6(g) hereof, no dividends will accrue or be paid on any share of Series C Preferred Stock subsequent to the conversion of such share.

(c) Mechanics of Conversion. The holder of any shares of Series C Preferred Stock may exercise the conversion right specified in Section 6(a) hereof by surrendering to the Corporation or the transfer agent of the Corporation the certificate or certificates for the shares to be converted, accompanied by written notice specifying the number of shares to be converted and stating therein such holder's name or the name or names of such holder's nominees in which such holder wishes the certificate or certificates evidencing the shares of Class B Common Stock issuable upon such conversion to be issued; provided, however, that the Corporation will not be obligated to issue to any such holder or such holder's nominees the certificate or certificates evidencing the shares of Class B Common Stock issuable upon such conversion, unless (i) (A) the certificate or certificates evidencing the shares of Series C Preferred Stock are either delivered to the Corporation or the transfer agent of the Corporation or (B) such holder delivers an affidavit to the Corporation stating that the certificate or certificates representing its shares of Series C Preferred Stock have been lost, stolen or destroyed and executes an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such lost, stolen or destroyed certificates and (ii) if shares of Class B Common Stock are to be issued in the name of any person other than the holder, the holder establishes to the satisfaction of the Corporation that any transfer or other applicable taxes have been paid or are not payable. Conversion will be deemed to have been effected on the date when

delivery is made of notice of an election to convert and the certificate or certificates evidencing the Series C Preferred Stock shares to be converted and any other documents required by the immediately preceding sentence (the "CONVERSION DATE"). Subject to the provisions of Section 6(e)(vi) hereof, as promptly as practicable thereafter, the Corporation will issue and deliver to or upon the written order of such holder a certificate or certificates for the number of full shares of Class B Common Stock to which such holder or such holder's nominee is entitled and a check or cash with respect to any fractional interest in a share of Class B Common Stock as provided in Section 6(d). Subject to the provisions of Section 6(e)(vi) hereof, the person (which term, when used herein, shall include any corporation, individual, limited liability company, joint stock company, joint venture, partnership, unincorporated association, governmental regulatory entity, country, state or political subdivision thereof, trust, municipality or other entity as well as a natural person) in whose name the certificate or certificates for shares of Class B Common Stock are to be issued will be deemed to have become a holder of record of such Class B Common Stock on the applicable Conversion Date. Upon conversion of only a portion of the number of shares covered by a certificate representing shares of Series C Preferred Stock surrendered for conversion, the Corporation will issue and deliver to or upon the written order of the holder of the certificate so surrendered for conversion, at the expense of the Corporation, a new certificate covering the number of shares of Series C Preferred Stock representing the unconverted portion of the certificate so surrendered.

(d) Fractional Shares. No fractional shares of Class B Common Stock or scrip will be issued upon conversion of shares of Series C Preferred Stock. If more than one share of Series C Preferred Stock is surrendered for conversion at any time by the same holder, the number of full shares of Class B Common Stock issuable upon conversion thereof will be computed on the basis of the aggregate number of shares of Series C Preferred Stock so surrendered by such

holder. Instead of any fractional shares of Class B Common Stock which would otherwise be issuable upon conversion of any shares of Series C Preferred Stock, the Corporation will pay a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest based on the Market Price of the Class B Common Stock.

(c) Adjustment. The Conversion Price and conversion rights relating to the Series C Preferred Stock will be subject to adjustment from time to time as follows; provided, however, that none of the provisions in this Section 6(e) shall apply in the case of a Liquidation Event, as to which the provisions of Section 4 will apply:

(i) Definitions. For purposes of this Section 6(e) and certain other sections herein, the following definitions shall apply:

(1) "BUSINESS DAY" means any day other than a Saturday, Sunday, or any day on which banks in New York City are authorized or obligated by applicable law to close.

(2) "MARKET PRICE" of any security as of any given time means the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed, or, if there has been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of the 30 consecutive Business Days prior to the day as of which "Market Price"

is being determined. If at any time such security is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the "Market Price" shall be the fair value thereof determined in good faith by the Board of Directors.

(3)

(ii) Reorganization, Reclassification or Recapitalization of the Corporation. In case of (a) a capital reorganization, reclassification or recapitalization of the Class B Common Stock (other than any Liquidation Event or in the cases referred to in Sections 6(e)(iii) through 6(e)(iv) hereof), (b) the Corporation's consolidation or merger with or into another corporation in which the Corporation is not the surviving entity, or any such transaction if the Corporation is the surviving entity but the shares of the Corporation's Class B Common Stock outstanding immediately prior to the transaction are converted, by virtue of the transaction, into other property, whether in the form of securities, cash or otherwise (other than a Liquidation Event), or (c) the sale or transfer of the Corporation's property as an entirety or substantially as an entirety (other than a Liquidation Event), then, as part of such reorganization, reclassification, recapitalization, merger, consolidation, sale or transfer, lawful provision shall be made so that there shall thereafter be deliverable upon the conversion of a share of Series C Preferred Stock, and without payment of any additional consideration, the number of shares of Common Stock or other securities or property to which the holder of the number of shares of Class B Common Stock which would otherwise have been deliverable upon the conversion of the Series C Preferred Stock immediately prior to such reorganization, reclassification, recapitalization, consolidation, merger, sale or transfer would have been entitled to receive in such reorganization, reclassification, recapitalization, consolidation, merger, sale or transfer, all subject to further adjustment as provided in this Section 6(e). This

Section 6(c)(ii) shall apply to successive reorganizations, reclassifications, recapitalizations, consolidations, mergers, sales and transfers and to the conversion of the Series C Preferred Stock into the stock or securities of any other corporation into which the Series C Preferred Stock shall become convertible. Concurrently with the consummation of such transaction, the corporation formed by or surviving any such transaction (if other than the Corporation), or the person to which such sale or conveyance shall have been made, shall enter into an agreement assuming the obligation (but only if such obligation is not assumed by operation of law) to deliver to each holder of Series C Preferred Stock such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire.

(iii) Reclassifications. If the Corporation changes any of the securities into which the Series C Preferred Stock is convertible into the same or a different number of securities of any other class or classes, each share of Series C Preferred Stock shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities into which the Series C Preferred Stock was convertible immediately prior to such reclassification or other change and the Conversion Price therefor shall be appropriately adjusted.

(iv) Splits and Combinations. If the Corporation at any time subdivides (by way of stock split, stock dividend or otherwise) any of its outstanding shares of Class B Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced, and, conversely, if the outstanding shares of Class B Common Stock are combined (by way of stock split or otherwise) into a smaller number of shares, the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

(v) Rounding of Calculations; Minimum Adjustment; Successive Adjustments. All calculations under this Section 6(e) will be made to the nearest cent or to the nearest one hundredth (1/100th) of a share, as the case may be. Any provision of this Section 6 to the contrary notwithstanding, no adjustment in the Conversion Price will be made if the amount of such adjustment would be less than \$0.05, but any such amount will be carried forward and an adjustment with respect thereto will be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, will aggregate \$0.05 or more. In the event that, as a result of the provisions of any subparagraph of this Section 6(e), the holder of this Series C Preferred Stock upon the subsequent conversion shall become entitled to receive any shares of capital stock of the Corporation other than Class B Common Stock, the number of such other shares so receivable upon conversion of this Series C Preferred Stock shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained herein.

(vi) Timing of Issuance of Additional Class B Common Stock Upon Certain Adjustments. In any case in which the provisions of this Section 6(e) require that upon the occurrence of an event an adjustment be made, such adjustment will become effective immediately after a record date for such event (or, if no record date is set, immediately after such event). The Corporation may defer, until the occurrence of such event, (A) issuing to the holder of any share of Series C Preferred Stock converted after any such record date and before the occurrence of such event any additional shares of Class B Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the shares of Class B Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any

amount of cash in lieu of a fractional share of Class B Common Stock pursuant to Section 6(d) hereof; provided, however, that the Corporation will deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares and such cash, upon the occurrence of the event requiring such adjustment.

(f) Statement Regarding Adjustments. Whenever the Conversion Price is adjusted as provided in Section 6(e) hereof, the Corporation will file, at the office of any transfer agent for the Series C Preferred Stock and at the principal office of the Corporation, a statement showing in detail the facts requiring such adjustment and the Conversion Price in effect after such adjustment and the Corporation will also cause a copy of such statement to be sent by a nationally recognized overnight courier and sent by facsimile transmission with receipt confirmed, to each holder of shares of Series C Preferred Stock at such holder's address appearing on the Corporation's records. Where appropriate, such copy may be given in advance and may be included as part of a notice required to be mailed under the provisions of Section 6(b) hereof.

(g) Conditional Conversion. If it is proposed that a registration of Class B Common Stock is intended to be filed, except on Form S-4 or S-8 (or any successor forms), which includes the secondary registration on behalf of holders of Class B Common Stock, the Corporation will notify the holders of Series C Preferred Stock of such proposed registration and such holders may conditionally exercise their right to convert any or all of such shares of Series C Preferred Stock so held in accordance with this Section 6 and participate in such proposed registration in accordance with the registration rights granted to such holders by the Corporation, if any. Only the number of shares of Series C Preferred Stock conditionally converted pursuant to this Section 6(g) to shares of Class B Common Stock that are actually sold under an effective registration statement will be deemed converted pursuant to Section 6(a) hereof. If such registration is not

declared effective or is withdrawn, any conditional exercise pursuant to this Section 6(g) will be null and void ab initio. The number of shares of Series C Preferred Stock conditionally converted pursuant to this Section 6(g) to shares of Class B Common Stock that are not actually sold under an effective registration statement will be deemed not to be converted pursuant to Section 6(a) hereof and the conditional conversion of such shares will be null and void ab initio upon the termination of the offering under such registration statement and such shares will be deemed to have been outstanding (including, without limitation, for purposes of accruing dividends) during the period such shares were conditionally converted pursuant to this Section 6(g). The foregoing right of conditional conversion of Series C Preferred Stock shall also apply in the case of any proposed transaction described in subparagraph (ii) of Section 6(e) and, if such transaction does not occur, such conditional exercise will be null and void ab initio and such Series C Preferred Stock will be deemed to have been outstanding during such period of conditional exercise.

(h) Notice to Holders. If the Corporation proposes to take any action of the type described in Sections 6(e)(ii), (iii) or (iv) hereof, the Corporation will give notice to each holder of shares of Series C Preferred Stock, in the manner set forth in Section 6(f), which notice will specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice will also set forth such facts with respect thereto as will be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Price and the number, kind, or class of shares or other securities or property which will be deliverable upon conversion of shares of Series C Preferred Stock (if any). In the case of any action which would require the fixing of a record date, such notice will be given at least ten days prior to the date so fixed, and in case of all other action, such notice will be given at least 10 days prior to the taking of such proposed

action. Failure to give such notice, or any defect therein, will not affect the legality or validity of such action.

(i) Costs. The Corporation will pay all documentary, stamp, transfer, or other transactional taxes attributable to the issuance or delivery of shares of Class B Common Stock upon conversion of any shares of Series C Preferred Stock; provided, however, that the Corporation will not be required to pay any taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder of the shares of Series C Preferred Stock in respect of which such shares are being issued.

(j) Reservation of Shares. The Corporation will reserve at all times so long as any shares of Series C Preferred Stock remain outstanding, free from preemptive rights, out of its treasury stock (if applicable) or its authorized but unissued shares of Class B Common Stock, or both, solely for the purpose of effecting the conversion of the shares of Series C Preferred Stock, sufficient shares of Class B Common Stock to provide for the conversion of all outstanding shares of Series C Preferred Stock.

(k) Valid Issuance. All shares of Class B Common Stock or any other security which may be issued upon conversion of the shares of Series C Preferred Stock will, upon issuance by the Corporation in accordance with the terms hereof, be duly and validly issued, fully paid and nonassessable and free from all liens and charges with respect to the issuance thereof, and the Corporation will take no action which will cause a contrary result (including, without limitation, any action which would cause the Conversion Price to be less than the par value, if any, of the Class B Common Stock or any such other security).

Section 7. No Sinking Fund. The shares of Series C Preferred Stock shall not be subject to the operation of a purchase, retirement, or sinking fund.

Section 8. Voting Rights. The holders of Series C Preferred Stock will not have any voting rights except as set forth below or as otherwise from time to time required by law.

(a) Whenever dividends on the Series C Preferred Stock shall be in arrears in an amount equal to at least six quarterly dividends (whether or not consecutive), the holders of the Series C Preferred Stock (voting separately as a class) will be entitled to vote for and elect two additional directors. Such right of the holders of Series C Preferred Stock to vote for the election of such two directors may be exercised at an annual meeting or at any special meeting called for such purpose as hereinafter provided or at any adjournment thereof, until dividends in default on such outstanding shares of Series C Preferred Stock shall have been paid in full, at which time the term of office of the two directors so elected shall terminate automatically (subject to reversion in the event of each and every subsequent default of the character specified in the preceding sentence). So long as such right to vote continues, the Secretary of the Corporation may call, and upon the written request of the holders of record of 10% of the outstanding shares of Series C Preferred Stock addressed to him at the principal office of the Corporation shall call, a special meeting of the holders of such shares for the election of such two directors, as provided herein. Such meeting shall be held not less than 45 nor more than 90 days after the accrual of such right, at the place and upon the notice provided by law and in the By-laws of the Corporation for the holding of meetings of shareholders. No such special meeting or adjournment thereof shall be held on a date less than 30 days before an annual meeting of shareholders or any special meeting in lieu thereof, provided that at such annual meeting or special meeting appropriate provisions are made to allow the holders of the Series C Preferred Stock to exercise such right at such meeting. If at any such annual or special meeting or any adjournment thereof the holders of a majority of the then outstanding shares of Series C Preferred Stock entitled to vote in such election shall be present or represented by proxy, then the

authorized number of directors of the Corporation shall be increased by two, and the holders of Series C Preferred Stock shall be entitled to elect such two additional directors. Directors so elected shall serve until the next annual meeting or until their successors shall be elected and shall qualify, unless the term of office of the persons so elected as directors shall have terminated by virtue of the payment in full of all dividends in arrears. In case of any vacancy occurring among the directors so elected by the holders of Series C Preferred Stock, the remaining director who shall have been so elected may appoint a successor to hold office for the unexpired term of the director whose place shall be vacant, and such successor shall be deemed to have been elected by the holders of Series C Preferred Stock. If both directors so elected by the holders of Series C Preferred Stock shall cease to serve as directors before their terms shall expire, the holders of Series C Preferred Stock then outstanding and entitled to vote for such directors may, at a special meeting of such holders called as provided above, elect successors to hold office for the unexpired terms of the directors whose places shall be vacant.

(b) Without the consent or affirmative vote of the holders of at least a majority of the outstanding shares of Series C Preferred Stock, voting separately as a class, the Corporation shall not (i) authorize, create, or issue any shares of Senior Stock, (ii) reclassify any Junior Stock into shares of Senior Stock, (iii) reclassify any Parity Stock into shares of Senior Stock, or (iv) increase the number of authorized shares of Series C Preferred Stock (except as contemplated by Section 1 hereof) or issue any shares of Series C Preferred Stock in addition to the 4,000 shares issued on the date hereof (except pursuant to Section 3 hereof).

(c) The affirmative vote or consent of the holders of at least a majority of the outstanding shares of the Series C Preferred Stock, voting separately as a class, will be required for any amendment, alteration, or repeal, whether by merger or consolidation or otherwise, of the Corporation's Restated Articles of Incorporation if the amendment, alteration, or repeal adversely

affects the powers, preferences, or special rights of the Series C Preferred Stock (for the avoidance of doubt, it being stipulated that the matters covered by paragraph (b), which are subject to the requirements set forth in such paragraph (b), shall not be deemed to adversely affect the powers, preferences, or special rights of the Series C Preferred Stock).

Section 9. Outstanding Shares. For purposes hereof all shares of Series C Preferred Stock shall be deemed outstanding except that, from the date fixed for redemption pursuant to Section 5 hereof, all shares of Series C Preferred Stock which have been so called for redemption under Section 5, if funds or shares necessary for the redemption of such shares are set aside as provided herein, shall not be deemed to be outstanding.

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is dated as of April 22, 2002, and made by and among Gray Communications Systems, Inc., a Georgia corporation (the "Company"), and each of the other persons set forth on the signature pages hereto (each, a "Purchaser" and, collectively, the "Purchasers"). Capitalized terms used but not otherwise defined herein shall have the meaning set forth in Section 7 hereof.

WHEREAS, each of the Purchasers has acquired shares of the Company's Series C Preferred Stock pursuant to that certain Preferred Stock Purchase Agreement, dated as of the date hereof, by and among the Company and certain of the Purchasers (as amended, restated or modified from time to time, the "Purchase Agreement") or that certain Exchange Agreement, dated as of the date hereof, by and among the Company and certain of the other Purchasers (as amended, restated or modified from time to time, the "Exchange Agreement");

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

1. Shelf Registration by the Company.

(a) Shelf Registration. The Company shall file with the Securities and Exchange Commission (the "Commission"), no later than 45 days after the date hereof, a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to resales of the Registrable Securities. The registration provided by this Section shall be effected by the filing of a registration statement on Form S-3 (or, if such form is unavailable, such other form as the Company determines to be available and appropriate and selects with the consent of the holders of a majority of the Registrable Securities), which shall provide for sales of Registrable Securities to be made on a continuous basis pursuant to Rule 415 under the Securities Act (or any similar rule that may be adopted by the Commission) in accordance with the intended method or methods of disposition by the holders of the Registrable Securities, which may, as provided in Section 1(b), include an underwritten offering (the "Shelf Registration Statement"). The Company shall use its reasonable best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act as soon as practicable after filing (but in no event later than the earlier to occur of (x) 200 days after the date hereof and (y) 180 days after the date of filing (such earlier date, "the Outside Effective Date")) and, once effective, the Company shall cause such Shelf Registration Statement to remain effective until the earlier to occur of (i) the date that is two years following the date of initial issuance of the Series C Preferred Stock and (ii) the date as of which there are no longer any Registrable Securities in existence.

(b) Underwritten Offering. If at any time or from time to time during the effectiveness of the Shelf Registration Statement the holders of a majority of Registrable Securities propose to sell 25% or more of the Registrable Securities held by such holders, such holders may, by notice to the Company, require that such sale occur through a firm commitment

underwritten offering (or any other type of underwritten offering specified by such holders) and, in such event, (i) the Company will promptly give written notice of such planned underwritten offering to all other holders of Registrable Securities and will include in such registration (subject to any cutbacks demanded by the managing underwriter, which shall be imposed pro rata among the holders of such Registrable Securities on the basis of the number of Registrable Securities owned by each such holder and subject to the other provisions of this Agreement) all Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten (10) business days after the receipt of the Company's notice, (ii) the Company shall have the right to select the managing underwriter, subject to the approval (which may not be unreasonably withheld or denied) of the holders of a majority of the Registrable Securities to be included in such offering, and (iii) the Company shall promptly amend the Shelf Registration Statement to include any information reasonably requested to be included therein by the underwriters or holders of Registrable Securities. Holders of Registrable Securities may request an underwritten offering pursuant to this Section 1(b) on not more than four occasions in the aggregate (provided that no more than two requests may be made in any one calendar year and a minimum of 90 days must elapse between the making of any such requests) and the minimum amount of any such underwritten offering shall be \$4,000,000, it being understood that (x) the foregoing limitations applicable to underwritten offerings shall not be deemed to limit the obligations of the Company under Section 1(a) to keep the Shelf Registration Statement effective for the time period specified therein for use in connection with non-underwritten offerings and (y) the holders of Registrable Securities requesting such underwritten offering will be entitled to withdraw such request (such withdrawal to be effective only if (A) made within 40 days of the Company's delivery of the notice to holders contemplated by clause (i) of this Section 1(b), (B) made upon the failure to sell at least 50% of the Registrable Securities requested to be included in such underwritten offering or (C) made upon the failure to sell at least 75% of the Registrable Securities requested to be included in such underwritten offering, provided that, notwithstanding anything in this Agreement to the contrary, the holders requesting such underwritten offering will bear any Registration Expenses arising prior to such withdrawal under this clause (C)) and such withdrawn request will not count as one of the four permitted underwritten offerings under this Section 1(b). Any underwritten offering with respect to any securities covered by the Shelf Registration Statement other than an underwritten offering of the type described in this Section 1(b) shall be subject to the provisions of Section 2 of this Agreement.

(c) Eligibility. The Company represents and warrants that it is, and covenants that it will use its reasonable best efforts to remain, at all times while there are any Registrable Securities outstanding, eligible to use Form S-3 under the Securities Act.

(d) Liquidated Damages. The parties hereto agree that the holders of the Registrable Securities will suffer damages if the Shelf Registration Statement is not declared effective under the Securities Act by the Outside Effective Date (a "Registration Default"), and that it would not be feasible to ascertain the extent of such damages. Accordingly, in such event, damages ("Liquidated Damages") will accrue with respect to each share of Series C Preferred Stock owned by a holder with respect to the first 90-day period immediately following the occurrence of such Registration Default in an amount equal to 0.5% of the Liquidation Preference (as such term is defined in the Articles of Amendment, dated April 15, 2002, to the Articles of Incorporation of the Company (the "Articles")) of such share of Series C Preferred Stock and will increase by an additional 0.5% for each subsequent 90-day period until such

Registration Default has been cured, up to an aggregate maximum amount of Liquidated Damages of 2.0% of such Liquidation Preference. All accruals of Liquidated Damages under the preceding sentence will be prorated for any partial 90-day period. Following the cure of a Registration Default, the accrual of Liquidated Damages with respect to such Registration Default will cease. Such Liquidated Damages shall be payable in cash on each dividend payment date for the Series C Preferred Stock to the holders of record entitled to receive such dividends on such date, regardless of whether such dividends are paid on such date and regardless of whether Liquidated Damages have ceased to accrue as of such date. The parties hereto agree that the Liquidated Damages provided for in this Section 1(d) constitute a reasonable estimate of the damages that will be suffered by the holders of the Registrable Securities by reason of the happening of a Registration Default.

2. Piggyback Registration.

(a) Right to Piggyback. If the Company shall propose the registration under the Securities Act of an offering of any of its Class B Common Stock, whether or not for its own account (other than pursuant to a registration on Form S-4 or S-8 or any successor form), the Company, on each such occasion, shall as promptly as practicable give written notice (the "Notice") to all holders of Registrable Securities of its intention to effect such registration, and such holders shall be entitled, on each such occasion, to request to have all or a portion of their Registrable Securities included in such registration statement (a "Piggyback Registration"). Upon the written request of any holder of Registrable Securities that the Company include any Registrable Securities in such registration statement (which request shall state the number of the Registrable Securities for which registration is sought), given within twenty (20) days after the giving of the Company's Notice, the Company shall cause such Registrable Securities to be so included in the offering covered by such registration statement, subject to the limitations hereinafter set forth. Subject to Section 2(b) and 2(c), holders of Registrable Securities may request registration pursuant to this Section 2(a) on not more than six occasions in the aggregate, provided that any such request shall not count as one of the six permitted registrations under this Section 2(a) if the only Registrable Securities included in such registration were originally acquired pursuant to the Exchange Agreement.

(b) Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, the Company will include in such registration all securities requested to be included in such registration; provided, that if the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability of the offering, the Company will include in such registration (i) first, the securities the Company proposes to sell, (ii) second, the Registrable Securities requested to be included in such registration pro rata among the holders of such Registrable Securities on the basis of the number of shares of Registrable Securities owned by each such holder, and (iii) third, other securities, if any, requested to be included in such registration.

(c) Priority on Secondary Registrations. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities other than Registrable Securities, and the managing underwriters advise the Company in writing that in

their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability of the offering, the Company will include in such registration (i) first, the securities requested to be included therein by the holders requesting such registration, (ii) second, the Registrable Securities requested to be included in such registration, pro rata among the holders of such Registrable Securities on the basis of the number of shares of Registrable Securities owned by each such holder, and (iii) third, other securities requested to be included in such registration not covered by clause (i) or (ii) above.

3. Registration Procedures and Obligations.

(a) Obligations of the Company. If and whenever the Company is obligated by the provisions of this Agreement to effect the registration of any Registrable Securities under the Securities Act, the Company will use its reasonable best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company will as expeditiously as possible (or within such specific time period as may otherwise be specified):

(i) Prepare and file with the Commission a registration statement with respect to such securities on such form as the Company deems appropriate and is permitted or qualified to use (subject to Section 1(a)) and shall use all reasonable best efforts to cause such registration statement to become and remain effective as provided herein; provided, that in the case of any registration pursuant to Section 2, such preparation and filing may be delayed in the sole discretion of the Company;

(ii) Furnish to counsel to the holders of a majority of the Registrable Securities to be included under any registration statement and to counsel for the underwriters in any underwritten offering copies of all documents proposed to be filed with the Commission in connection with such registration, and to reflect in each such document, when so filed with the Commission, such comments as such counsel reasonably may propose (it being understood that (A) the Company shall allow such counsel a reasonable period of time, in light of all circumstances, to review the document to be filed and (B) such counsel shall provide any comments to the Company as soon as practicable following such review).

(iii) Furnish to each holder of Registrable Securities, without charge, such number of conformed copies of such registration statement, the prospectus included in such registration statement (including each preliminary prospectus) and of each amendment and supplement thereto (in each case, including all exhibits and documents filed therewith) and such other documents as such holder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such holder.

(iv) Use its reasonable best efforts to register and qualify such Registrable Securities under such other securities laws of such jurisdictions as shall be reasonably requested by any holder of Registrable Securities and do any

and all other acts and things which may be reasonably necessary or advisable to enable such holder to consummate the disposition of the Registrable Securities owned by such holder in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to qualify to transact business or to file a general consent to service of process in any such states or jurisdictions, or to maintain the effectiveness of any such registration or qualification for any period during which it is not required to maintain the effectiveness of the related registration statement under the Securities Act.

(v) Promptly notify each holder of Registrable Securities of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading and, at the request of any such holder, and subject to the provisions of Section 3(b)(ii), the Company will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading.

(vi) Enter into such customary agreements and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities.

(vii) Make reasonably available for inspection by any holder of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by any such holder or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the officers, directors, employees and independent accountants of the Company to supply all information reasonably requested by any such holder, underwriter, attorney, accountant or agent in connection with such registration statement, in each case as and to the extent necessary to permit the holders to conduct a reasonable investigation within the meaning of the Securities Act. To minimize disruption and expense to the Company during the course of the registration process, the holders and any transferee(s) of the holders hereunder shall, to the extent practicable, coordinate investigation and due diligence efforts hereunder and will enter into confidentiality agreements with the Company in form and substance reasonably satisfactory to the Company and the holders of the Registrable Securities prior to the disclosure of any confidential or proprietary information of the Company.

(viii) Promptly notify each holder of Registrable Securities of the following events and confirm such notification in writing: (w) the filing of the prospectus or any prospectus supplement and the registration statement and any amendment or post-effective amendment thereto and, with respect to the registration statement or any post-effective amendment thereto, the declaration of the effectiveness of such documents, (x) any requests by the Commission for

amendments or supplements to the registration statement or the prospectus or for additional information, (y) the issuance or threat of issuance by the Commission of any stop order suspending the effectiveness of the registration statement or the initiation of any proceedings for that purpose, and (z) the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threat of initiation of any proceeding for such purpose.

(ix) In the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any Registrable Securities included in such registration statement for sale in any jurisdiction, the Company will use its reasonable best efforts promptly to obtain the withdrawal of such order;

(x) Cooperate with the holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing the Registrable Securities to be sold and not bearing any restrictive legends, and enable such Registrable Securities to be in such lots and registered in such names as the holders of Registrable Securities may request at least two (2) business days prior to any delivery of the Registrable Securities to the purchaser thereof, provided that such holders shall have established to the satisfaction of the Company that any transfer taxes and other similar expenses of the sale of the Registrable Securities have been paid or are not payable.

(xi) Prior to the effectiveness of the registration statement and any post-effective amendment thereto, (A) make such representations and warranties to the holders of Registrable Securities and the underwriters, if any, with respect to the Registrable Securities and the registration statement as are customarily made by issuers in similar underwritten offerings; (B) deliver such documents and certificates as may be reasonably requested (1) by the holders of Registrable Securities, and (2) by the underwriters, if any, to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company; and (C) obtain and furnish to each holder of Registrable Securities included in the registration signed counterparts, addressed to such holders and the underwriters (if any) of: "a cold comfort" letter from the Company's independent public accountants and opinions of counsel to the Company (which counsel and which opinions shall be reasonably satisfactory to such holders and the underwriters, if any), in each case covering the matters customarily covered in opinions requested in public offerings.

(xii) Pay all Registration Expenses.

(xiii) use its reasonable best efforts, to the extent applicable, (i) (A) to list such Registrable Securities on any securities exchange on which the equity securities of the Company are then listed and (ii) to provide a transfer agent and

registrar for such Registrable Securities not later than the effective date of such registration statement and to instruct such transfer agent.

(xiv) Otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders, as soon as reasonably practicable, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder, which statement shall cover the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement.

(b) Obligations of the Holders of Registrable Securities.

In consideration of the Company's obligations with respect to and compliance with the registration statement provisions set forth herein, each holder of Registrable Securities, severally and not jointly, agrees that (and, in the case of clause (i) below, with respect to any given holder for any given registration, such obligations of and compliance by the Company shall be expressly conditioned upon such holder's compliance with the provisions of such clause (i)):

(i) Unless such holder has notified the Company in writing of such holder's election to exclude all of such holder's Registrable Securities from such registration, each holder of Registrable Securities shall cooperate with the Company in connection with the preparation of any registration statement hereunder and shall provide to the Company, in writing, for use in the Shelf Registration Statement or other registration statement hereunder, all such information regarding such holder, its ownership of Registrable Securities and the plan(s) of distribution of the Registrable Securities as the Company reasonably requests to prepare the registration statement and prospectus covering the Registrable Securities in accordance with applicable requirements of law, to maintain the currency and effectiveness thereof and otherwise to comply with all applicable requirements of law in connection therewith.

(ii) In the event that the Company informs the holders of Registrable Securities of the happening of an event described in Section 3(a)(v) or Section 3(a)(viii), the holders of Registrable Securities shall refrain from selling Registrable Securities until the earlier to occur of the date (x) the Company notifies the holders of Registrable Securities that it has filed with the Commission an amendment or supplement to the prospectus included in the registration statement, or (y) the Company notifies the holders of Registrable Securities that the potentially disclosable event no longer exists and that the prospectus included in the registration statement does not contain an untrue statement of material fact or omit to state any fact necessary to make the statements therein not misleading.

4. Holdback Agreement. Notwithstanding anything set forth herein to the contrary, the Company may suspend the use or effectiveness of the Shelf Registration Statement (a "Suspension Period") if the Company reasonably believes that the Company may, in the absence of such suspension, be required under state or federal securities laws to disclose any bona fide financing, acquisition or other plans of the Company or other matters, the premature disclosure

of any of which would reasonably be expected to have a material adverse effect upon the Company, provided that (i) such Suspension Period may not be for longer than 30 consecutive days and the total number of days in all Suspension Periods during any given calendar year shall not be more than 120 days, (ii) the Company shall notify all holders of Registrable Securities in writing prior to the commencement of any Suspension Period (without disclosing the facts and circumstances that underlie such Suspension Period) and will immediately notify them in writing of the end of the Suspension Period, (iii) the Company will use reasonable best efforts to ensure that the Suspension Period is kept to a minimum number of days and (iv) no other holder of registration rights granted by the Company will be permitted to sell equity securities pursuant to the exercise of such rights during any Suspension Period.

5. Underwriting Agreements. If requested by the underwriters for any underwritten offering pursuant to a registration contemplated by Section 1(b) or Section 2, the Company shall enter into a customary underwriting agreement with the underwriters for such offering. Any such underwriting agreement shall contain such representations and warranties by the Company and such other terms and provisions as are customarily contained in agreements of this type, including, without limitation, indemnities to the effect and to the extent provided in Section 6. In the case of an underwritten offering under Section 1(b) or 2, the holders of the Registrable Securities to be included in such offering shall be parties to such underwriting agreement and the Company's obligations under such Sections shall be expressly conditioned upon such holders' participation in any such underwriting and the inclusion of their Registrable Securities in any such underwriting to the extent provided herein. If any holder does not agree to the terms of any such underwriting, such holder's Registrable Securities shall be excluded therefrom. In the case of an underwritten offering under Section 1(b) or 2, the holders of a majority of the Registrable Securities to be included in such offering may, at their option, require that any or all of the representations and warranties by, and the agreements on the part of, the Company to and for the benefit of the underwriters for such offering be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under the underwriting agreement shall also be conditions precedent to the obligations of such holders of Registrable Securities. No underwriting agreement (or other agreement in connection with any offering of Registrable Securities hereunder) shall require any holder of Registrable Securities, in their respective capacities as stockholders and/or controlling persons, to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such holder, the ownership of such holder's Registrable Securities and such holder's intended method or methods of disposition and any other representation required by law or to furnish any indemnity to any Person which is broader than the indemnity furnished by such holder pursuant to Section 6(b). In connection with any underwritten offering under Section 1(b), the Company, to the extent requested by the managing underwriter for such offering, shall agree not to effect any public sale or distribution of its equity securities or securities convertible into or exchangeable or exercisable for any of such equity securities (except for any securities other than the Registrable Securities covered by the Shelf Registration Statement) within seven days prior to and 90 days following the pricing of such underwritten offering.

6. Indemnification and Contribution.

(a) By the Company. In connection with the registration of Registrable Securities under this Agreement, the Company shall indemnify and hold harmless each holder of Registrable Securities, its officers, directors, members, stockholders, partners, employees, agents and Affiliates and each other person, if any, who controls such holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act ("controlling persons"), against any and all expenses, losses, claims, damages, liabilities or costs (including without limitation court costs and attorneys' fees), joint or several (or actions in respect thereof) ("Losses"), to which each such indemnified party may become subject, under the Securities Act or otherwise, but only to the extent such Losses arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained, on the effective date thereof, in any registration statement under which the Registrable Securities were registered under the Securities Act, in any preliminary prospectus (if used prior to the effective date of such registration statement) or in any final prospectus or summary prospectus contained therein or used in connection with the offering of securities covered thereby, or in any post-effective amendment or supplement thereto (if used during the period the Company is required to keep the registration statement effective) (the "Disclosure Documents"), or (ii) any omission or alleged omission to state in any of the Disclosure Documents a material fact required to be stated therein or necessary to make the statements made therein not misleading, or (iii) any violation of any federal or state securities laws or rules or regulations thereunder committed by the Company in connection with the performance of its obligations under this Agreement; and the Company will reimburse each such indemnified party for all legal and other expenses reasonably incurred by such party in connection with enforcing its rights hereunder or under the underwriting agreement entered into in connection with such offering, including investigating, preparing, pursuing or defending against any such Losses, whether or not resulting in any liability, or in connection with any investigation or proceeding by any governmental agency or instrumentality relating to any such Losses with respect to any offering of securities pursuant to this Agreement; provided, however, that the Company shall not be liable to an indemnified party in any such case to the extent that any such Losses arise out of or are based upon (i) an untrue statement or alleged untrue statement or omission or alleged omission made in any such Disclosure Documents in reliance upon and in conformity with written information furnished to the Company by such indemnified party expressly for use therein or (ii) the use of any prospectus after such time as the Company has advised such indemnified party in writing that the filing of a post-effective amendment or supplement thereto is required, except the prospectus as so amended or supplemented, or the use of any prospectus after such time as the obligation of the Company to keep the same current and effective has expired.

(b) By the Holder(s). In connection with the registration of Registrable Securities under this Agreement, each holder of Registrable Securities shall, severally, and not jointly, indemnify and hold harmless the Company, each of its directors, each of its officers who have signed such registration statement, its employees, agents and Affiliates and each other person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and each other holder(s) and each controlling person of such holder(s), against any and all Losses to which each such indemnified party may become subject under the Securities Act or otherwise, but only to the extent such Losses arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any of

the Disclosure Documents or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if the statement or omission was made in reliance upon and in conformity with written information furnished to the Company by such indemnifying party expressly for use therein, or (ii) the use of any prospectus after such time as the Company has advised such indemnifying party in writing that the filing of a post-effective amendment or supplement thereto is required, except the prospectus as so amended or supplemented, or the use of any prospectus after such time as the obligation of the Company to keep the same current and effective has expired; provided, that the obligation to indemnify will be limited to the net amount of proceeds received by such holder from the sale of Registrable Securities pursuant to such registration statement; and such indemnifying party shall reimburse each such indemnified party for all legal and other expenses reasonably incurred by such party in connection with enforcing its rights hereunder or under the underwriting agreement entered into in connection with such offering, including investigating, preparing, pursuing or defending against any such Losses, whether or not resulting in any liability, or in connection with any investigation or proceeding by any governmental agency or instrumentality relating to any such Losses with respect to any offering of securities pursuant to this Agreement.

(c) Actions Commenced. If a third party commences any action or proceeding against an indemnified party related to any of the matters subject to indemnification under subsection (a) or (b) hereof, such indemnified party shall promptly give notice to the indemnifying party in writing of the commencement thereof, but failure so to give notice shall not relieve the indemnifying party from any liability which it may have hereunder unless the indemnifying party is prejudiced thereby.

The indemnifying party shall be entitled to control the defense or prosecution of such claim or demand in the name of the indemnified party, with counsel reasonably satisfactory to the indemnified party, if it notifies the indemnified party in writing of its intention to do so within 20 days of its receipt of the notice from the indemnified party without prejudice, however, to the right of the indemnified party to participate therein through counsel of its own choosing, which participation shall be at the indemnified party's expense unless (i) the indemnified party shall have been advised by its counsel that use of the same counsel to represent both the indemnifying party and the indemnified party would represent a conflict of interest (which shall be deemed to include any case where there may be a legal defense or claim available to the indemnified party which is different from or additional to those available to the indemnifying party), in which case the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party, or (ii) the indemnifying party shall fail to defend or prosecute vigorously such claim or demand within a reasonable time. Whether or not the indemnifying party chooses to defend or prosecute such claim, the parties hereto shall cooperate in the prosecution or defense of such claim and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be requested in connection therewith. The indemnifying party shall not, in the defense of such claim or any litigation resulting therefrom, consent to entry of any judgment against the indemnified party (or settle any claim involving an admission of fault on the part of the indemnified party), except with the consent of the indemnified party (which consent shall not be unreasonably withheld).

(d) The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and will survive the transfer of securities.

(e) Contribution. If the indemnification provided for in subsection (a) or (b) is unavailable to or insufficient to hold the indemnified party harmless under subsection (a) or (b) above in respect of any Losses referred to therein for any reason other than as specified therein, then the indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such Losses in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and such indemnified party on the other in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by (or omitted to be supplied by) the Company or the holders of Registrable Securities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by an indemnified party as a result of the Losses referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

7. Definitions. As used herein, the following terms shall have the following meanings.

"Affiliate" shall mean, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"Class A Common Stock" shall mean the Class A Common Stock, no par value, of the Company.

"Class B Common Stock" means the Class B Common Stock, no par value, of the Company and any other securities issuable with respect thereto by way of stock split, stock dividend or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization.

"Conversion Shares" has the meaning set forth in the Purchase Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a limited liability company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Piggyback Registration" has the meaning set forth in Section 2(a) of this Agreement.

"Registrable Securities" means (i) the Conversion Shares issued or issuable upon conversion of the Series C Preferred Stock issued pursuant to the Purchase Agreement or the Exchange Agreement, (ii) any shares of capital stock issued or issuable with respect to the Conversion Shares as a result of any stock split, stock dividend, recapitalization, exchange, conversion or other event, without regard to any limitations on conversions of the Series C Preferred Stock. As to any particular Registrable Securities, once issued such securities shall cease to be Registrable Securities when (A) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (B) such securities shall have been distributed to the public in reliance upon Rule 144 or other applicable exemption, (C) such securities held by a given holder are eligible for sale under Rule 144(k) without volume or manner of sale limitations, (D) such securities shall have been otherwise transferred, new certificates for such securities not bearing a legend restricting further transfer shall have been delivered by the Company and subsequent disposition of such securities shall not require registration or qualification of such securities under the Securities Act or any similar state law then in force, or (E) such securities shall have ceased to be outstanding.

"Registration Expenses" means all expenses incident to the Company's performance of or compliance with any registration pursuant to this Agreement, including, without limitation, (i) registration, filing and National Association of Securities Dealers, Inc. fees, (ii) fees and expenses of complying with securities or blue sky laws, (iii) fees and expenses associated with listing securities on an exchange or NASDAQ, (iv) word processing, duplicating and printing expenses, (v) messenger and delivery expenses, (vi) transfer agents', trustees', depositories', registrars' and fiscal agents' fees, (vii) fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters, (viii) reasonable fees and disbursements of any one counsel retained by the holders of Registrable Securities and chosen by the holders of a majority of Registrable Securities, (ix) all costs of preparing, filing, amending and maintaining the Shelf Registration Statement and any other registration statement hereunder and (x) any fees and disbursements of underwriters customarily paid by issuers or sellers of securities; provided, however, that with respect to any registration, the holders of the Registrable Securities included in such registration shall be responsible for all underwriting discounts or brokerage fees or commissions relating to the sale of the Registrable Securities, and all transfer taxes and other similar expenses of the sale of the Registrable Securities.

"Rule 144" means Rule 144 under the Securities Act (or any similar or successor rule then in force).

"Series C Preferred Stock" has the meaning set forth in the Purchase Agreement.

"Shelf Registration Statement" is defined in Section 1(a).

8. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be personally delivered, mailed by registered or certified mail, postage prepaid, return receipt requested, delivered by a nationally recognized overnight courier or sent by facsimile transmission with receipt confirmed, addressed to the applicable party at its address set forth next to its name on the signature page hereto (or such other address as such party shall hereafter specify by written notice in writing to the other parties hereto). Any such notice or communication shall be deemed to have been received (A) in the case of personal delivery or facsimile transmission, on the date of such delivery or transmission, (B) in the case of a nationally recognized overnight courier, on the next business day after the date when sent, and (C) in the case of mailing, on the third business day following that on which the piece of mail containing such communication is posted.

9. Miscellaneous.

(a) Grant of Future Registration Rights. During the term of this Agreement, the Company shall not grant to any third party demand registration rights that would not permit the holders of Registrable Securities to exercise their piggyback registration rights under Section 2 hereof, subject to the limitations contained in Section 2 hereof.

(b) Remedies. Any Person having rights under any provision of this Agreement will be entitled to enforce such rights specifically to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or other security) for specific performance and for other injunctive relief in order to enforce or prevent violation of the provisions of this Agreement.

(c) Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may be amended or waived only upon the prior written consent of the Company and the holders of 66 2/3% or more of the Registrable Securities. The obligations of the holders of Registrable Securities hereunder are several and no such holder will be responsible for the action or inaction of any other holder.

(d) Successors and Assigns. Subject to the following sentence, all covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto whether so expressed or not. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of holders of Registrable Securities are also for the benefit of, and enforceable by, any transferee of (x) 50% or more of a holder's Registrable Securities beneficially owned (as defined in Rule 13d-3 under the Exchange Act) by such holder on the date hereof or (y) Registrable Securities of a holder having a Market Price (as such term is defined in the Articles) of at least \$2.5 million on the date of such transfer, or any transferee that is an Affiliate of a Purchaser (for so long as such Affiliate remains an Affiliate of such Purchaser), if: (i) such holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within ten days after such assignment; (ii) the Company is, at least ten days prior to such transfer or assignment, furnished

with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned; (iii) at the time of such transfer or assignment, the transferee or assignee agrees in writing with the Company to be bound by all of the provisions contained herein; and (iv) such transfer shall have been made in accordance with the applicable requirements of the Purchase Agreement. Any transferring or assigning holder shall remain obligated under this Agreement. For purposes of this Agreement, each of (x) the Gabelli Funds and (y) the Capital Research and Management Company entities listed on the signature pages hereto shall be treated as one holder or one Purchaser, as the case may be.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to its conflict of law doctrines.

(f) Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any other party hereto under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach or default under this Agreement, or any waiver on the part of any party hereto of any provisions or conditions of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in such writing.

(g) Entire Agreement. This Agreement and the Purchase Agreement contain the entire understanding of the parties with respect to their subject matter and supersede all prior agreements and understandings among the parties with respect to their subject matter.

(h) Severability. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(i) Headings. The section and other headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

(j) Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which together shall be deemed to be one and the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

GRAY COMMUNICATIONS SYSTEMS, INC.

4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

By: /s/ James C. Ryan

Name: J.C. Ryan
Title: V.P. - CFO

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

Teachers Insurance and Annuity
Association of America
Attn: John Goodreds
730 Third Avenue
New York, NY 10017
Facsimile: (212) 916-6582

By: /s/ John Goodreds

Name: John Goodreds
Title: Associate Director - Private
Placements

CONTINENTAL CASUALTY COMPANY

Attn: Investments
333 South Wabash Avenue
CNA Plaza - 23 South
Chicago, IL 60685
Facsimile: (312) 817-1680

By: /s/ Marilou R. McGirr

Name: Marilou R. McGirr
Title: Vice President

AMERICAN HIGH INCOME TRUST

By: CAPITAL RESEARCH AND
MANAGEMENT COMPANY

Capital Research and
Management Company
Attn: Michael J. Downer
333 South Hope Street, 33rd Floor
Los Angeles, CA 92821-5823
Facsimile: (213) 486-9041

By: /s/ Michael Downer

Name: Michael J. Downer
Title: Vice President and Secretary

AMERICAN FUNDS INSURANCE SERIES--
HIGH YIELD BOND FUND

By: CAPITAL RESEARCH AND
MANAGEMENT COMPANY

Capital Research and
Management Company
Attn: Michael J. Downer
333 South Hope Street, 33rd Floor
Los Angeles, CA 92821-5823
Facsimile: (213) 486-9041

By: /s/ Michael Downer

Name: Michael J. Downer
Title: Vice President and Secretary

THE GABELLI EQUITY INCOME FUND

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

THE GABELLI SMALL CAP GROWTH FUND

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

THE GABELLI GLOBAL MULTIMEDIA TRUST INC.

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

THE GABELLI CONVERTIBLE SECURITIES
FUND, INC.

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

THE GABELLI EQUITY TRUST INC.

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

/s/ J. Mack Robinson

J. MACK ROBINSON

c/o Gray Communications
Systems, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

/s/ Harriett J. Robinson

HARRIETT J. ROBINSON

c/o Gray Communications
Systems, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

HARRIETT J. ROBINSON TRUSTEE U\A 08-25-84
FBO JILL E. ROBINSON

By: /s/ Harriett J. Robinson

Name: Harriett J. Robinson
Title: Trustee

c/o Gray Communications
Systems, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

HARRIETT J. ROBINSON TRUSTEE U\A 08-25-84
FBO ROBIN M. ROBINSON

c/o Gray Communications
Systems, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

By: /s/ Harriett J. Robinson

Name: Harriett J. Robinson
Title: Trustee

GEORGIA CASULATY AND SURETY CO.

c/o Gray Communications
Systems, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

By: /s/ Hilton Howell

Name: Hilton H. Howell, Jr.
Title: Vice Chairman

BANKERS FIDELITY LIFE INSURANCE CO.

By: /s/ Hilton Howell

Name: Hilton H. Howell, Jr.
Title: Vice Chairman

c/o Gray Communications
Systems, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

DELTA LIFE INSURANCE COMPANY

By: /s/ J. Mack Robinson

Name: J. Mack Robinson
Title: President

c/o Gray Communications
Systems, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

DELTA FIRE & CASUALTY INSURANCE COMPANY

By: /s/ J. Mack Robinson

Name: J. Mack Robinson
Title: President

c/o Gray Communications
Systems, Inc.
4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

PREFERRED STOCK PURCHASE AGREEMENT

THIS PREFERRED STOCK PURCHASE AGREEMENT (this "Agreement") is entered into as of this 22nd day of April, 2002 by and among Gray Communications Systems, Inc., a Georgia corporation (the "Company"), and each of the other entities set forth on the signature pages hereto (each, a "Purchaser" and, collectively, the "Purchasers").

WITNESSETH THAT:

WHEREAS, each Purchaser desires to purchase from the Company, and the Company desires to issue and sell to each Purchaser, shares of the Company's Series C Convertible Preferred Stock, no par value, having the terms set forth in the Company's Articles of Amendment to its Articles of Incorporation (the "Articles"), the form of which is attached hereto as Exhibit A ("Series C Preferred Stock").

NOW, THEREFORE, in consideration of the agreements and obligations contained in this Agreement, the parties hereby agree as follows:

ARTICLE I

SALE AND PURCHASE

1.1. Authorization of the Shares. The Company has, or before the Closing (as defined in Section 1.2) will have, authorized the issue and sale of 4,000 shares of Series C Convertible Preferred Stock, having the terms set forth in the Articles.

1.2. Purchase and Sale of Series C Preferred Stock. Subject to the terms and conditions hereof, and in reliance upon the representations, warranties and agreements contained herein, at the closing of the transactions contemplated by this Agreement (the "Closing"), the Company shall issue and sell to each Purchaser, and each Purchaser shall purchase from the Company, the number of shares of Series C Preferred Stock set forth next to such Purchaser's name on Exhibit B hereto (the shares to be purchased by each Purchaser hereunder being hereinafter referred to as the "Shares") for the purchase price set forth next to such Purchaser's name on Exhibit B hereto (the purchase price to be paid by each Purchaser hereunder for the Shares being hereinafter referred to as the "Purchase Price"). At the Closing, the Company shall deliver to each Purchaser, against receipt of the Purchase Price, a certificate representing the Shares, which certificate each Purchaser agrees shall bear a legend in substantially the form specified below, it being agreed that the Company shall promptly remove such legend upon the satisfaction of the requirements set forth in clause (1) or (2) of such legend, to the extent appropriate:

"The securities represented by this certificate have been acquired for investment only and have not been registered

under the Georgia Securities Act of 1973, as amended (the "Georgia Act"), in reliance on the exemption contained in Section 9(13) of the Georgia Act, have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and have not been registered under any other applicable securities laws. Accordingly, the securities are "restricted securities" within the meaning of said laws. The securities may not be offered, sold, exchanged, pledged, hypothecated or otherwise disposed of in the absence of (1) a registration statement being then in effect under the Securities Act, the Georgia Act and/or any other applicable securities laws; or (2) an opinion of counsel to the shareholder (including any in-house counsel of the shareholder), which counsel must be, and the form and substance of which opinion are, reasonably satisfactory to the issuer, that the transaction is exempt from registration under said laws or is in compliance with said laws. The securities shall not be transferred upon the issuer's books and records except upon compliance with the foregoing. The issuer will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class or series of shares authorized to be issued and the qualifications, limitations or restrictions of such preferences and/or rights."

At the Closing, each Purchaser shall deliver to the Company the Purchase Price by wire transfer of immediately available funds to an account specified in writing by the Company. The Closing shall take place at 10:00 a.m., local time (or as soon thereafter as practicable), on the date hereof or on such other business day on or prior to April 23, 2002 as may be agreed upon by the Company and the Purchasers at the offices of the Company at 4370 Peachtree Road, NE, Atlanta, GA 30319 or such other location as the parties hereto may agree. The date at which the Closing shall occur is hereinafter referred to as the "Closing Date". If the Closing does not occur by April 23, 2002, this Agreement will be terminated forthwith and the parties hereto will have no further obligations to each other under this Agreement, except that the Company shall nevertheless be obligated to make such payments as provided for in Section 8.7 hereof.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

2. Representations and Warranties of the Company. The Company hereby represents and warrants to the Purchasers that:

2.1. Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia and has all requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted and as contemplated by the Confidential Private Placement Memorandum of the Company, dated April 19, 2002 (the "Offering Memorandum"), heretofore furnished to the Purchasers. The Company is duly qualified to do business and in good standing in each jurisdiction in which the nature of the business conducted by it or the ownership or leasing of its properties makes such qualification and being in good standing necessary, other than where the failure to be so qualified and in good standing would not have a "Company Material Adverse Effect," which shall be defined as a material adverse effect on the Company and its subsidiaries taken as a whole, their business, assets, financial condition or results of operations.

2.2. Capitalization. As of the date hereof, the authorized capital stock of the Company consists of 15,000,000 shares of Class A Common Stock, no par value ("Class A Common Stock"), 15,000,000 shares of Class B Common Stock, no par value ("Class B Common Stock"), and 20,000,000 shares of preferred stock, no par value ("Preferred Stock"), of which 1,000 shares have been designated as Series A Preferred Stock, 2,500 shares have been designated as Series B Preferred Stock and 5,000 shares have been designated as Series C Preferred Stock. As of the date hereof, (a) 6,848,467 shares of Class A Common Stock and 8,808,552 shares of Class B Common Stock were issued and outstanding, all of which are duly authorized, validly issued, fully paid and non-assessable and not subject to preemptive rights and have been offered, issued, sold and delivered by the Company in compliance with all applicable federal and state securities laws; (b) 500 shares of Series A Preferred Stock and 360.5788 shares of Series B Preferred Stock were issued and outstanding, all of which are duly authorized, validly issued, fully paid and non-assessable, and not subject to preemptive rights and have been offered, issued, sold and delivered by the Company in compliance with all applicable federal and state securities laws; and (c) 1,517,000 shares of Class A Common Stock and 5,294,457 shares of Class B Common Stock were reserved for future issuance pursuant to stock options, warrants and other rights issued to certain officers, employees and other persons including 2,200,000 shares of Class B Common Stock reserved for future issuance upon conversion of the Shares. Except as set forth in Schedule 2.2 hereto or this Section 2.2, there are no (a) preemptive, conversion or other rights (including registration rights), options, warrants, agreements, restrictions on transfer, arrangements or commitments of any character to which the Company is a party relating to the issued or

unissued capital stock of, or other equity interests in, the Company, except with respect to the Series C Preferred Stock in accordance with the provisions of this Agreement, the Registration Rights Agreement and the Articles, (b) phantom equity, equity appreciation or similar rights which permit the holder thereof to participate in the residual equity value of, or appreciation in the equity value of, the Company, (c) securities, instruments or rights which permit the holder thereof, under any circumstances, to vote for the election of members of the Company's board of directors, except for the Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock, or (d) securities, instruments or rights which are, directly or indirectly, convertible into or exercisable or exchangeable for any of the securities, instruments or rights described in clauses (a), (b) or (c) above. The shares of Series C Preferred Stock, when issued in accordance with this Agreement, will be duly authorized, validly issued, fully paid and non-assessable and not subject to preemptive rights and free of any liens and encumbrances, other than those created by any Purchaser. The shares of Class B Common Stock issuable upon conversion of the Series C Preferred Stock (the "Conversion Shares") have been duly authorized and validly reserved, are not and will not be subject to any preemptive rights or rights of first refusal, and when issued in accordance with the terms of the Series C Preferred Stock, will be validly issued, fully paid, nonassessable and free of any liens and encumbrances, other than those created by any Purchaser.

2.3. Authority. The Company has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby to be consummated by the Company (including the issuance and sale of the Shares and the issuance of the Conversion Shares). The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby (including the issuance and sale of the Shares and the issuance of the Conversion Shares) have been duly authorized by all necessary corporate action on the part of the Company, its directors and shareholders and no other corporate proceedings on the part of the Company, its directors and shareholders are necessary to authorize this Agreement or to consummate the transactions contemplated hereby (including the issuance and sale of the Shares and the issuance of the Conversion Shares). This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery hereof by each Purchaser, constitutes the legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited or affected by (a) bankruptcy, insolvency, reorganization, moratorium, liquidation, arrangement, fraudulent transfer, fraudulent conveyance and other similar laws (including court decisions) now or hereafter in effect and affecting the rights and remedies of creditors generally or providing for the relief of debtors, (b) the refusal of a particular court to grant equitable remedies, including, without limitation, specific performance and injunction relief, and (c) general principles of equity (regardless of whether such remedies are sought in a proceeding in equity or at law).

2.4. No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by the Company does not, and the performance by the Company of its obligations hereunder (including the issuance and sale of the Shares and the issuance of the Conversion Shares) will not, (i) conflict with, breach or violate the Restated Articles of Incorporation or By-Laws of the Company or any of its subsidiaries, (ii) conflict with or violate any laws in effect as of the date of this Agreement applicable to the Company or any of its subsidiaries or by which any of their respective properties or assets is bound or (iii) result in any breach of, constitute a default (or an event that with notice or lapse of time or both would become a default) under, give to any other entity any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets of the Company or any of its subsidiaries pursuant to, any material note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries or any of their respective properties or assets is bound, except those with respect to which the Company has obtained any required consent, waiver, approval or authorization. No shareholder of the Company has any preemptive right or rights of first refusal which will be triggered by reason of the issuance of the Shares. Without limiting the generality of the foregoing, no Georgia state takeover statute or similar Georgia statute or regulation applies or purports to apply to this Agreement or any of the transactions contemplated by this Agreement (including the issuance and sale of the Shares and the issuance of the Conversion Shares).

(b) The execution and delivery of this Agreement by the Company does not, and the performance by the Company of its obligations hereunder (including the issuance and sale of the Shares and the issuance of the Conversion Shares) will not, require the Company to obtain any consent, registration, approval, authorization or permit of, to make any filing with, or to give any notification to, any governmental entities (or stock exchange) based on any law in effect as of the date of this Agreement except those which have been or will be timely obtained, made or given or as may be required in connection with the Registration Rights Agreement attached hereto as Exhibit C (the "Registration Rights Agreement").

2.5. Reports; Financial Statements.

(a) The Company has timely filed all forms, reports, statements and schedules required to be filed with the Securities and Exchange Commission (the "SEC") since January 1, 2000. The Company has made available to the Purchasers copies of all reports, registration statements and other filings, together with any amendments thereto, filed by the Company with the SEC since January 1, 2001 through the date immediately prior to the date of this Agreement (the "Company SEC Reports"). As of the respective

dates of their filing with the SEC, the Company SEC Reports complied in all material respects with the applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the applicable rules and regulations of the SEC promulgated thereunder, and did not at the time they were filed with the SEC contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) The consolidated financial statements (including, in each case, any related notes thereto) contained (or incorporated by reference) in the Company SEC Reports (the "Financial Statements") (i) have been prepared in accordance with the published rules and regulations of the SEC and generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and show all material liabilities, absolute or contingent, of the Company required to be recorded thereon in accordance with generally accepted accounting principles as at the respective dates thereof and (ii) fairly present in all material respects the consolidated financial position of the Company and its subsidiaries as of the respective dates thereof and their consolidated results of operations, stockholder equity and cash flows for the periods indicated, except that any unaudited interim financial statements were subject to normal and recurring year-end adjustments and may omit footnote disclosure as permitted by regulations of the SEC.

2.6. Absence of Certain Changes. Since December 31, 2001, except to the extent specified in Schedule 2.6, there has not been:

(a) Any Company Material Adverse Effect;

(b) Any damage, destruction or loss of any of the properties or assets of the Company (whether or not covered by insurance) materially adversely affecting the business of the Company;

(c) Any declaration, setting aside for payment or other distribution in respect of any of the Company's capital stock, or any direct or indirect redemption, purchase or other acquisition of any of such stock by the Company; or

(d) Any labor trouble materially adversely affecting the business of the Company.

2.7. No Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission from any Purchaser in connection with the sale of the Series C Preferred Stock provided for in this Agreement based upon arrangements made by or on behalf of the Company.

2.8. Subsidiaries. Other than as specified in Schedule 2.8, the Company has no subsidiaries and does not own, directly or indirectly, of record or beneficially any capital stock or equity interest or investment in any corporation, association or business entity. Each of the subsidiaries of the Company is a form of entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and is in good standing in each jurisdiction in which the failure to so qualify would have a Company Material Adverse Effect. Each of the subsidiaries of the Company has all requisite power and authority to own the properties owned by it and to carry on its business as now conducted and as presently proposed to be conducted. Except as specified in the Company SEC Reports, all of the issued and outstanding capital stock of, or other equity interests in, each of the subsidiaries of the Company is owned beneficially and of record by the Company, one of its other wholly-owned subsidiaries, or any combination of the Company and/or one or more of its other subsidiaries, in each case free and clear of any liens, charges, restrictions, claims or encumbrances of any nature whatsoever, except for those arising under the Third Amended and Restated Loan Agreement, dated as of September 25, 2001, by and among the Company, the financial institutions signatory thereto and Bank of America, N.A. (the "Senior Credit Facility"); and there are no outstanding subscriptions, warrants, options, convertible securities, or other rights (contingent or other) pursuant to which any of the subsidiaries of the Company is or may become obligated to issue any shares of its capital stock or other equity interests to any person other than the Company and/or one or more of its other wholly-owned subsidiaries. As used in this Section 2 (unless the context otherwise requires), the term "Company" shall mean the Company and each of its subsidiaries (other than Sarkes Tarzian, Inc.).

2.9. Outstanding Debt. Neither the Company nor any of its subsidiaries has any outstanding indebtedness for borrowed money except as reflected on the Financial Statements and is not a guarantor or otherwise contingently liable for any such indebtedness, except that the subsidiaries of the Company are guarantors (i) of the Company's 9.25% Senior Subordinated Notes due 2011 (the "Notes") and (ii) under the Senior Credit Facility. There exists no default in any material respect under the provisions of any instrument evidencing any such indebtedness or of any agreement relating thereto.

2.10. Absence of Liabilities. Other than in connection with the transactions contemplated by this Agreement, neither the Company nor any of its subsidiaries has any liabilities (fixed or contingent, including without limitation any tax liabilities due or to become due), except those which (i) are fully reflected or provided for on the Financial Statements, except as specified in Schedule 2.10, or (ii) were incurred in the ordinary course of business (and which remain outstanding), none of which would, individually or in the aggregate, have a Company Material Adverse Effect.

2.11. Taxes. The Company has duly filed within the time prescribed by law (including extensions of time approved by the appropriate taxing authority) all tax returns and reports required to be filed with the Internal Revenue Service and (except to the extent that the failure to file would not have a Company Material Adverse Effect) with all other jurisdictions where such filing is required by law; all such tax returns are true and correct in all material respects; and the Company has paid all taxes, interest, penalties, assessments or deficiencies shown to be due or claimed to be due or in respect of such tax returns and reports.

2.12. Employee Benefits; ERISA. (a) With respect to each employee benefit plan (as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) maintained by the Company or an "ERISA Affiliate" (as defined below), (i) such plan has been administered and operated in all material respects in compliance with its terms and the applicable requirements of ERISA and the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) no "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) which is not covered by an applicable exemption and which has resulted in or would result in a Company Material Adverse Effect has occurred. As used herein, the term "ERISA Affiliate" refers to any organization that is (x) a member of a "controlled group" of which the Company is a member or (y) under "common control" with the Company within the meaning of Section 414(b) and (c) of the Code. (b) Neither the approval or execution of this Agreement nor the consummation of the transactions contemplated by this Agreement (including the issuance and sale of the Shares and the issuance of the Conversion Shares) will (i) entitle any individual to severance pay or (ii) accelerate the time of payment or vesting of, or materially increase the amount of, compensation due to any individual.

2.13. Contracts. The Company has complied in all material respects with all the material provisions of each currently existing binding contract, obligation, license, agreement, plan, arrangement, commitment or the like (written or oral) of any material nature ("Contract"), and is not in default thereunder or in breach thereof in any material respect nor in receipt of any written claim of default or breach in any material respect by it thereof. The Company does not have any knowledge of any breach or anticipated breach in any material respect by the other parties to any such Contract.

2.14. Insurance. The Company maintains insurance which is adequate to protect the Company and its financial condition against the risks involved in the business conducted by the Company.

2.15. Litigation. Except as specified in Schedule 2.15, there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim, whether or not purportedly on behalf of the Company, against the Company or its business or assets and in which an unfavorable outcome, ruling or finding in any such

matter or for all such matters taken as a whole would have a Company Material Adverse Effect; and the Company has no knowledge of any unasserted claim, the assertion of which is likely and which, if asserted, will seek damages, an injunction or other legal, equitable, monetary or nonmonetary relief which claim individually or collectively with other such unasserted claims if granted would have a Company Material Adverse Effect.

2.16. Properties; Liens and Encumbrances. Schedule 2.16 contains a complete and correct list of the material real property owned by the Company. The Company has a valid and indefeasible ownership interest in all such real property and all its other material property and assets, free from all mortgages, pledges, liens, security interests, conditional sale agreements, encumbrances or charges, except (i) tax, materialmen's or like liens for obligations not yet due or payable or being contested in good faith by appropriate proceedings and for which an adequate reserve (if required by GAAP) has been made on the Financial Statements; and (ii) for those arising under the Senior Credit Facility. The assets, properties, contracts and rights of the Company include all of the assets, properties, contracts and rights necessary or material to the conduct of its business in the manner as it is currently conducted and that are reflected in the consolidated balance sheet of the Company as at December 31, 2001 (other than assets reflected on such balance sheet that have been sold or disposed of in the ordinary course of business since the date thereof).

2.17. Leases. The Company enjoys peaceful and undisturbed possession under all material leases, whether for real or personal property (including cable and telecommunication lines), under which the Company is a lessee. All of such leases are valid and subsisting and neither the Company nor, to the knowledge of the Company, the lessor thereunder is in default thereof in any material respect.

2.18. Intentionally Omitted.

2.19. Communications Licenses and Regulations. (a) All of the material certificates, licenses, permits, franchises and other authorizations (collectively, the "Communications Licenses") issued to the Company by the communications regulatory authorities of any federal, state or local government, including, but not limited to, the Federal Communications Commission and state public utility commissions or like agencies (collectively, the "Regulatory Authorities"), are in full force and effect; (b) the Communications Licenses constitute all of the material certificates, licenses, permits, franchises and authorizations necessary or legally required for the conduct of the Company's respective businesses as now being conducted by it, or as it presently intends to conduct in the future; (c) the Company is in compliance in all material respects with any and all applicable material federal, state and municipal statutes, rules, regulations, policies, orders or ordinances (collectively, the "Communications Laws") governing or relating to the Communications Licenses; and (d) the Company has not received notice of any complaints, charges, investigations, renewal or revocation hearings, or other

proceedings that have been initiated or, to the knowledge of the Company, threatened against the Company, nor, to the knowledge of the Company, has any Regulatory Authority proposed, announced, issued or adopted any amendment, modification or change to any Communications Law or Communications License, that would have a material adverse effect on the Company's ability to continue to hold and/or renew or extend any of the Communications Licenses, or would otherwise have a Company Material Adverse Effect. Without limiting the generality of the foregoing, the Company has received no notice of denial or intended denial by the Federal Communications Commission of the Company's request for a six-month extension for digital broadcasting compliance (referred to in the Company's report on Form 10-K for the year ended December 31, 2001).

2.20. Intellectual Property, etc. The Company has all franchises, permits, licenses and other similar authority necessary for the conduct of its business as now being conducted by it and as presently planned to be conducted, including, but not limited to, all domain names and licenses with respect to third party software or materials, the lack of which would have a Company Material Adverse Effect, and it is not in default in any material respect under any of such franchises, permits, licenses or other similar authority. The Company is the exclusive owner of all right, title and interest in and /or has the valid and legal right to use all material intellectual property and proprietary rights owned or used by the Company, including, without limitation, all material franchises, permits, licenses, software, trademarks, service marks, domain names, trade rights, trade dress, patents, patent applications, copyrights, inventions, know-how and other confidential information, necessary to conduct its business as now being conducted and as presently planned to be conducted, without conflict with or infringement upon any valid rights of others except for infringements or conflicts which would not have a Company Material Adverse Effect. The Company has not received any notice that the conduct of its business infringes upon or conflicts with the asserted rights of others and has no knowledge that any person is infringing upon or in conflict with its asserted rights.

2.21. Affiliate Arrangements. Schedule 2.21 sets forth all material transactions between the Company and any of its affiliates (as defined in Rule 12b-2 under the Exchange Act).

2.22. Compliance with Other Instruments and Laws. The Company is not in violation of any term of its Restated Articles of Incorporation or By-Laws, in each case, as in effect on the date hereof. The Company is not in violation of any term of any mortgage, indenture, contract, agreement, instrument, judgment, decree, order, statute, rule or regulation to which the Company is subject and a violation of which would have a Company Material Adverse Effect. The Company has all franchises, permits, licenses and other rights and privileges from governmental authorities necessary to permit it to own its property and to conduct its business as it is presently conducted and as presently contemplated to be conducted, except where the failure to have any such franchises,

permits, licenses or other rights or privileges would not have a Company Material Adverse Effect.

2.23. Environmental and Safety Laws. The Company is not in violation in any material respect of any applicable material statute, law or regulation relating to the environment or occupational health and safety, and to its knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law or regulation. To the knowledge of the Company, no violation by the Company is being alleged of any such existing statute, law or regulation that, if substantiated, would have a Company Material Adverse Effect. The Company is not subject to any material liability or obligation relating to the environmental conditions on, under, or about the real property or other properties or assets owned, leased, operated or used by the Company, including without limitation, the air, soil and groundwater conditions at such properties.

2.24. Registration Rights. Except as will be provided for in the Registration Rights Agreement, the Company is not under any obligation to register under the Securities Act any of its currently outstanding securities or any of its securities which may hereafter be issued, except for the Notes. The Company's obligation to register the Notes will not delay (except in connection with any review by the SEC of any filings of the Company) or prevent the Purchasers' ability to exercise the rights granted to them under the Registration Rights Agreement in accordance with the terms set forth therein.

2.25. Disclosure. Neither this Agreement nor the Offering Memorandum contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF EACH PURCHASER

3. Representations and Warranties of Each Purchaser. Each Purchaser, severally and not jointly, hereby represents and warrants to the Company that:

3.1. Organization and Qualification. Such Purchaser is a form of entity duly organized, validly existing and in good standing under the laws of its state of organization and has all requisite power and authority to carry on its business as it is now being conducted.

3.2. Authority. Such Purchaser has all requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby to be consummated by such Purchaser. The execution

and delivery of this Agreement by such Purchaser and the consummation by such Purchaser of the transactions contemplated hereby have been duly authorized by all necessary action on the part of such Purchaser and no other proceedings on the part of such Purchaser are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by such Purchaser and, assuming the due authorization, execution and delivery hereof by the Company and each of the other Purchasers, constitutes the legal, valid and binding obligation of such Purchaser enforceable against such Purchaser in accordance with its terms, except as such enforceability may be limited or affected by (a) bankruptcy, insolvency, reorganization, moratorium, liquidation, arrangement, fraudulent transfer, fraudulent conveyance and other similar laws (including court decisions) now or hereafter in effect and affecting the rights and remedies of creditors generally or providing for the relief of debtors, (b) the refusal of a particular court to grant equitable remedies, including, without limitation, specific performance and injunction relief, and (c) general principles of equity (regardless of whether such remedies are sought in a proceeding in equity or at law).

3.3. No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by the Purchaser does not, and the performance by the Purchaser of its obligations hereunder will not, (i) conflict with, breach or violate the organizational documents of the Purchaser, (ii) conflict with or violate any laws in effect as of the date of this Agreement applicable to the Purchaser or by which any of its properties or assets is bound or (iii) result in any material breach of, or constitute a material default (or an event that with notice or lapse of time or both would become a material default) under, any material note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Purchaser is a party or by which the Purchaser or any of its properties or assets is bound.

(b) The execution and delivery of this Agreement by the Purchaser does not, and the performance by the Purchaser of its obligations hereunder will not, require the Purchaser to obtain any consent, registration, approval, authorization or permit of, to make any filing with, or to give any notification to, any governmental entities based on any law in effect as of the date of this Agreement, except those which have been or will be timely obtained, made or given.

3.4. Acquisition of Shares for Investment. Such Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its purchase of the Shares hereunder. Such Purchaser is an "accredited investor" within the meaning of Rule 501 promulgated under the Securities Act. Such Purchaser confirms that it has reviewed the Company SEC Reports and the Offering Memorandum, including the documents attached thereto, and that the

Company has made available to such Purchaser the opportunity to ask questions of the officers and management of the Company and to acquire additional information about the business and financial condition of the Company. Such Purchaser is acquiring the Shares for investment and not with a view toward or for sale in connection with any distribution thereof in violation of any federal or state securities or "blue sky" laws, or with the present intention of distributing or selling such Shares or the Conversion Shares in violation of any federal or state securities or "blue sky" laws. Such Purchaser understands and agrees that neither the Shares nor the Conversion Shares may be sold, transferred, offered for sale, assigned, pledged, hypothecated or otherwise disposed of without registration under the Securities Act or pursuant to an exemption therefrom, and without compliance with state, local and foreign securities laws (in each case to the extent applicable). Such Purchaser understands and agrees that the Shares and the Conversion Shares are "restricted securities" within the meaning of Rule 144 promulgated under the Securities Act ("Rule 144").

3.5. No Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission from the Company in connection with the purchase of the Series C Preferred Stock by such Purchaser provided for in this Agreement based upon arrangements made by or on behalf of such Purchaser.

ARTICLE IV

COVENANTS

4.1. Filing of Articles. On or prior to the Closing Date, the Company shall file with the Secretary of State of the State of Georgia the Articles and they shall be in full force and effect as of the Closing.

4.2. Listing of Conversion Shares. Prior to the Closing, the Company shall file with the New York Stock Exchange a supplemental listing application relating to the Conversion Shares. The Company shall use best efforts to cause the Conversion Shares to be listed on the New York Stock Exchange as soon as practicable, subject only to official notice of issuance, evidence of which shall be delivered by the Company to each of the Purchasers promptly following receipt thereof.

4.3. Exchange Act Filings. The Company shall deliver to each Purchaser, as soon as practicable after the filing thereof, all Forms 10-K and 10-Q and proxy statements (and amendments thereto) filed by the Company with the SEC.

4.4. Reporting Requirements Under the Exchange Act. The Company shall timely file such information, documents and reports as the SEC may require or prescribe under Section 13 of the Exchange Act. The Company acknowledges and agrees that the purposes of the requirements contained in this Section 4.4 are (a) to enable the Purchasers

to comply with the current public information requirement contained in paragraph (c) of Rule 144 should any such Purchaser ever wish to dispose of any of the Conversion Shares without registration under the Securities Act in reliance upon Rule 144 (or any other similar exemptive provision) and (b) to qualify the Company for the use of registration statements on Form S-3 (which the Company represents that it is qualified to use as of the date hereof).

4.5. Availability of Common Stock for Conversion. The Company will reserve 2,200,000 shares of Class B Common Stock for issuance upon conversion of the Shares. The Company will not issue or agree to issue any shares of Class B Common Stock or options, rights or warrants to purchase Class B Common Stock or securities convertible into or exchangeable for Class B Common Stock or take any other action if, after giving effect thereto, the number of shares of Class B Common Stock remaining unissued and duly reserved for issuance upon conversion of the Shares shall be insufficient to permit conversion of all of the Shares.

4.6. Use of Proceeds. The Company will use the proceeds from the sale of the Shares to repay current amounts outstanding under the Company's revolving credit facility, to pay fees and expenses associated with the offering and sale of the Shares and for other general corporate purposes.

4.7. Best Efforts. Each of the Company and the Purchasers shall use its best efforts to satisfy the applicable conditions to Closing set forth in Section 5 hereof.

ARTICLE V

CONDITIONS PRECEDENT TO EACH PARTY'S OBLIGATIONS

5. Conditions to Closing.

5.1. Conditions Precedent to Obligation of the Company. The obligation of the Company to consummate the Closing shall be subject to the satisfaction (or waiver in writing by the Company) of the following conditions on or prior to the Closing Date:

(a) the representations and warranties of each Purchaser contained in this Agreement shall be true and correct in all respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (except to the extent such representations and warranties specifically relate to a prior date);

(b) all covenants, agreements and conditions contained in this Agreement to be performed or complied with by each Purchaser on or prior to the Closing shall have been performed or complied with in all respects and at such time such

Purchaser shall not be in default in the performance of or compliance with any of the provisions of this Agreement;

(c) at the time of the Closing, the purchase and sale of the Shares to be purchased by each Purchaser hereunder shall be legally permitted by all laws and regulations to which such Purchaser and the Company are subject;

(d) all governmental and regulatory approvals necessary to consummate the Closing shall have been obtained; (e) the Registration Rights Agreement shall have been executed by each of the Purchasers and duly delivered; and

(f) except in connection with the Registration Rights Agreement, all authorizations, approvals or permits, if any, of any governmental authority or regulatory body that are now required in connection with the lawful issuance and sale of the Shares pursuant to this Agreement, the conversion of the Shares into Conversion Shares and the issuance of such Conversion Shares upon such conversion shall have been duly obtained and shall be in full force and effect on and as of the Closing.

5.2. Conditions Precedent to Obligation of Each Purchaser. The obligation of each Purchaser to consummate the Closing shall be subject to the satisfaction (or waiver in writing by such Purchaser) of the following conditions on or prior to the Closing Date:

(a) the representations and warranties of the Company contained in this Agreement shall be true and correct in all respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (except to the extent such representations and warranties specifically relate to a prior date);

(b) all covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Company on or prior to the Closing shall have been performed or complied with in all respects and at such time the Company shall not be in default in the performance of or compliance with any of the provisions of this Agreement or of the Articles;

(c) at the time of the Closing, the purchase and sale of the Shares to be purchased by each Purchaser hereunder shall be legally permitted by all laws and regulations to which such Purchaser and the Company are subject;

(d) all governmental and regulatory approvals necessary to consummate the Closing shall have been obtained;

(e) all corporate and other proceedings in connection with the transactions contemplated hereby shall be reasonably satisfactory in substance and form to such Purchaser and the Company shall have delivered a check or made a wire transfer to the Purchaser's outside counsel to satisfy its obligations under Section 8.7, if so requested, prior to the Closing;

(f) the Registration Rights Agreement shall have been executed by the Company and each other Purchaser and duly delivered;

(g) all outstanding shares of Series A Preferred Stock and Series B Preferred Stock shall have been exchanged on a one-for-one basis for shares of Series C Preferred Stock;

(h) each of the other Purchasers shall have funded the portion of the Purchase Price payable by such Purchaser at the Closing in accordance with Section 1.2;

(i) except in connection with the Registration Rights Agreement, all authorizations, approvals or permits, if any, of any governmental authority or regulatory body that are now required in connection with the lawful issuance and sale of the Shares pursuant to this Agreement, the conversion of the Shares into Conversion Shares and the issuance of such Conversion Shares upon such conversion shall have been duly obtained and shall be in full force and effect on and as of the Closing;

(j) the Company shall have duly filed with the Secretary of State of the State of Georgia the Articles and the Articles shall be in full force and effect and shall not have been further amended; and

(k) all taxes imposed by law in connection with the issuance, sale and delivery of the Shares shall have been fully paid, and all laws imposing such taxes shall have been fully complied with.

ARTICLE VI

CLOSING DELIVERIES

6. Closing Deliveries.

6.1. Deliveries of the Company. At the Closing, the Company shall deliver, or shall cause to be delivered, to each Purchaser:

(a) a stock certificate of the Company representing the Shares registered in the name of such Purchaser or its nominee;

(b) written evidence of the filing of the Articles with the Secretary of State of the State of Georgia;

(c) an opinion addressed to the Purchasers from Troutman Sanders LLP, special counsel to the Company, dated the Closing Date, and in substantially the form attached as Exhibit D hereto;

(d) a certificate of the President or a Vice President of the Company, dated the date of the Closing, certifying to the fulfillment of the conditions specified in Section 5.2 (a) and (b);

(e) if requested, reasonable evidence of the satisfaction of the closing conditions set forth in Section 5.2; and

(f) an executed counterpart of the Registration Rights Agreement.

6.2. Deliveries of Each Purchaser. At the Closing, each Purchaser shall deliver, or shall cause to be delivered, to the Company:

(a) a certificate of a senior officer of such Purchaser, dated the date of the Closing, certifying to the fulfillment of the conditions specified in Section 5.1(a) and (b);

(b) the Purchase Price; and

(c) an executed counterpart of the Registration Rights Agreement.

ARTICLE VII

INDEMNIFICATION

7.1. Indemnification by the Company. The Company shall indemnify, defend and hold harmless each Purchaser and its shareholders, partners, members, directors, managers, officers, employees, agents, representatives and affiliates, without duplication (such Purchaser and the foregoing related parties, collectively, the "Purchaser Indemnitees") from and against all damages, losses, liabilities, claims, actions, suits, proceedings, judgments, taxes, penalties, fines, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), whether or not resulting from a third party claim (all of the foregoing hereinafter collectively referred to as a "Loss") incurred by any of the Purchaser Indemnitees arising out of or as a result of: (i) any misrepresentation or breach of warranty made by the Company herein or in any document or certificate delivered pursuant hereto; and (ii) any breach or nonfulfillment of any agreement or covenant made by the Company herein or in any document or certificate delivered pursuant hereto.

7.2. Indemnification by the Purchasers. Each Purchaser shall indemnify, defend and hold harmless the Company and its shareholders, directors, officers, employees, agents, representatives and affiliates, without duplication (the "Company Indemnitees") from and against all Losses incurred by any of the Company Indemnitees arising out of or as a result of: (i) any misrepresentation or breach of warranty made by such Purchaser herein or in any document or certificate delivered pursuant hereto; and (ii) any breach or nonfulfillment of any agreement or covenant made by such Purchaser herein or in any document or certificate delivered pursuant hereto.

7.3. Limitations on Indemnification.

(a) No payment shall be required to be made by the Company pursuant to clause (i) of Section 7.1 hereof, or by any Purchaser pursuant to clause (i) of Section 7.2 hereof, unless, and except to the extent that, the amount of Loss suffered by the party claiming indemnification in connection with such claim, together with all claims asserted therewith or previously asserted under clause (i) of Section 7.1 or clause (i) of Section 7.2, as the case may be, by such party and/or the indemnitee group to which such party belongs (i.e., the Purchaser Indemnitees or the Company Indemnitees, as applicable), exceeds three percent (3%) of the Purchase Price paid by the Purchaser who is the indemnitee (directly or on behalf of a member of its indemnitee group) or indemnitor of such claim, it being understood that for purposes of measuring the amount of Losses suffered by a Company Indemnitee under clause (i) of Section 7.2 as of any given time, the Company Indemnitee may only include Losses attributable to the Purchaser from whom the Company Indemnitee is seeking to recover at such time. By way of illustration, the percentage referred to in the preceding sentence applicable to Teachers Insurance and Annuity Association of America would be \$450,000.

(b) Notwithstanding anything to the contrary herein, the maximum amount of Loss suffered, other than out-of-pocket Loss attributable to third-party claims or in respect of breach or nonfulfillment of agreements or covenants, for which a Purchaser (or a member of its indemnitee group) may be indemnified or from whom indemnification may be sought by a Company Indemnitee shall not exceed the total Purchase Price paid by such Purchaser.

(c) No right to indemnification may be asserted under clause (i) of Section 7.1 or clause (i) of Section 7.2 after the expiration of 18 months following the Closing Date, except any such rights to indemnification arising out of or in connection with any claim as to which notice has been given on or prior to the expiration of 18 months following the Closing Date. Notwithstanding anything herein to the contrary, a right to indemnification for breach of the representations and warranties set forth in Sections 2.1, 2.3, 2.4, 3.1, 3.2, 3.3 and 3.4 may be asserted under this Article VII indefinitely.

(d) Notwithstanding anything herein to the contrary, the rights of indemnification under this Article VII shall not include any matters relating to the rights and obligations of the parties hereto under the Registration Rights Agreement.

(e) In each case in which a breach of any representation or warranty creates entitlement to indemnification under this Article VII, the amount of any Loss shall be determined without taking into account any qualification as to materiality or Company Material Adverse Effect contained in any such representation or warranty. The provisions of this Article VII, subject to the limitations set forth herein, shall constitute the sole remedy for breach of any party hereto of any representation, warranty, covenant or agreement by any other party hereto. Notwithstanding anything to the contrary herein, nothing in this Agreement shall limit in any way any party's remedies in respect of fraud or intentional misrepresentation or omission or an intentional breach of this Agreement.

7.4. Notice and Defense of Claims. The following provisions shall only apply in the event of a third-party claim.

(a) If any action or proceeding be commenced, or if any claim, demand or assessment be asserted, in respect of which any party (the "Indemnitee") proposes to hold any other party (the "Indemnitor") liable under the indemnity provisions of this Article VII (a "Claim"), the Indemnitee shall notify the Indemnitor in writing of such Claim in a timely manner and, in any event, within any applicable time period specified in Section 7.3; provided, however, that, so long as such notice is given within any applicable time period specified in Section 7.3, an Indemnitee's failure to give timely notice to an Indemnitor shall not constitute a defense (in whole or in part) to any claim for indemnification by such Indemnitee unless, and only to the extent that, such failure results in material prejudice to the Indemnitor. Such Indemnitor shall be entitled, at its sole cost and expense, to contest or defend the same with counsel of its own choosing, reasonably acceptable to Indemnitee, and Indemnitee shall not admit any liability with respect thereto or settle, compromise, pay or discharge the same without the prior written consent of the Indemnitor so long as any Indemnitor is contesting or defending the same in good faith, and Indemnitee (and its successors and assigns) shall cooperate with the Indemnitor in the contest or defense thereof (and the Indemnitor shall reimburse Indemnitee for the Indemnitee's reasonable actual out-of-pocket expenses incurred in connection with such cooperation) and Indemnitee shall enter into any settlement with respect thereto recommended by Indemnitor so long as (x) the amount of such settlement is paid by the Indemnitor (subject to the limitations in Section 7.3), (y) no obligation to perform or refrain from performing any act or to admit to any fault shall be imposed upon Indemnitee by reason thereof and (z) such settlement otherwise is reasonable under the applicable circumstances.

(b) If (x) the Indemnitee shall have given the Indemnitor at least thirty (30) days prior written notice that, in the event the Indemnitor fails to assume the defense of any Claims as provided in Section 7.4(a), the Indemnitee intends to assume the defense of such Claim and (y) the Indemnitor fails to assume the defense of such Claim as provided in Section 7.4(a) by the end of such thirty (30) day period or such later reasonable time (which shall be such period of time as will not result in material prejudice to the rights of the Indemnitee), then the Indemnitee shall have the right to prosecute and conduct its own defense by a single counsel of its choice (in addition to appropriate local counsel as may be required by the local rules of the applicable jurisdiction), and in connection therewith shall have full right to conduct the defense thereof and to enter into any compromise or settlement thereof with the consent of the Indemnitor (which shall not unreasonably be withheld, conditioned or delayed). Such defense shall be at the reasonable cost and expense of the Indemnitor and the Indemnitor shall reimburse the Indemnitees promptly and periodically for the reasonable costs of defending against such Claim. Notwithstanding Section 7.4(a) and the foregoing sentence, any Indemnitee shall be entitled to conduct its own defense at the reasonable cost and expense of the Indemnitor if not doing so would materially prejudice the Indemnitee by virtue of a conflict between the interest of the Indemnitee and the Indemnitor, and provided further that in any event the Indemnitee may participate in such defense at its own expense.

ARTICLE VIII

MISCELLANEOUS

8.1. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to its conflict of law doctrines.

8.2. **Survival.** Subject to Section 7.3, the representations, warranties, covenants and agreements made herein shall survive (i) any investigation made by the Purchasers and the Company and (ii) the Closing.

8.3. **Amendment.** Any term, covenant, agreement or condition of this Agreement may be amended (either generally or in a particular circumstance and either retroactively or prospectively) by a written instrument signed by the Company and the holders of 50% or more of the Conversion Shares issued or issuable upon conversion of the Shares, but in no event shall the obligations of any Purchaser hereunder be increased, nor shall any right of a Purchaser in respect of a post-Closing covenant under Article V, or any right of a Purchaser (or a member of its indemnitee group) under Article VII be decreased, except upon such Purchaser's written consent. The foregoing shall not limit the right of any single Purchaser to seek to enforce on its behalf or on behalf of all Purchasers in respect of any agreement or covenant of the Company hereunder.

8.4. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any other party hereto under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach or default under this Agreement, or any waiver on the part of any party hereto of any provisions or conditions of this Agreement must be made in writing and shall be effective only to the extent specifically set forth in such writing.

8.5. Binding Effect; Assignment. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any rights or obligations hereunder shall be assigned or delegated by the Company without the prior written consent of the Purchasers. Prior to the Closing, any Purchaser may assign or delegate this Agreement or any rights or obligations hereunder to any affiliate of such Purchaser, provided that such assignee assumes all of the obligations of such assigning Purchaser hereunder and executes a joinder agreement to this Agreement. After the Closing, any Purchaser may assign or delegate this Agreement or any rights or obligations hereunder to any permitted transferee or assignee of such Purchaser's Shares that is an "accredited investor" or a "qualified institutional buyer" (as defined in Rule 501 and Rule 144A, respectively, promulgated under the Securities Act) and otherwise in compliance with applicable federal and state securities laws and exemptions therefrom. In any of the foregoing events, such Purchaser shall remain obligated under this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein. For purposes of this Agreement, each of (x) the Gabelli Funds and (y) the Capital Research and Management Company entities listed on the signature pages hereto shall be treated as one Purchaser, unless the context otherwise requires.

8.6. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be personally delivered, mailed by registered or certified mail, postage prepaid, return receipt requested, delivered by a nationally recognized overnight courier or sent by facsimile transmission with receipt confirmed, addressed to the applicable party at its address set forth next to its name on the signature page hereto (or such other address as such party shall hereafter specify by written notice in writing to the other parties hereto). Any such notice or communication shall be deemed to have been received (A) in the case of personal delivery or facsimile transmission, on the date of such delivery or transmission, (B) in the case of a nationally recognized overnight courier, on the next business day after the date when sent, and (C)

in the case of mailing, on the third business day following that on which the piece of mail containing such communication is posted.

8.7. Expenses. The Company shall bear its own expenses and legal fees incurred on its behalf with respect to this Agreement and the transactions contemplated hereby, and the Company will pay (at Closing, if requested, or upon any termination of this Agreement as contemplated by Section 1.2) all the reasonable fees, charges and disbursements of one firm of outside counsel representing the Purchasers, with respect to this Agreement and the transactions contemplated hereby.

8.8. Entire Agreement. This Agreement (including the schedules and exhibits hereto) and the documents referred to herein or delivered pursuant hereto or pursuant to such documents, including all exhibits and schedules thereto, contain the entire understanding of the parties with respect to their subject matter and supersede all prior agreements and understandings among the parties with respect to their subject matter. References herein to schedules to this Agreement shall refer to the schedules contained in the Disclosure Letters provided by the Company and the Purchasers, respectively, immediately prior to the execution of this Agreement. The Company's schedules may cross-reference applicable sections or pages of the Company SEC Reports.

8.9. Severability. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement. The obligations of the Purchasers hereunder are several. No Purchaser shall be responsible for the obligations of, or any action taken or omitted by, any other Purchaser hereunder or under the Registration Rights Agreement.

8.10. Headings. The section and other headings contained in this Agreement are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

8.11. Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which together shall be deemed to be one and the same agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

GRAY COMMUNICATIONS SYSTEMS, INC.

4370 Peachtree Road, NE
Atlanta, GA 30319
Facsimile: (404) 261-9607
Attention: James C. Ryan

By: /s/ James C. Ryan

Name: J.C. Ryan
Title: V.P. - CFO

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

Teachers Insurance and Annuity
Association of America
Attn: John Goodreds
730 Third Avenue
New York, NY 10017
Facsimile: (212) 916-6582

By: /s/ John Goodreds

Name: John Goodreds
Title: Associate Director - Private
Placements

CONTINENTAL CASUALTY COMPANY

Attn: Investments
333 South Wabash Avenue
CNA Plaza - 23 South
Chicago, IL 60685
Facsimile: (312) 817-1680

By: /s/ Marilou R. McGirr

Name: Marilou R. McGirr
Title: Vice President

AMERICAN HIGH INCOME TRUST

Capital Research and
Management Company
Attn: Michael J. Downer
333 South Hope Street, 33rd Floor
Los Angeles, CA 92821-5823
Facsimile: (213) 486-9041

By: CAPITAL RESEARCH AND MANAGEMENT COMPANY

By: /s/ Michael Downer

Name: Michael J. Downer
Title: Vice President and Secretary

AMERICAN FUNDS INSURANCE SERIES-
HIGH YIELD BOND FUND

Capital Research and
Management Company
Attn: Michael J. Downer
333 South Hope Street, 33rd Floor
Los Angeles, CA 92821-5823
Facsimile: (213) 486-9041

By: CAPITAL RESEARCH AND
MANAGEMENT COMPANY

By: /s/ Michael Downer

Name: Michael J. Downer
Title: Vice President and Secretary

THE GABELLI EQUITY INCOME FUND

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

THE GABELLI SMALL CAP GROWTH FUND

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

THE GABELLI GLOBAL MULTIMEDIA TRUST INC.

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

THE GABELLI CONVERTIBLE SECURITIES FUND, INC.

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

THE GABELLI EQUITY TRUST INC.

Gabelli Funds
Attn: Jim McKee
1 Corporate Center
Rye, NY 10580
Facsimile: (914) 921-5384

By: /s/ Bruce Alpert

Name: Bruce N. Alpert
Title: Vice President and Treasurer

EXHIBIT B

PURCHASER	NUMBER OF SHARES	PURCHASE PRICE
Teachers Insurance and Annuity Association of America	1,500	\$15,000,000
Continental Casualty Company	550	\$ 5,500,000
American High Income Trust	300	\$ 3,000,000
American Funds Insurance Series, High Yield Bond Fund	300 -----	\$ 3,000,000 -----
Capital Research and Management Company Subtotal	600	\$ 6,000,000
The Gabelli Equity Income Fund	100	\$ 1,000,000
The Gabelli Small Cap Growth Fund	100	\$ 1,000,000
The Gabelli Global Multimedia Trust Inc.	100	\$ 1,000,000
The Gabelli Convertible Securities Fund, Inc.	100	\$ 1,000,000
The Gabelli Equity Trust Inc.	90 -----	\$ 900,000 -----
Gabelli Subtotal	490 -----	\$ 4,900,000 -----
TOTAL	3,140	\$31,400,000

GRAY COMMUNICATIONS SYSTEMS, INC.
DISCLOSURE SCHEDULES TO
SERIES C PREFERRED STOCK PURCHASE AGREEMENT

Schedule 2.2

SEE ATTACHED SCHEDULE OF OPTIONS AND WARRANTS.

The Company is authorized to issue 50,000,000 shares of all classes of stock, of which, 15,000,000 shares are designated Class A Common Stock, 15,000,000 shares are designated Class B Common Stock, and 20,000,000 shares are designated "blank check" preferred stock for which the Board of Directors has the authority to determine the rights, powers, limitations and restrictions. The rights of the Company's Class A and Class B Common Stock are identical, except that the Class A Common Stock has 10 votes per share and the Class B Common Stock has one vote per share. The Class A and B Common Stock receive cash dividends on an equal per share basis.

The Series A Preferred Stock includes detachable warrants issued to Bull Run Corporation ("Bull Run") to purchase 731,250 shares of Class A Common Stock for \$11.92 per share. Of these warrants, 450,000 vested upon issuance, with the remaining warrants vesting in five equal annual installments commencing January 3, 1997, providing the Series A Preferred Stock remains outstanding. The Series A Preferred Stock was originally issued to Bull Run; however, these shares were sold by Bull Run to one of its affiliates in 2001. The holder of the Series A Preferred Stock receives cash dividends at an annual rate of \$800 per share. During 2000, the Company redeemed 500 shares of Series A Preferred Stock at a cost of \$5.0 million. The liquidation or redemption price of the Series A Preferred Stock is \$10,000 per share.

The Series B Preferred Stock includes warrants to purchase an aggregate of 750,000 shares of Class A Common Stock at an exercise price of \$16.00 per share. Of these warrants 450,000 vested upon issuance, with the remaining warrants vesting in five equal annual installments commencing on September 24, 1997. The shares of Series B Preferred Stock were originally issued to Bull Run and to J. Mack Robinson, Chairman of the Board of Bull Run and President and Chief Executive Officer of the Company, and certain of his affiliates. The Company obtained a written opinion from an investment banker as to the fairness of the terms of the sale of such Series B Preferred Stock with warrants. During 2001, Bull Run sold its shares of Series B Preferred Stock to one of the other original Series B Preferred Stock shareholders. The holders of the Series B Preferred Stock receive dividends at an annual rate of \$600 per share, with the Company having the option to pay these dividends in cash or in additional shares. The liquidation or redemption price of the Series B Preferred Stock is \$10,000 per share. During 2000, the Company issued 11 shares of Series B Preferred Stock as payment of dividends to the holders of its then outstanding Series B Preferred Stock. The liquidation or redemption price of the Series B Preferred Stock is \$10,000 per share.

In addition to the \$13.2 million paid for the shares of Sarkes Tarzian, Inc., the Company granted warrants to Bull Run to purchase up to 100,000 shares of the Company's Class B Common Stock at \$13.625 per share. These warrants are fully vested and will expire in 10 years if not exercised.

The Company is authorized by its Board of Directors to purchase up to two million

shares of the Company's Class A or Class B Common stock to either be retired or reissued in connection with the Company's benefit plans, including its Capital Accumulation Plan and long-term incentive plan. During 2000 and 1999, the Company purchased 11,361 shares and 20,000 shares of its Class B Common Stock, respectively, under this authorization. The 2000 and 1999 treasury shares were purchased at prevailing market prices with an average effective price of \$12.55 and \$12.85 per share, respectively, and were funded from operating cash flow.

SCHEDULE 2.6

See page 4 of the Company's Registration Statement on Form S-4 (File No. 333-86068) filed on April 12, 2002 (the "Form S-4")

SCHEDULE 2.8

See the cover page and pages 3 and 4 of the Form S-4

SCHEDULE 2.10

See pages 4, 25 and 26 of the Form S-4

SCHEDULE 2.15

See pages 4, 25 and 26 of the Form S-4 and Item 3 (pages 25-26) of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (the "Form 10-K")

SCHEDULE 2.16

See Item 2 (pages 22-25) of the Form 10-K

SCHEDULE 2.21

See pages 3, 4 and 25 of the Form S-4 and page 40, Item 11 (pages 72-78), Item 12 (pages 79-80), Item 13 (pages 81-82), Note B (pages 54-55) and Note D (page 59) of the Form 10-K

SUMMARY

GRAY COMMUNICATIONS SYSTEMS, INC.
STOCK OPTION OUTSTANDING
NUMBER OF OPTIONS - SUMMARY - CLASS A
OPTION FORFEITURES UPDATED AS OF DECEMBER 31, 2002

OPTIONS FORFEITED	OPTIONS EXPIRED @ 3/31/02	GRANT DATE	VEST DATE	EXPIRATION DATE	STRIKE PRICE	OUTSTANDING @12/31/01	OPTIONS AWARDED	OPTIONS EXERCISED
8.8889	0 0 0 0 0 0	11/19/98	11/19/00	11/19/03	\$17.8125	19,337	0 0 0 0	19,337 --
							19,337	0 0 0 0

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SUMMARY

GRAY COMMUNICATIONS SYSTEMS, INC.

STOCK OPTIONS OUTSTANDING

NUMBER OF OPTIONS - SUMMARY - CLASS B

Option Forfeitures updated as of December 31, 2002

EXERCISED	FORFEITED	EXPIRED @ 3/31/02	OPTIONS	OPTIONS	GRANT	VEST	EXPIRATION	STRIKE	OUTSTANDING	OPTIONS	OPTIONS
							DATE	DATE	PRICE	@12/31/01	AWARDED
							12/12/98	12/12/01	\$ 10.5833	0	12/12/96
			0	0	0	0	0	0	0	0	0
			0	0	0	0	02/12/97	02/12/99	02/12/02	\$	
12.5000	10,500	0	0	0	(10,500)	0	9/25/97	9/25/99	9/25/02	\$ 14.5000	343,545
0	0	0	343,545	02/12/98	02/12/00	02/12/03	\$ 14.5000	10,500	0	0	10,500
10/5/98	10/5/00	10/5/03	\$ 14.5000	11,250	0	0	0	11,250	11/19/98	11/19/00	
11/19/03	\$ 14.0000	106,750	0	0	0	0	106,750	2/12/99	2/12/01	2/12/04	\$
14.1875	10,500	0	0	0	10,500	11/18/99	11/18/01	11/18/04	\$ 12.7500	168,700	
0	0	0	168,700	2/11/00	2/11/02	2/11/05	\$ 13.0000	10,500	0	0	10,500
02/21/00	02/21/02	02/21/05	\$ 13.0000	2,500	0	0	0	2,500	5/25/00	5/25/00	
5/25/05	\$ 10.1250	771,185	0	0	0	771,185	09/21/00	09/21/00	09/20/05	\$	
10.7500	80,000	0	0	0	80,000	10/26/00	10/26/02	10/26/05	\$ 13.0000	10,500	0
0	0	0	10,500	10/11/01	10/11/03	10/11/06	\$ 12.7400	6,000	0	0	6,000
12/6/01	12/6/03	12/6/06	\$ 9.9500	29,500	0	0	0	29,500	01/07/02	01/07/04	
01/07/07	\$ 11.2300	0	325,700	0	0	325,700	Directors: 11/18/99	01/01/00			
01/31/01	\$ 12.7500	0	0	0	0	10/26/00	1/1/01	1/31/02	\$ 13.0000	37,500	0
(37,500)	0	0	12/06/01	01/01/02	01/31/03	\$ 9.9500	25,000	0	0	0	25,000
			1,634,430	325,700	0	(37,500)	(10,500)	1,912,130			

SUMMARY

GRAY COMMUNICATIONS SYSTEMS, INC.
 WARRANTS OUTSTANDING
 NUMBER OF WARRANTS -- SUMMARY -- CLASS A
 Warrant Forfeitures updated as of December 31, 2000

GRANT DATE	VEST DATE	EXPIRATION DATE	STRIKE PRICE	WARRANTS OUTSTANDING @ 12/31/01	WARRANTS AWARDED	WARRANTS EXERCISED	WARRANTS FORFEITED	WARRANTS EXPIRED	WARRANTS OUTSTANDING @ 3/31/02
1/3/96			\$ 11.92	731,250					731,250
9/24/96			\$ 16.00	750,000					750,000
				1,281,250	0	0	0	0	1,481,250

GRAY COMMUNICATIONS SYSTEMS, INC. WARRANTS OUTSTANDING NUMBER OF WARRANTS -- SUMMARY -- CLASS B Warrant Forfeitures updated as of December 31, 2000
 WARRANTS WARRANTS GRANT VEST EXPIRATION STRIKE OUTSTANDING WARRANTS WARRANTS WARRANTS WARRANTS WARRANTS OUTSTANDING
 DATE DATE DATE PRICE @ 12/31/01 AWARDED EXERCISED FORFEITED EXPIRED @ 3/31/02 - -----
 ----- 3/1/99 \$ 13.63 100,000 100,000 -----
 ----- 100,000 0 0 0 0 100,000

===== These warrants are associated with the Sarkes Tarzian option and they will vest upon exercise of that option.

EXCHANGE AGREEMENT

AGREEMENT, dated as of April 22, 2002, among Gray Communications Systems, Inc., a Georgia corporation ("GRAY"), and the individuals and entities set forth on the signature pages hereto (each, a "TRANSFEROR" and, collectively, the "TRANSFERORS").

RECITALS

Each of the parties hereto deems it advisable and for the benefit of such party that the Transferors exchange certain shares of preferred stock of Gray for shares of other preferred stock of Gray.

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I

THE EXCHANGE

1.01 TRANSFER AND EXCHANGE. Subject to and in accordance with the terms and conditions of this Agreement, on the date hereof, each of the Transferors shall transfer and deliver to Gray (a) the number of shares of the Series A Preferred Stock, no par value, of Gray set forth next to such Transferor's name on Exhibit A hereto, together with accrued and unpaid dividends thereon (the "SERIES A PREFERRED STOCK") and/or (b) the number of shares of the Series B Preferred Stock, no par value, of Gray set forth next to such Transferor's name on Exhibit A hereto, together with accrued and unpaid dividends thereon (the "SERIES B PREFERRED STOCK"), and Gray shall issue and deliver to each of the Transferors a number of duly authorized, validly issued, fully paid and nonassessable shares of Series C Convertible Preferred Stock, no par value, of Gray, having the terms and conditions set forth on Exhibit B hereto (the "SERIES C PREFERRED STOCK"), equal to that number of Series A Preferred Stock and/or Series B Preferred Stock set forth next to such Transferor's name on Exhibit A hereto. The shares of Series C Preferred Stock to be received by each Transferor hereunder are sometimes hereinafter referred to as the "SHARES."

1.02 THE CLOSING. The closing of the transfer and exchange described in Section 1.01 (the "CLOSING") shall take place at the offices of Gray on the date hereof.

1.03 DELIVERIES BY TRANSFERORS. At the Closing, each of the Transferors, as applicable, shall deliver to Gray certificates representing the Series A Preferred Stock and/or Series B Preferred Stock to be exchanged by such Transferor, duly endorsed in blank, in proper form for transfer.

1.04 DELIVERIES BY GRAY. At the Closing, Gray shall deliver to each of the Transferors, as applicable, against delivery of the Series A Preferred Stock and/or Series B

Preferred Stock to be exchanged hereunder, certificates registered in the name of each Transferor representing the number of shares of Series C Preferred Stock set forth next to such Transferor's name on Exhibit A and, if applicable, a cash payment in settlement of any fractional shares based on the liquidation preference of the shares of Series B Preferred Stock to be exchanged.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE TRANSFERORS

Each Transferor represents and warrants to, and agrees with, Gray as follows:

2.01 Such Transferor has good and marketable title to the shares of Series A Preferred Stock and/or Series B Preferred Stock set forth next to such Transferor's name on Exhibit A, free and clear of all liens, claims and encumbrances of any nature whatsoever ("LIENS").

2.02 Neither such Transferor nor any person acting on behalf of such Transferor has negotiated with any finder, broker, intermediary or similar person in connection with the transactions contemplated hereby.

2.03 The Transferor has received a copy of the Disclosure Documents. "DISCLOSURE DOCUMENTS" means the Confidential Private Placement Memorandum of Gray dated April 19, 2002, including the documents attached thereto, as heretofore supplemented or amended (the "MEMORANDUM"), Gray's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and its Proxy Statement for its 2001 Annual Meeting of Shareholders.

2.04 In addition to other applicable restrictions, the Transferor agrees not to offer, sell, assign, pledge, or otherwise dispose of or transfer all or any part of the Shares or the shares of Class B Common Stock, no par value (the "CLASS B COMMON STOCK"), of Gray into which the Shares are convertible unless and until the Shares or the Class B Common Stock are registered under the Securities Act of 1933, as amended (the "1933 ACT"), and applicable state securities laws, or an opinion is given by counsel satisfactory to Gray that registration is not required.

2.05 The Transferor is acquiring the Shares for the Transferor's own account for investment, not for the account of any other person, not for resale to any other person, and not with a view to or in connection with a sale or distribution, and acknowledges that the offering and sale of the Shares is intended to be exempt from registration under the 1933 Act by virtue of Section 4(2) of the 1933 Act and the provisions of Regulation D promulgated thereunder.

2.06 All information furnished by the Transferor in the Transferor's Accredited Investor Questionnaire previously delivered to Gray remains true, correct, and complete in all respects.

2.07 The Transferor understands that the Shares are a new issue of securities of Gray and that an investment in Gray involves substantial risks, and the Transferor has received and carefully reviewed the Disclosure Documents and has evaluated the risks related to an

investment in the Shares, including those set forth under the caption "Risk Factors" in the Memorandum.

2.08 The Transferor has analyzed and reviewed the Disclosure Documents, this Agreement and related documents and has had the opportunity to consult with the Transferor's legal, tax, and financial advisors with respect to such documents and the investment in the Shares. In addition, the Transferor has had the opportunity to ask questions of and receive answers from Gray or a person or persons acting on the Gray's behalf concerning the terms and conditions of the Transferor's investment to verify the accuracy of the information contained in the Disclosure Documents, as well as such other information as the Transferor desired in order to evaluate an investment in Gray. All such questions have been answered to the full satisfaction of the Transferor; none of the answers was in any way inconsistent with the Memorandum.

2.09 In making the decision to acquire the Shares, the Transferor has relied solely upon the Disclosure Documents, the representations, warranties, agreements, undertakings, and acknowledgments of Gray in this Agreement and independent investigations made by such Transferor.

2.10 The Transferor is able to bear the substantial economic risks of an investment in Gray. The Transferor has adequate net worth and means of providing for current needs and personal contingencies to sustain a complete loss of the Transferor's investment in Gray, and the Transferor has no need for liquidity in this investment.

2.11 The Transferor and the Transferor's legal, tax and financial advisers have substantial knowledge and experience in making investment decisions of this type and are capable of evaluating the merits and risks of investment.

2.12 If the Transferor is a corporation, partnership, trust, or other entity, it represents that: (i) it is duly organized, validly existing, and in good standing in its jurisdiction of incorporation or organization and has all the requisite power and authority to execute, deliver and perform this Agreement; (ii) its execution, delivery and performance of this Agreement does not result in any violation of, or conflict with, any term or provision of the charter or bylaws or equivalent organizational documents of the Transferor or any instrument or agreement to which the Transferor is a party or by which the Transferor is bound; (iii) its execution, delivery and performance of this Agreement has been duly authorized by all necessary action on behalf of the Transferor; and (iv) this Agreement has been duly executed and delivered on behalf of the Transferor and constitutes a legal, valid, and binding agreement of the Transferor.

2.13 THE TRANSFEROR IS AN "ACCREDITED INVESTOR" (AS DEFINED IN REGULATION D PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION UNDER THE 1933 ACT).

2.14 The Transferor hereby consents to the authorization and issuance by Gray of the Series C Preferred Stock having the terms and conditions set forth on Exhibit B hereto.

2.15 The Transferor shall indemnify and hold harmless Gray and any of its officers, employees, registered representatives, directors, agents, and control persons who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding,

whether civil, criminal, administrative or investigative, by reason of or arising from any actual or alleged misrepresentation or misstatement of facts or omission to represent or state facts made by the Transferor to Gray concerning himself or his financial position in connection with the transactions contemplated hereby which is not remedied by timely notice to Gray, against losses, liabilities and expenses for which Gray or any of its officers, employees, registered representatives, directors, agents, or control persons have not otherwise been reimbursed (including attorneys' fees, judgments, fines and amounts paid in settlement) as actually and reasonably incurred by such person or entity in connection with such action, suit, or proceeding.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF GRAY

Gray represents and warrants to, and agrees with, the Transferors as follows:

3.01 Gray represents that: (i) it is duly organized, validly existing, and in good standing in its jurisdiction of incorporation and has all the requisite corporate power and authority to execute, deliver and perform this Agreement; (ii) its execution, delivery and performance of this Agreement does not result in any violation of, or conflict with, any term or provision of its charter or bylaws or any instrument or agreement to which it is a party or by which it is bound; (iii) its execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate action by Gray; and (iv) this Agreement has been duly executed and delivered on behalf of Gray and constitutes a legal, valid, and binding agreement of Gray. The shares of Series C Preferred Stock to be issued and delivered by Gray hereunder have been duly authorized and, upon receipt by Gray from the Transferors of the Series A Preferred Stock and Series B Preferred Stock being transferred pursuant to this Agreement, will be validly issued, fully paid, and nonassessable, will not have been issued in violation of any preemptive right of shareholders or rights of first refusal, and each Transferor will receive good title to the shares of Series C Preferred Stock, free and clear of all Liens (other than any created by such Transferor).

3.02 FINDER OR BROKER. Neither Gray nor any person acting on behalf of Gray has negotiated with any finder, broker, intermediary or similar person in connection with the transactions contemplated hereby.

ARTICLE IV

MISCELLANEOUS

4.01 NOTICES. All notices and other communications hereunder shall be in writing and shall be given by registered or certified mail (postage prepaid and return receipt requested), by an overnight courier service which obtains a receipt to evidence delivery, or by facsimile transmission (provided that written confirmation of receipt is provided), addressed to the appropriate party at the following addresses (or such other address as any party may designate to the others in accordance with the aforesaid procedure):

(a) if to Gray:

Gray Communications Systems, Inc.
4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attention: James C. Ryan
Facsimile: (404) 261-9607

(b) if to any Transferor, at its address set forth in the stock register of Gray.

All notices and other communications sent by overnight courier service shall be deemed to have been given as of the second business day after delivery thereof to such courier service, those given by facsimile transmission shall be deemed to have been given when sent, and all notices and other communications sent by mail shall be deemed to have been given as of the fifth business day after the date of deposit with the United States Postal Service.

4.02 BINDING EFFECT; SUCCESSORS AND ASSIGNS. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective legal representatives, heirs, successors and permitted assigns. Neither the Transferors nor Gray may sell, assign, transfer, or otherwise convey any of its rights or delegate any of its duties under this Agreement, without the prior written consent of the other.

4.03 AMENDMENTS AND WAIVERS. Neither this Agreement nor any term hereof may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) absent the written consent of the Transferors and Gray.

4.04 EXPENSES. Each of the Transferors and Gray will be responsible for the payment of all expenses incurred by it in connection with the preparation, execution and delivery of this Agreement, any other documents relating to the transactions contemplated by this Agreement, and the consummation of the transactions herein described.

4.05 SURVIVAL OF REPRESENTATIONS, ETC. The representations, warranties, covenants, and agreements made herein or in any certificate or document executed in connection herewith shall survive the execution and delivery of this Agreement and the consummation of the

transactions herein described, regardless of any investigation made at any time by or on behalf of any of the parties hereto.

4.06 DELAYS OR OMISSIONS; WAIVER. No delay or omission to exercise any right, power, or remedy accruing to either of the Transferors or Gray upon any breach or default by the other under this Agreement shall impair any such right, power, or remedy nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring.

4.07 ENTIRE AGREEMENT. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof, and all prior negotiations, discussions, commitments, and understandings heretofore had among them with respect thereto are merged herein.

4.08 COUNTERPARTS; GOVERNING LAW. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, without giving effect to conflicts of laws, rules or principles.

4.09 FURTHER ACTIONS. At any time and from time to time, each party agrees, without further consideration, to take such actions and to execute and deliver such documents as may be reasonably necessary to effectuate the purposes of this Agreement.

GRAY COMMUNICATIONS SYSTEMS, INC.

By /s/ James C. Ryan

Name: James C. Ryan
Title: V.P. - CFO

TRANSFERORS:

/s/ J. Mack Robinson

J. Mack Robinson

/s/ Harriett J. Robinson

Harriett J. Robinson

HARRIETT J. ROBINSON TRUSTEE U\A 08-25-
84 FBO JILL E. ROBINSON

By: /s/ Harriett J. Robinson - Trustee

Name: Harriett J. Robinson
Title: Trustee

HARRIETT J. ROBINSON TRUSTEE U\A 08-25-
84 FBO ROBIN M. ROBINSON

By: /s/ Harriett J. Robinson - Trustee

Name: Harriett J. Robinson
Title: Trustee

GEORGIA CASUALTY AND SURETY CO.

By: /s/ Hilton Howell

Name: Hilton Howell
Title: V. Chairman

BANKERS FIDELITY LIFE INSURANCE CO.

By: /s/ Hilton Howell

Name: Hilton Howell
Title: V. Chairman

DELTA LIFE INSURANCE COMPANY

By: /s/ J. Mack Robinson

Name: J. Mack Robinson
Title: President

DELTA FIRE & CASUALTY INSURANCE COMPANY

By: /s/ J. Mack Robinson

Name: J. Mack Robinson
Title: President

EXHIBIT A

NAME -----	SERIES A PREFERRED STOCK -----	SERIES B PREFERRED STOCK -----	SERIES C PREFERRED STOCK -----
J. Mack Robinson		36.0579	36
Harriett J. Robinson		54.0868	54
Harriett J. Robinson Trustee	U\A 08-25-84 FBO Jill E. Robinson	36.0579	36
Harriett J. Robinson Trustee	U\A 08-25-84 FBO Robin M. Robinson	36.0579	36
Georgia Casualty and Surety	175 Co.		175
Bankers Fidelity Life	175 Insurance Co.		175
Delta Life Insurance Company	100	198.3183	298
Delta Fire & Casualty	50 Insurance Company		50

FORM OF INDENTURE TO BE ENTERED INTO BETWEEN THE COMPANY AND A
TRUSTEE TO BE NAMED

=====

GRAY COMMUNICATIONS SYSTEMS, INC.

INDENTURE

Dated as of _____ 200_

[Name of Trustee]

Trustee

Senior Debt Securities

=====

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GRAY COMMUNICATIONS SYSTEMS, INC.

Reconciliation and tie between Trust Indenture Act of 1939 and
 Indenture, dated as of _____, 200_

Section 310 (a)(1)	7.10
(a)(2)	7.10
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(a)(5)	7.10
(b)	7.10
Section 311 (a)	7.11
(b)	7.11
(c)	Not Applicable
Section 312 (a)	2.7
(b)	10.3
(c)	10.3
Section 313 (a)	7.6
(b)(1)	7.6
(b)(2)	7.6
(c)(1)	7.6
(d)	7.6
Section 314 (a)	4.2, 10.5
(b)	Not Applicable
(c)(1)	10.4
(c)(2)	10.4
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	10.5
(f)	Not Applicable
Section 315 (a)	7.1
(b)	7.5
(c)	7.1
(d)	7.1
(e)	6.14
Section 316 (a)	2.10
(a)(1)(A)	6.12
(a)(1)(B)	6.13
(b)	6.8
Section 317 (a)(1)	6.3
(a)(2)	6.4
(b)	2.6
Section 318 (a)	10.1

Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.

Indenture dated as of _____200_ between Gray Communications Systems, Inc., a Georgia corporation (the "Company"), and [Name of Trustee], a _____ ("Trustee").

WITNESSETH

WHEREAS, the Company has duly authorized the issuance, execution and delivery, from time to time, of its unsecured debentures, notes or other evidences of indebtedness (hereinafter referred to as the "Securities"), without limit as to principal amount, issuable in one or more Series (as hereinafter defined), the amount and terms of each such Series to be determined as hereinafter provided; and, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture;

WHEREAS, all things necessary to make this Indenture a valid indenture and agreement according to its terms have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Securities by the holders thereof, the Company and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Securities as follows:

ARTICLE I.
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1. Definitions.

"Additional Amounts" means any additional amounts which are required hereby or by any Security, under circumstances specified herein or therein, to be paid by the Company in respect of certain taxes imposed on Holders specified therein and which are owing to such Holders.

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities or by agreement or otherwise.

"Agent" means any Registrar, Paying Agent or Service Agent.

"Authorized Newspaper" means a newspaper in an official language of the country of publication customarily published at least once a day for at least five days in each calendar week and of general circulation in the place in connection with which the term is used. If it shall be impractical in the opinion of the Trustee to make any publication of any notice

required hereby in an Authorized Newspaper, any publication or other notice in lieu thereof that is made or given by the Trustee shall constitute a sufficient publication of such notice.

"Bearer" means anyone in possession from time to time of a Bearer Security.

"Bearer Security" means any Security, including any interest coupon appertaining thereto, that does not provide for the identification of the Holder thereof.

"Board of Directors" means the Board of Directors of the Company or any duly authorized committee thereof.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been adopted by the Board of Directors or pursuant to authorization by the Board of Directors and to be in full force and effect on the date of the certificate and delivered to the Trustee.

"Business Day" means, unless otherwise provided by Board Resolution, Officers' Certificate or supplemental indenture hereto for a particular Series, any day except a Saturday, Sunday or a legal holiday in the City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

"Company" means the party named as such above until a successor replaces it and thereafter means the successor.

"Company Order" means a written order signed in the name of the Company by two Officers, one of whom must be the Company's chief executive officer, chief financial officer or principal accounting officer.

"Company Request" means a written request signed in the name of the Company by its Chairman of the Board, a President or a Vice President, and by either its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered.

"Debt" of any person as of any date means, without duplication, all obligations of such person in respect of borrowed money, including all interest, fees and expenses owed in respect thereto (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), or evidenced by bonds, notes, debentures or similar instruments.

"Default" means any event which is, or after notice or passage of time would be, an Event of Default.

"Depository" means, with respect to the Securities of any Series issuable or issued in whole or in part in the form of one or more Global Securities, the person designated as Depository for such Series by the Company, which Depository shall be a clearing agency registered under the Exchange Act; and if at any time there is more than one such person,

"Depository" as used with respect to the Securities of any Series shall mean the Depository with respect to the Securities of such Series.

"Discount Security" means any Security that provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the maturity thereof pursuant to Section 6.2.

"Dollars" means the currency of the United States of America.

"Euro" means the single currency of participating member states of the European Union.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Foreign Currency" means any currency or currency unit issued by a government other than the government of the United States of America.

"Foreign Government Obligations" means with respect to Securities of any Series that are denominated in a Foreign Currency, (i) direct obligations of the government that issued or caused to be issued such currency for the payment of which obligations its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by or acting as an agency or instrumentality of such government the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by such government, which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof.

"Global Security" or "Global Securities" means a Security or Securities, as the case may be, in the form established pursuant to Section 2.2 evidencing all or part of a Series of Securities, issued to the Depository for such Series or its nominee, and registered in the name of such Depository or nominee.

"Holder" or "Securityholder" means a person in whose name a Security is registered or the holder of a Bearer Security.

"Indenture" means this Indenture as amended from time to time and shall include the form and terms of particular Series of Securities established as contemplated hereunder.

"interest" with respect to any Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Maturity," when used with respect to any Security or installment of principal thereof, means the date on which the principal of such Security or such installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, notice of option to elect repayment or otherwise.

"Officer" means the Chairman of the Board, any President, any Vice-President, the Treasurer, the Secretary, any Assistant Treasurer or any Assistant Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers, one of whom must be the Company's principal executive officer, principal financial officer or principal accounting officer.

"Opinion of Counsel" means a written opinion of legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

"person" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"principal" of a Security means the principal of the Security plus, when appropriate, the premium, if any, on, and any Additional Amounts in respect of, the Security.

"Responsible Officer" means any officer of the Trustee in its Corporate Trust Office and also means, with respect to a particular corporate trust matter, any other officer to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject.

"SEC" means the Securities and Exchange Commission.

"Securities" has the meaning given such item in the preamble hereto.

"Securities Act" means the Securities Act of 1933, as amended.

"Series" or "Series of Securities" means each series of debentures, notes or other debt instruments of the Company created pursuant to Sections 2.1 and 2.2 hereof.

"Significant Subsidiary" means (i) any direct or indirect Subsidiary of the Company that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the date hereof, or (ii) any group of direct or indirect Subsidiaries of the Company that, taken together as a group, would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the date hereof.

"Stated Maturity," when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" of any specified person means any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power for the election of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such person, or by one or more other Subsidiaries, or by such person and one or more other Subsidiaries.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbb) as in effect on the date of this Indenture; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "TIA" means, to the extent required by any such amendment, the Trust Indenture Act as so amended.

"Trustee" means the person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each person who is then a Trustee hereunder, and if at any time there is more than one such person, "Trustee" as used with respect to the Securities of any Series shall mean the Trustee with respect to Securities of that Series.

"U.S. Government Obligations" means securities which are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, and which in either case under clauses (i) and (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation evidenced by such depository receipt.

Section 1.2. Other Definitions.

TERM -----	DEFINED IN SECTION -----
"Bankruptcy Law"	6.1
"Custodian"	6.1
"Event of Default"	6.1
"Judgment Currency"	10.16
"Legal Holiday"	10.7
"mandatory sinking fund payment"	11.1
"Market Exchange Rate"	10.15
"New York Banking Day"	10.16
"optional sinking fund payment"	11.1
"Paying Agent"	2.5
"Registrar"	2.5
"Required Currency"	10.16
"Service Agent"	2.5
"successor person"	5.1

Section 1.3. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company and any successor obligor upon the Securities.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein are used herein as so defined.

Section 1.4. Rules of Construction.

Unless the context otherwise requires:

- (a) a term has the meaning assigned to it;
- (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;
- (c) "or" is not exclusive;
- (d) words in the singular include the plural, and in the plural include the singular; and
- (e) provisions apply to successive events and transactions.

ARTICLE II.
SECURITIES

Section 2.1. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued in one or more Series. All Securities of a Series shall be identical except as may be set forth in a Board Resolution, a supplemental indenture or an Officers' Certificate detailing the adoption of the terms thereof pursuant to the authority granted under a Board Resolution. In the case of Securities of a Series to be issued from time to time, the Board Resolution, Officers' Certificate or supplemental

indenture may provide for the method by which specified terms (such as interest rate, maturity date, record date or date from which interest shall accrue) are to be determined. Securities may differ between Series in respect of any matters, provided that all Series of Securities shall be equally and ratably entitled to the benefits of the Indenture.

Section 2.2. Establishment of Terms of Series of Securities.

At or prior to the issuance of any Securities within a Series, the following shall be established (as to the Series generally, in the case of subparagraph 2.2.1 and either as to such Securities within the Series or as to the Series generally in the case of subparagraphs 2.2.2 through 2.2.22) by a Board Resolution, a supplemental indenture or an Officers' Certificate pursuant to authority granted under a Board Resolution:

2.2.1. the title of the Series (which shall distinguish the Securities of that particular Series from the Securities of any other Series);

2.2.2. the price or prices (expressed as a percentage of the principal amount thereof) at which the Securities of the Series will be issued;

2.2.3. any limit upon the aggregate principal amount of the Securities of the Series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the Series pursuant to Section 2.8, 2.9, 2.10, 3.6 or 9.6);

2.2.4. date or dates on which the principal of the Securities of the Series is payable;

2.2.5. the rate or rates (which may be fixed or variable) per annum or, if applicable, the method used to determine such rate or rates (including, but not limited to, any commodity, commodity index, stock exchange index or financial index) at which the Securities of the Series shall bear interest, if any, the date or dates from which such interest, if any, shall accrue, the date or dates on which such interest, if any, shall commence and be payable and any regular record date for the interest payable on any interest payment date;

2.2.6. the place or places where the principal of and interest, if any, on the Securities of the Series shall be payable, or the method of such payment, if by wire transfer, mail or other means;

2.2.7. if applicable, the period or periods within which, the price or prices at which and the terms and conditions upon which the Securities of the Series may be redeemed, in whole or in part, at the option of the Company;

2.2.8. the obligation, if any, of the Company to redeem or purchase the Securities of the Series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the Series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

- 2.2.9. the dates, if any, on which and the price or prices at which the Securities of the Series will be repurchased by the Company at the option of the Holders thereof and other detailed terms and provisions of such repurchase obligations;
- 2.2.10. if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which the Securities of the Series shall be issuable;
- 2.2.11. the forms of the Securities of the Series in bearer or fully registered form (and, if in fully registered form, whether the Securities will be issuable as Global Securities);
- 2.2.12. if other than the principal amount thereof, the portion of the principal amount of the Securities of the Series that shall be payable upon declaration of acceleration of the maturity thereof pursuant to Section 6.2;
- 2.2.13. the currency of denomination of the Securities of the Series, which may be Dollars or any Foreign Currency, including, but not limited to, the Euro, and if such currency of denomination is a composite currency other than the Euro, the agency or organization, if any, responsible for overseeing such composite currency;
- 2.2.14. the designation of the currency, currencies or currency units in which payment of the principal of and interest, if any, on the Securities of the Series will be made;
- 2.2.15. if payments of principal of or interest, if any, on the Securities of the Series are to be made in one or more currencies or currency units other than that or those in which such Securities are denominated, the manner in which the exchange rate with respect to such payments will be determined;
- 2.2.16. the manner in which the amounts of payment of principal of or interest on, if any, the Securities of the Series will be determined, if such amounts may be determined by reference to an index based on a currency or currencies or by reference to a commodity, commodity index, stock exchange index or financial index;
- 2.2.17. the provisions, if any, relating to any security provided for the Securities of the Series;
- 2.2.18. if the holders of Securities of the Series may convert or exchange the Securities into or for securities of the Issuer or other property, the period or periods within which, the rate or rates at which and the terms and conditions upon which Securities of the Series may be converted or exchanged, in whole or in part;
- 2.2.19. any addition to or change in the Events of Default which applies to any Securities of the Series and any change in the right of the Trustee or the requisite Holders of such Securities to declare the principal amount thereof due and payable pursuant to Section 6.2;
- 2.2.20. any addition to or change in the covenants set forth in Articles IV or V which applies to Securities of the Series;

2.2.21. any other terms of the Securities of the Series (which terms shall not be inconsistent with the provisions of this Indenture, except as permitted by Section 9.1, but which may modify or delete any provision of this Indenture insofar as it applies to such Series); and

2.2.22. any depositories, interest rate calculation agents, exchange rate calculation agents or other agents with respect to Securities of such Series if other than those appointed herein.

All Securities of any one Series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to the Board Resolution, supplemental indenture or Officers' Certificate referred to above, and the authorized principal amount of any Series may not be increased to provide for issuances of additional Securities of such Series, unless otherwise provided in such Board Resolution, supplemental indenture or Officers' Certificate.

Section 2.3. Authentication and Delivery of Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver any Series of Securities executed by the Company to the Trustee for authentication by it, and the Trustee shall thereupon authenticate and deliver said Securities to or upon a Company Order, without any further corporate action by the Company. If the form or terms of such Series of Securities have been established in or pursuant to one or more Board Resolutions or a supplemental indenture as permitted by this Section 2.3 and Section 2.2, in authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 7.1) shall be fully protected in relying upon:

- (1) each Board Resolution relating to such Series of Securities;
- (2) an executed supplemental indenture, if any, relating to such series of Securities;
- (3) an Officers' Certificate setting forth the form and terms of the Securities, stating that the form and terms of the Securities have been established pursuant to Section 2.2 and subparagraph 2.4.3 and comply with this Indenture, and covering such other matters as the Trustee may reasonably request;
- (4) an Opinion of Counsel to the effect that:
 - (a) if the form of such Securities has been established by or pursuant to resolutions of the Board of Directors of the Company as permitted by subparagraph 2.4.3 that such form has been established in conformity with the provisions of this Indenture;
 - (b) if the terms of such Securities have been established by or pursuant to Board Resolutions as permitted by this Section 2.1, that such terms have been established in conformity with the provisions of this Indenture;

(c) that such Securities, when authenticated and delivered by the Trustee and executed and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will be valid and binding obligations of the Company, except as any rights thereunder may be limited by bankruptcy, insolvency and other similar laws affecting the enforcement of creditor's rights generally and by general equity principles;

(d) that all laws and requirements in respect of the execution and delivery by the Company of such Securities have been complied with and that authentication and delivery of the Securities by the Trustee will not violate the terms of this Indenture; and

(e) covering such other matters as the Trustee may reasonably request.

Each fully registered Security shall be dated the date of its authentication. Any series of Bearer Securities shall be dated as provided in the Board Resolution or the provisions of the supplemental indenture creating such series.

Section 2.4. Execution of Securities; Trustee's Certificate of Authentication; Form of Securities.

2.4.1. Two Officers shall sign the Securities for the Company by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

2.4.2. Only such Securities bearing a certificate of authentication executed by the Trustee by the manual signature of one of its Responsible Officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Security executed by the Company shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

The Trustee shall have the right to decline to authenticate and deliver any Securities of such Series: (a) if the Trustee, being advised by counsel, determines that such action may not lawfully be taken; or (b) if the Trustee in good faith by its board of directors or trustees, executive committee or a trust committee of directors and/or vice-presidents shall determine that such action would expose the Trustee to personal liability to Holders of any then outstanding Series of Securities.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate.

2.4.3. The Securities of each series shall be substantially of the tenor and purport as shall be authorized by a Board Resolution or in an indenture or indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements thereon as the Board of Directors of the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Securities may be listed, or to conform to usage.

The definitive Securities may be printed, lithographed or fully or partly engraved or produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their executions thereof.

Section 2.5. Registrar and Paying Agent.

The Company shall maintain, with respect to each Series of Securities, at the place or places specified with respect to such Series pursuant to Section 2.2, an office or agency where Securities of such Series may be presented or surrendered for payment ("Paying Agent"), where Securities of such Series may be surrendered for registration of transfer or exchange ("Registrar") and where notices and demands to or upon the Company in respect of the Securities of such Series and this Indenture may be served ("Service Agent"). The Registrar shall keep a register with respect to each Series of Securities and to their transfer and exchange. The Company will give prompt written notice to the Trustee of the name and address, and any change in the name or address, of each Registrar, Paying Agent or Service Agent. If at any time the Company shall fail to maintain any such required Registrar, Paying Agent or Service Agent or shall fail to furnish the Trustee with the name and address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more co-registrars, additional paying agents or additional service agents and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligations to maintain a Registrar, Paying Agent and Service Agent in each place so specified pursuant to Section 2.2 for Securities of any Series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the name or address of any such co-registrar, additional paying agent or additional service agent. The term "Registrar" includes any co-registrar; the term "Paying Agent" includes any additional paying agent; and the term "Service Agent" includes any additional service agent.

The Company hereby appoints the Trustee the initial Registrar, Paying Agent and Service Agent for each Series unless another Registrar, Paying Agent or Service Agent, as the case may be, is appointed prior to the time Securities of that Series are first issued.

Section 2.6. Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust, for the benefit of Securityholders of any Series of Securities, or the Trustee, all money held by the Paying Agent for the payment of principal of or interest on the Series of Securities, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of Securityholders of any Series of Securities all money held by it as Paying Agent.

Section 2.7. Securityholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders of each Series of Securities and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten days before each interest payment date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Securityholders of each Series of Securities.

Section 2.8. Transfer and Exchange.

Where Securities of a Series are presented to the Registrar with a request to register a transfer or to exchange them for an equal principal amount of Securities of the same Series, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met.

To permit registrations of transfers and exchanges, the Trustee shall authenticate Securities at the Registrar's request. No service charge shall be made for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer tax or similar governmental charge payable upon exchanges pursuant to Sections 2.12, 3.6 or 9.6).

Neither the Company nor the Registrar shall be required (a) to issue, register the transfer of, or exchange Securities of any Series for the period beginning at the opening of business 15 days immediately preceding the mailing of a notice of redemption of Securities of that Series selected for redemption and ending at the close of business on the day of such mailing, or (b) to register the transfer of or exchange Securities of any Series selected, called or being called for redemption as a whole or the portion being redeemed of any such Securities selected, called or being called for redemption in part.

Section 2.9. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same

Series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security, a new Security of the same Series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section 2.9, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any Series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that Series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 2.10. Outstanding Securities.

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest on a Global Security effected by the Trustee in accordance with the provisions hereof and those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.9, it ceases to be outstanding until the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds on the Maturity of Securities of a Series money sufficient to pay such Securities payable on that date, then on and after that date such Securities of the Series cease to be outstanding and interest on them ceases to accrue.

A Security does not cease to be outstanding because the Company or an Affiliate holds the Security.

In determining whether the Holders of the requisite principal amount of outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of a Discount Security that shall be deemed to be outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 6.2.

Section 2.11. Treasury Securities.

In determining whether the Holders of the required principal amount of Securities of a Series have concurred in any request, demand, authorization, direction, notice, consent or waiver, Securities of a Series owned by the Company or an Affiliate shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver only Securities of a Series that the Trustee knows are so owned shall be so disregarded.

Section 2.12. Temporary Securities.

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities upon a Company Order. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee upon request shall authenticate definitive Securities of the same Series and date of maturity in exchange for temporary Securities. Until so exchanged, temporary securities shall have the same rights under this Indenture as the definitive Securities.

Section 2.13. Cancellation.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for transfer, exchange, payment, replacement or cancellation and shall destroy such canceled Securities (subject to the record retention requirement of the Exchange Act) and deliver a certificate of such destruction to the Company, unless the Company otherwise directs. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

Section 2.14. Defaulted Interest.

If the Company defaults in a payment of interest on a Series of Securities, it shall pay the defaulted interest, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the persons who are Securityholders of the Series on a subsequent special record date. The Company shall fix the record date and payment date. At least 30 days before the record date, the Company shall mail to the Trustee and to each Securityholder of the Series a notice that states the record date, the payment date and the amount of interest to be paid. The Company may pay defaulted interest in any other lawful manner.

Section 2.15. Global Securities.

2.15.1. Terms of Securities. A Board Resolution, a supplemental indenture hereto or an Officers' Certificate shall establish whether the Securities of a Series shall be issued in whole or in part in the form of one or more Global Securities and the Depository for such Global Security or Securities.

2.15.2. Transfer and Exchange. Notwithstanding any provisions to the contrary contained in Section 2.8 of the Indenture and in addition thereto, any Global Security shall be exchangeable pursuant to Section 2.8 of the Indenture for Securities registered in the names of Holders other than the Depository for such Security or its nominee only if (i) such Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time such Depository ceases to be a clearing agency registered under the Exchange Act, and, in either case, the Company fails to appoint a successor Depository within 90 days of such event, (ii) the Company executes and delivers to the Trustee an Officers' Certificate to the effect that such Global Security shall be so exchangeable or (iii) an Event of Default with respect to the Securities represented by such Global Security shall have happened and be continuing. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Securities registered in such names as the Depository shall direct in writing in an aggregate principal amount equal to the principal amount of the Global Security with like tenor and terms.

Except as provided in this Section 2.15.2, a Global Security may not be transferred except as a whole by the Depository with respect to such Global Security to a nominee of such Depository, by a nominee of such Depository to such Depository or another nominee of such Depository or by the Depository or any such nominee to a successor Depository or a nominee of such a successor Depository.

2.15.3. Legend. Any Global Security issued hereunder shall bear a legend in substantially the following form:

"This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depository or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such a successor Depository."

2.15.4. Acts of Holders. The Depository, as a Holder, may appoint agents and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a Holder is entitled to give or take under the Indenture.

2.15.5. Payments. Notwithstanding the other provisions of this Indenture, unless otherwise specified as contemplated by Section 2.2, payment of the principal of and interest, if any, on any Global Security shall be made to the Holder thereof.

2.15.6. Consents, Declaration and Directions. Except as provided in subparagraph 2.15.5, the Company, the Trustee and any Agent shall treat a person as the Holder of such principal amount of outstanding Securities of such Series represented by a Global Security as shall be specified in a written statement of the Depository with respect to such Global Security, for purposes of obtaining any consents, declarations, waivers or directions required to be given by the Holders pursuant to this Indenture.

Section 2.16. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other elements of identification printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE III.
REDEMPTION

Section 3.1. Notice to Trustee.

The Company may, with respect to any Series of Securities, reserve the right to redeem and pay the Series of Securities or may covenant to redeem and pay the Series of Securities or any part thereof prior to the Stated Maturity thereof at such time and on such terms as provided for in such Securities. If a Series of Securities is redeemable and the Company wants or is obligated to redeem prior to the Stated Maturity thereof all or part of the Series of Securities pursuant to the terms of such Securities, it shall notify the Trustee of the redemption date and the principal amount of Series of Securities to be redeemed. The Company shall give the notice at least 45 days before the redemption date (or such shorter notice as may be acceptable to the Trustee).

Section 3.2. Selection of Securities to be Redeemed.

Unless otherwise indicated for a particular Series by a Board Resolution, a supplemental indenture or an Officers' Certificate, if less than all the Securities of a Series are to be redeemed, the Trustee shall select the Securities of the Series to be redeemed in any manner that the Trustee deems fair and appropriate. The Trustee shall make the selection from Securities of the Series outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities of the Series that have denominations larger than \$1,000. Securities of the Series and portions of them it selects shall be in amounts of \$1,000 or whole multiples of \$1,000 or, with respect to Securities of any Series issuable in other denominations pursuant to Section 2.2.10, the minimum principal denomination for each Series and integral multiples thereof. Provisions of this Indenture that apply to Securities of a Series called for redemption also apply to portions of Securities of that Series called for redemption.

Section 3.3. Notice of Redemption.

Unless otherwise indicated for a particular Series by Board Resolution, a supplemental indenture hereto or an Officers' Certificate, at least 30 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed and if any Bearer Securities are outstanding, publish on one occasion a notice in an Authorized Newspaper.

The notice shall identify the Securities of the Series to be redeemed and shall state:

- (a) the redemption date;
- (b) the redemption price;
- (c) the name and address of the Paying Agent;
- (d) that Securities of the Series called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (e) that interest on Securities of the Series called for redemption ceases to accrue on and after the redemption date; and
- (f) any other information as may be required by the terms of the particular Series or the Securities of a Series being redeemed.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense.

Section 3.4. Effect of Notice of Redemption.

Once notice of redemption is mailed or published as provided in Section 3.3, Securities of a Series called for redemption become due and payable on the redemption date and at the redemption price. A notice of redemption may not be conditional. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price plus accrued interest to the redemption date.

Section 3.5. Deposit of Redemption Price.

On or before the redemption date, the Company shall deposit with the Paying Agent money sufficient to pay the redemption price of and accrued interest, if any, on all Securities to be redeemed on that date.

Section 3.6. Securities Redeemed in Part.

Upon surrender of a Security that is redeemed in part, the Trustee shall authenticate for the Holder a new Security of the same Series and the same maturity equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE IV.
COVENANTS

Section 4.1. Payment of Principal and Interest.

The Company covenants and agrees for the benefit of the Holders of each Series of Securities that it will duly and punctually pay the principal of and interest, if any, on the Securities of that Series in accordance with the terms of such Securities and this Indenture.

Section 4.2. SEC Reports.

The Company shall deliver to the Trustee within 15 days after it files them with the SEC copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. The Company also shall comply with the other provisions of TIA Section 314(a).

Section 4.3. Compliance Certificate.

The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he may have knowledge).

The Company will, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.4. Stay, Extension and Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture or the Securities; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.5. Corporate Existence.

Subject to Article V, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of each Significant Subsidiary in accordance with the respective organizational documents of each Significant Subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its Significant Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Significant Subsidiary, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries taken as a whole and that the loss thereof is not adverse in any material respect to the Holders.

Section 4.6. Taxes.

The Company shall, and shall cause each of its Significant Subsidiaries to, pay prior to delinquency all taxes, assessments and governmental levies, except as contested in good faith and by appropriate proceedings.

ARTICLE V.
SUCCESSORS

Section 5.1. When Company May Merge, Etc.

The Company shall not consolidate with or merge into, or convey, transfer or lease all or substantially all of its properties and assets to, any person (a "successor person"), and may not permit any person to merge into, or convey, transfer or lease its properties and assets substantially as an entirety to, the Company, unless:

(a) the successor person (if any) is a corporation, partnership, trust or other entity organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes the Company's obligations on the Securities and under this Indenture and

(b) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture.

Section 5.2. Successor Corporation Substituted.

Upon any consolidation or merger, or any sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this

Indenture with the same effect as if such successor person has been named as the Company herein; provided, however, that the predecessor Company in the case of a sale, lease, conveyance or other disposition shall not be released from the obligation to pay the principal of and interest, if any, on the Securities.

ARTICLE VI.
DEFAULTS AND REMEDIES

Section 6.1. Events of Default.

"Event of Default," wherever used herein with respect to Securities of any Series, means any one of the following events, unless in the establishing Board Resolution, supplemental indenture or Officers' Certificate it is provided that such Series shall not have the benefit of said Event of Default:

(a) default in the payment of any interest on any Security of that Series when it becomes due and payable, and continuance of such default for a period of 30 days (unless the entire amount of such payment is deposited by the Company with the Trustee or with a Paying Agent prior to the expiration of such period of 30 days);
or

(b) default in the payment of the principal of any Security of that Series at its Maturity; or

(c) default in the deposit of any sinking fund payment, when and as due in respect of any Security of that Series; or

(d) default in the performance or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty that has been included in this Indenture solely for the benefit of Series of Securities other than that Series), which default continues uncured for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the outstanding Securities of that Series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(e) the Company or any of its Significant Subsidiaries pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(iv) makes a general assignment for the benefit of its creditors, or

(v) generally is unable to pay its debts as the same become due; or

(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any of its Significant Subsidiaries in an involuntary case,

(ii) appoints a Custodian of the Company or any of its Significant Subsidiaries or for all or substantially all of its property, or

(iii) orders the liquidation of the Company or any of its Significant Subsidiaries,

and the order or decree remains unstayed and in effect for 60 days; or

(g) any other Event of Default provided with respect to Securities of that Series, which is specified in a Board Resolution, a supplemental indenture hereto or an Officers' Certificate, in accordance with subparagraph 2.2.19.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 6.2. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any Series at the time outstanding occurs and is continuing (other than an Event of Default referred to in Section 6.1(e) or (f)) then in every such case the Trustee or the Holders of not less than 25% in principal amount of the outstanding Securities of that Series may declare the principal amount (or, if any Securities of that Series are Discount Securities, such portion of the principal amount as may be specified in the terms of such Securities) of and accrued and unpaid interest, if any, on all of the Securities of that Series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) and accrued and unpaid interest, if any, shall become immediately due and payable. If an Event of Default specified in Section 6.1(e) or (f) shall occur, the principal amount (or specified amount) of and accrued and unpaid interest, if any, on all outstanding Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration with respect to any Series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article VI provided, the Holders of a majority in principal amount of the outstanding Securities of that Series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(a) the Company has paid or deposited with the Trustee a sum sufficient to pay:

(i) all overdue interest, if any, on all Securities of that Series,

(ii) the principal of any Securities of that Series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities,

(iii) to the extent that payment of such interest is lawful, interest upon any overdue principal and overdue interest at the rate or rates prescribed therefor in such Securities, and

(iv) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(b) all Events of Default with respect to Securities of that Series, other than the non-payment of the principal of Securities of that Series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 6.13.

No such rescission shall affect any subsequent Default or impair any right consequent thereon.

Section 6.3. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(a) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of principal of any Security at the Maturity thereof, or

(c) default is made in the deposit of any sinking fund payment when and as due by the terms of a Security,

then, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal or any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or deemed to be payable in the manner provided by

law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to any Securities of any Series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such Series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 6.4. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same, and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.5. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses,

disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 6.6. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article VI shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 7.7; and

Second: To the payment of the amounts then due and unpaid for principal of and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal and interest, respectively; and

Third: To the Company.

Section 6.7. Limitation on Suits.

No Holder of any Security of any Series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

- (a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that Series;
- (b) the Holders of not less than 25% in principal amount of the outstanding Securities of that Series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the outstanding Securities of that Series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

Section 6.8. Unconditional Right of Holders to Receive Principal and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on such Security on the Stated Maturity or Stated Maturities expressed in such Security (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 6.9. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 6.10. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in Section 2.9, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.11. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article VI or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 6.12. Control by Holders.

The Holders of a majority in principal amount of the outstanding Securities of any Series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such Series, provided that

- (a) such direction shall not be in conflict with any rule of law or with this Indenture,

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(c) subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer of the Trustee, determine that the proceeding so directed would involve the Trustee in personal liability.

Section 6.13. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the outstanding Securities of any Series may on behalf of the Holders of all the Securities of such Series waive any past Default hereunder with respect to such Series and its consequences, except a Default in the payment of the principal of or interest on any Security of such Series (provided, however, that the Holders of a majority in principal amount of the outstanding Securities of any Series may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.14. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 6.14 shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the outstanding Securities of any Series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on any Security on or after the Stated Maturity or Stated Maturities expressed in such Security (or, in the case of redemption, on the redemption date).

ARTICLE VII.
TRUSTEE

Section 7.1. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Officers' Certificates or Opinions of Counsel furnished to the Trustee and conforming to the requirements of this Indenture; however, in the case of any such Officers' Certificates or Opinions of Counsel which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such Officers' Certificates and Opinions of Counsel to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of paragraph (b) of this Section.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it with respect to Securities of any Series in good faith in accordance with the direction of the Holders of a majority in principal amount of the outstanding Securities of such Series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such Series.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraph (a), (b) and (c) of this Section 7.1.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk is not reasonably assured to it.

(h) The Paying Agent, the Registrar and any authenticating agent shall be entitled to the protections, immunities and standard of care as are set forth in paragraphs (a), (b) and (c) of this Section with respect to the Trustee.

Section 7.2. Rights of Trustee.

(a) The Trustee may rely on and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care. No Depository shall be deemed an agent of the Trustee and the Trustee shall not be responsible for any act or omission by any Depository.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 7.3. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee is also subject to Sections 7.10 and 7.11.

Section 7.4. Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities and it shall not be responsible for any statement in the Securities other than its authentication.

Section 7.5. Notice of Defaults.

If a Default or Event of Default occurs and is continuing with respect to the Securities of any Series and if it is known to a Responsible Officer of the Trustee, the Trustee shall mail to each Securityholder of the Securities of that Series and, if any Bearer Securities are outstanding, publish on one occasion in an Authorized Newspaper, notice of a Default or Event of Default within 90 days after it occurs or, if later, after a Responsible Officer of the Trustee has knowledge of such Default or Event of Default. Except in the case of a Default or Event of Default in payment of principal of or interest on any Security of any Series, the Trustee may withhold the notice if and so long as its corporate trust committee or a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Securityholders of that Series.

Section 7.6. Reports by Trustee to Holders.

Within 60 days after [date] in each year, the Trustee shall transmit by mail to all Securityholders, as their names and addresses appear on the register kept by the Registrar and, if any Bearer Securities are outstanding, publish in an Authorized Newspaper, a brief report dated as of such [date], in accordance with, and to the extent required under, TIA Section 313.

A copy of each report at the time of its mailing to Securityholders of any Series shall be filed with the SEC and each stock exchange on which the Securities of that Series are listed. The Company shall promptly notify the Trustee when Securities of any Series are listed on any stock exchange.

Section 7.7. Compensation and Indemnity.

The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee (including the cost of defending itself) against any loss, liability or expense incurred by it except as set forth in the next paragraph in the performance of its duties under this Indenture as Trustee or Agent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. This indemnification shall apply to officers, directors, employees, shareholders and agents of the Trustee.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee or by any officer, director, employee, shareholder or agent of the Trustee through negligence or bad faith.

To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a lien prior to the Securities of any Series on all money or property held or collected

by the Trustee, except that held in trust to pay principal and interest on particular Securities of that Series.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(e) or (f) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.8. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.8.

The Trustee may resign with respect to the Securities of one or more Series by so notifying the Company. The Holders of a majority in principal amount of the Securities of any Series may remove the Trustee with respect to that Series by so notifying the Trustee and the Company. The Company may remove the Trustee with respect to Securities of one or more Series if:

- (a) the Trustee fails to comply with Section 7.10;
- (b) the Trustee is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (c) a Custodian or public officer takes charge of the Trustee or its property; or
- (d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee with respect to the Securities of any one or more Series does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Securities of the applicable Series may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee with respect to the Securities of any one or more Series fails to comply with Section 7.10, any Securityholder of the applicable Series may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee subject to the lien provided for in Section 7.7, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee with respect to each

Series of Securities for which it is acting as Trustee under this Indenture. A successor Trustee shall mail a notice of its succession to each Securityholder of each such Series and, if any Bearer Securities are outstanding, publish such notice on one occasion in an Authorized Newspaper. Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 hereof shall continue for the benefit of the retiring trustee with respect to reasonable expenses and liabilities incurred by it prior to such replacement.

Section 7.9. Successor Trustee by Merger, Etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10. Eligibility; Disqualification.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee shall always have a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Section 310(b).

Section 7.11. Preferential Collection of Claims Against Company.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

ARTICLE VIII.
SATISFACTION AND DISCHARGE; DEFEASANCE

Section 8.1. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Order cease to be of further effect (except as hereinafter provided in this Section 8.1), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) either

(i) all Securities theretofore authenticated and delivered (other than Securities that have been destroyed, lost or stolen and that have been replaced or paid) have been delivered to the Trustee for cancellation; or

(ii) all such Securities not theretofore delivered to the Trustee for cancellation pursuant to (i) above

(1) have become due and payable, or

(2) will become due and payable at their Stated Maturity within one year, or

(3) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, or

(4) are deemed paid and discharged pursuant to Section 8.3, as applicable;

and the Company, in the case of (1), (2) or (3) above, has deposited or caused to be deposited with the Trustee as trust funds in trust an amount sufficient for the purpose of paying and discharging the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Securities which have become due and payable on or prior to the date of such deposit) or to the Stated Maturity or redemption date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.7, and, if money shall have been deposited with the Trustee pursuant to clause (a) of this Section, the provisions of Sections 2.5, 2.8, 2.9, 8.1, 8.2 and 8.5 shall survive.

Section 8.2. Application of Trust Funds; Indemnification.

(a) Subject to the provisions of Section 8.5, all money deposited with the Trustee pursuant to Section 8.1, all money and U.S. Government Obligations or Foreign Government Obligations deposited with the Trustee pursuant to Section 8.3 or 8.4 and all money received by the Trustee in respect of U.S. Government Obligations or Foreign Government Obligations deposited with the Trustee pursuant to Section 8.3 or 8.4, shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the persons entitled thereto, of the principal and interest for whose payment such money has been deposited with or received by the Trustee or to make mandatory sinking fund payments or analogous payments as contemplated by Sections 8.3 or 8.4.

(b) The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against U.S. Government Obligations or Foreign Government Obligations deposited pursuant to Sections 8.3 or 8.4 or the interest and principal received in respect of such obligations other than any payable by or on behalf of Holders.

(c) The Trustee shall deliver or pay to the Company from time to time upon Company Request any U.S. Government Obligations or Foreign Government Obligations

or money held by it as provided in Sections 8.3 or 8.4 which, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, are then in excess of the amount thereof which then would have been required to be deposited for the purpose for which such U.S. Government Obligations or Foreign Government Obligations or money were deposited or received. This provision shall not authorize the sale by the Trustee of any U.S. Government Obligations or Foreign Government Obligations held under this Indenture.

Section 8.3. Legal Defeasance of Securities of any Series.

Unless this Section 8.3 is otherwise specified, pursuant to subparagraph 2.2.21, to be inapplicable to Securities of any Series, the Company shall be deemed to have paid and discharged the entire indebtedness on all the outstanding Securities of such Series on the 91st day after the date of the deposit referred to in subparagraph (c)(1) hereof, and the provisions of this Indenture, as it relates to such outstanding Securities of such Series, shall no longer be in effect (and the Trustee, at the expense of the Company, shall, at Company Request, execute proper instruments acknowledging the same), except as to:

- (a) the rights of Holders of Securities of such Series to receive, from the trust funds described in subparagraph (c)(1) hereof,
 - (i) payment of the principal of and each installment of principal of and interest on the outstanding Securities of such Series on the Stated Maturity of such principal or installment of principal or interest and
 - (ii) the benefit of any mandatory sinking fund payments applicable to the Securities of such Series on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Securities of such Series;
- (b) the provisions of Sections 2.5, 2.8, 2.9, 8.2, 8.3 and 8.5; and
- (c) the rights, powers, trust and immunities of the Trustee hereunder;

provided that, the following conditions shall have been satisfied:

- (1) the Company shall have deposited or caused to be deposited irrevocably with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for and dedicated solely to the benefit of the Holders of such Securities (i) in the case of Securities of such Series denominated in Dollars, cash in Dollars (or such other money or currencies as shall then be legal tender in the United States) and/or U.S. Government Obligations, or (ii) in the case of Securities of such Series denominated in a Foreign Currency (other than a composite currency), money and/or Foreign Government Obligations, which through the payment of interest and principal in respect thereof, in accordance with their terms, will provide (and without reinvestment and assuming no tax liability will be imposed on such Trustee), not later than one day before the due date of any payment of money, an amount in cash, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge each installment of principal (including mandatory

sinking fund or analogous payments) of and interest, if any, on all the Securities of such Series on the dates such installments of interest or principal are due;

(2) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(3) no Default or Event of Default with respect to the Securities of such Series shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date;

(4) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Securities of such Series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred;

(5) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of the Securities of such Series over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company;

(6) such deposit shall not result in the trust arising from such deposit constituting an investment company (as defined in the Investment Company Act of 1940, as amended), or such trust shall be qualified under such Act or exempt from regulation thereunder; and

(7) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the defeasance contemplated by this Section 8.3 have been complied with.

Section 8.4. Covenant Defeasance.

Unless this Section 8.4 is otherwise specified pursuant to subparagraph 2.2.21 to be inapplicable to Securities of any Series, on and after the 91st day after the date of the deposit referred to in subparagraph (a) hereof, the Company may omit to comply with any term, provision or condition set forth under Sections 4.2, 4.3, 4.4, 4.5, 4.6, and 5.1 as well as any additional covenants contained in a supplemental indenture hereto for a particular Series of Securities or a Board Resolution or an Officers' Certificate delivered pursuant to Section 2.2.21 (and the failure to comply with any such covenants shall not constitute a Default or Event of Default under Section 6.1) and the occurrence of any event described in clause (e) of Section 6.1

shall not constitute a Default or Event of Default hereunder, with respect to the Securities of such Series, provided that the following conditions shall have been satisfied:

(a) With reference to this Section 8.4, the Company has deposited or caused to be irrevocably deposited (except as provided in Section 8.2(c)) with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities (i) in the case of Securities of such Series denominated in Dollars, cash in Dollars (or such other money or currencies as shall then be legal tender in the United States) and/or U.S. Government Obligations, or (ii) in the case of Securities of such Series denominated in a Foreign Currency (other than a composite currency), money and/or Foreign Government Obligations, which through the payment of interest and principal in respect thereof, in accordance with their terms, will provide (and without reinvestment and assuming no tax liability will be imposed on such Trustee), not later than one day before the due date of any payment of money, an amount in cash, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay principal and interest, if any, on and any mandatory sinking fund in respect of the Securities of such Series on the dates such installments of interest or principal are due;

(b) Such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(c) No Default or Event of Default with respect to the Securities of such Series shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date;

(d) the Company shall have delivered to the Trustee an Opinion of Counsel confirming that Holders of the Securities of such Series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(e) the Company shall have delivered to the Trustee an Officers' Certificate stating the deposit was not made by the Company with the intent of preferring the Holders of the Securities of such Series over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company; and

(f) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the defeasance contemplated by this Section 8.4 have been complied with.

Section 8.5. Repayment to Company.

The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal and interest that remains unclaimed for two years. After that, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

ARTICLE IX.
AMENDMENTS AND WAIVERS

Section 9.1. Without Consent of Holders.

The Company and the Trustee may amend or supplement this Indenture or the Securities of one or more Series without the consent of any Securityholder:

- (a) to cure any ambiguity, defect or inconsistency;
- (b) to comply with Article V;
- (c) to provide for uncertificated Securities in addition to or in place of certificated Securities, and to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Securities of one or more Series any property or assets;
- (d) to make any change that does not adversely affect the rights of any Securityholder;
- (e) to provide for the issuance of and establish the form and terms and conditions of Securities of any Series as permitted by this Indenture;
- (f) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more Series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee; or
- (g) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

Section 9.2. With Consent of Holders.

The Company and the Trustee may enter into a supplemental indenture with the written consent of the Holders of at least a majority in principal amount of the outstanding Securities of each Series affected by such supplemental indenture (including consents obtained in connection with a tender offer or exchange offer for the Securities of such Series), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Securityholders of each such Series. Except as provided in Section 6.13, the Holders of at least a majority in principal amount of the outstanding Securities of each Series affected by such waiver by notice to the Trustee (including consents obtained in connection with a tender offer or exchange offer for the Securities of such Series) may waive compliance by the Company with any provision of this Indenture or the Securities with respect to such Series.

It shall not be necessary for the consent of the Holders of Securities under this Section 9.2 to approve the particular form of any proposed supplemental indenture or waiver, but it shall be sufficient if such consent approves the substance thereof. After a supplemental indenture or waiver under this Section 9.2 becomes effective, the Company shall mail to the Holders of Securities affected thereby and, if any Bearer Securities affected thereby are

outstanding, publish on one occasion in an Authorized Newspaper, a notice briefly describing the supplemental indenture or waiver. Any failure by the Company to mail or publish such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

Section 9.3. Limitations.

Notwithstanding the foregoing, without the consent of each Securityholder affected, an amendment or waiver may not:

- (a) change the amount of Securities whose Holders must consent to an amendment, supplement or waiver;
- (b) reduce the rate of or extend the time for payment of interest (including default interest) on any Security;
- (c) reduce the principal or change the Stated Maturity of any Security or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation;
- (d) reduce the principal amount of Discount Securities payable upon acceleration of the maturity thereof;
- (e) waive a Default or Event of Default in the payment of the principal of or interest, if any, on any Security (except a rescission of acceleration of the Securities of any Series by the Holders of at least a majority in principal amount of the outstanding Securities of such Series and a waiver of the payment default that resulted from such acceleration);
- (f) make the principal of or interest, if any, on any Security payable in any currency other than that stated in the Security;
- (g) make any change in Sections 6.8, 6.13, 9.3 (this sentence), 10.15 or 10.16; or
- (h) waive a redemption payment with respect to any Security or change any of the provisions with respect to the redemption of any Securities.

Section 9.4. Compliance with Trust Indenture Act.

Every amendment to this Indenture or the Securities of one or more Series shall be set forth in a supplemental indenture hereto that complies with the TIA as then in effect.

Section 9.5. Revocation and Effect of Consents.

Until an amendment or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent

Holder may revoke the consent as to his Security or portion of a Security if the Trustee receives the notice of revocation before the date the amendment or waiver becomes effective.

Any amendment or waiver once effective shall bind every Securityholder of each Series affected by such amendment or waiver unless it is of the type described in any of clauses (a) through (h) of Section 9.3. In that case, the amendment or waiver shall bind each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

Section 9.6. Notation on or Exchange of Securities.

The Trustee may place an appropriate notation about an amendment or waiver on any Security of any Series thereafter authenticated. The Company in exchange for Securities of that Series may issue and the Trustee shall authenticate upon request new Securities of that Series that reflect the amendment or waiver.

Section 9.7. Trustee Protected.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 7.1) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee shall sign all supplemental indentures, except that the Trustee need not sign any supplemental indenture that adversely affects its rights.

ARTICLE X.
MISCELLANEOUS

Section 10.1. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required or deemed to be included in this Indenture by the TIA, such required or deemed provision shall control.

Section 10.2. Notices.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail:

if to the Company:

Gray Communications Systems, Inc.
4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attention: Chief Executive Officer

if to the Trustee:

[Name of Trustee]
[Address]

Attention:

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Securityholder shall be mailed by first-class mail to his or her address shown on the register kept by the Registrar and, if any Bearer Securities are outstanding, published in an Authorized Newspaper. Failure to mail a notice or communication to a Securityholder of any Series or any defect in it shall not affect its sufficiency with respect to other Securityholders of that or any other Series.

If a notice or communication is mailed, personally delivered or published in the manner provided above, within the time prescribed, it is duly given, whether or not the Securityholder receives it.

If the Company mails a notice or communication to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 10.3. Communication by Holders with Other Holders.

Securityholders of any Series may communicate pursuant to TIA Section 312(b) with other Securityholders of that Series or any other Series with respect to their rights under this Indenture or the Securities of that Series or all Series. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

Section 10.4. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

- (a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 10.5. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall comply with the provisions of TIA Section 314(e) and shall include:

- (a) a statement that the person making such certificate or opinion has read such covenant or condition;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 10.6. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or a meeting of Securityholders of one or more Series. Any Agent may make reasonable rules and set reasonable requirements for its functions.

Section 10.7. Legal Holidays.

Unless otherwise provided by Board Resolution, Officers' Certificate or supplemental indenture for a particular Series, a "Legal Holiday" is any day that is not a Business Day. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

Section 10.8. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities. All Securities, including Global Securities, shall bear a legend in a form substantially setting forth the foregoing statements in this Section 10.8.

Section 10.9. Counterparts.

This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 10.10. Governing Laws.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.

Section 10.11. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 10.12. Successors.

All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 10.13. Severability.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.14. Table of Contents, Headings, Etc.

The Table of Contents, Cross Reference Table, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 10.15. Securities in a Foreign Currency.

Unless otherwise specified in a Board Resolution, a supplemental indenture hereto or an Officers' Certificate delivered pursuant to Section 2.2 of this Indenture with respect to a particular Series of Securities, whenever for purposes of this Indenture any action may be taken by the Holders of a specified percentage in aggregate principal amount of Securities of all Series or all Series affected by a particular action at the time outstanding and, at such time, there are outstanding Securities of any Series which are denominated in a coin or currency other than Dollars (including Euros), then the principal amount of Securities of such Series which shall be deemed to be outstanding for the purpose of taking such action shall be that amount of Dollars that could be obtained for such amount at the Market Exchange Rate at such time. For purposes of this Section 10.15, "Market Exchange Rate" shall mean the noon Dollar buying rate in New York City for cable transfers of that currency as published by the Federal Reserve Bank of New York. If such Market Exchange Rate is not available for any reason with respect to such currency, the Trustee shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York, as of the most recent available date, or quotations from one or more major banks in the City of New York, London or in the country of issue of the currency in question or such other quotations as the Trustee, upon consultation with

the Company, shall deem appropriate. The provisions of this paragraph shall apply in determining the equivalent principal amount in respect of Securities of a Series denominated in currency other than Dollars in connection with any action taken by Holders of Securities pursuant to the terms of this Indenture.

All decisions and determinations of the Trustee regarding the Market Exchange Rate or any alternative determination provided for in the preceding paragraph shall be in its sole discretion and shall, in the absence of manifest error, be conclusive to the extent permitted by law for all purposes and irrevocably binding upon the Company and all Holders.

Section 10.16. Judgment Currency.

The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of or interest or other amount on the Securities of any Series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in the City of New York the Required Currency with the Judgment Currency on the day on which final unappealable judgment is entered, unless such day is not a New York Banking Day, then, the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in the City of New York the Required Currency with the Judgment Currency on the New York Banking Day preceding the day on which final unappealable judgment is entered and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable, and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "New York Banking Day" means any day except a Saturday, Sunday or a legal holiday in the City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

ARTICLE XI.
SINKING FUNDS

Section 11.1. Applicability of Article.

The provisions of this Article XI shall be applicable to any sinking fund for the retirement of the Securities of a Series, except as otherwise permitted or required by any form of Security of such Series issued pursuant to this Indenture.

The minimum amount of any sinking fund payment provided for by the terms of the Securities of any Series is herein referred to as a "mandatory sinking fund payment" and any other amount provided for by the terms of Securities of such Series is herein referred to as an

"optional sinking fund payment." If provided for by the terms of Securities of any Series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be applied to the redemption of Securities of any Series as provided for by the terms of the Securities of such Series.

Section 11.2. Satisfaction of Sinking Fund Payments with Securities.

The Company may, in satisfaction of all or any part of any sinking fund payment with respect to the Securities of any Series to be made pursuant to the terms of such Securities (1) deliver outstanding Securities of such Series to which such sinking fund payment is applicable (other than any of such Securities previously called for mandatory sinking fund redemption) and (2) apply as credit Securities of such Series to which such sinking fund payment is applicable and which have been redeemed either at the election of the Company pursuant to the terms of such Series of Securities (except pursuant to any mandatory sinking fund) or through the application of permitted optional sinking fund payments or other optional redemptions pursuant to the terms of such Securities, provided that such Securities have not been previously so credited. Such Securities shall be received by the Trustee, together with an Officers' Certificate with respect thereto, not later than 15 days prior to the date on which the Trustee begins the process of selecting Securities for redemption, and shall be credited for such purpose by the Trustee at the price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly. If as a result of the delivery or credit of Securities in lieu of cash payments pursuant to this Section 11.2. The principal amount of Securities of such Series to be redeemed in order to exhaust the aforesaid cash payment shall be less than \$100,000, the Trustee need not call Securities of such Series for redemption, except upon receipt of a Company Order that such action be taken, and such cash payment shall be held by the Trustee or a Paying Agent and applied to the next succeeding sinking fund payment, provided, however, that the Trustee or such Paying Agent shall from time to time upon receipt of a Company Order pay over and deliver to the Company any cash payment so being held by the Trustee or such Paying Agent upon delivery by the Company to the Trustee of Securities of that Series purchased by the Company having an unpaid principal amount equal to the cash payment required to be released to the Company.

Section 11.3. Redemption of Securities for Sinking Fund.

Not less than 45 days (unless otherwise indicated in the Board Resolution, supplemental indenture hereto or Officers' Certificate in respect of a particular Series of Securities) prior to each sinking fund payment date for any Series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing mandatory sinking fund payment for that Series pursuant to the terms of that Series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting of Securities of that Series pursuant to Section 11.2. and the optional amount, if any, to be added in cash to the next ensuing mandatory sinking fund payment, and the Company shall thereupon be obligated to pay the amount therein specified.

Not less than 30 days (unless otherwise indicated in the Board Resolution, Officers' Certificate or supplemental indenture in respect of a particular Series of Securities) before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 3.2 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 3.3. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 3.4, 3.5 and 3.6.

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

GRAY COMMUNICATIONS SYSTEMS, INC.

By:

Name:

Title:

[Name of Trustee]

By:

Name:

Title:

FORM OF INDENTURE TO BE ENTERED INTO BETWEEN THE COMPANY AND A
TRUSTEE TO BE NAMED

=====

GRAY COMMUNICATIONS SYSTEMS, INC.

INDENTURE

Dated as of _____ 200_

[Name of Trustee]

Trustee

Subordinated Debt Securities

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GRAY COMMUNICATIONS SYSTEMS, INC.

Reconciliation and tie between Trust Indenture Act of 1939 and
 Indenture, dated as of _____, 200_

Section 310 (a)(1).....	7.10
(a)(2).....	7.10
(a)(3).....	Not Applicable
(a)(4).....	Not Applicable
(a)(5).....	7.10
(b).....	7.10
Section 311 (a).....	7.11
(b).....	7.11
(c).....	Not Applicable
Section 312 (a).....	2.7
(b).....	10.3
(c).....	10.3
Section 313 (a).....	7.6
(b)(1).....	7.6
(b)(2).....	7.6
(c)(1).....	7.6
(d).....	7.6
Section 314 (a).....	4.2, 10.5
(b).....	Not Applicable
(c)(1).....	10.4
(c)(2).....	10.4
(c)(3).....	Not Applicable
(d).....	Not Applicable
(e).....	10.5
(f).....	Not Applicable
Section 315 (a).....	7.1
(b).....	7.5
(c).....	7.1
(d).....	7.1
(e).....	6.14
Section 316 (a).....	2.10
(a)(1)(A).....	6.12
(a)(1)(B).....	6.13
(b).....	6.8
Section 317 (a)(1).....	6.3
(a)(2).....	6.4
(b).....	2.6
Section 318 (a).....	10.1

Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.

Indenture dated as of _____200_ between Gray Communications Systems, Inc., a Georgia corporation (the "Company"), and [Name of Trustee], a _____ ("Trustee").

WITNESSETH

WHEREAS, the Company has duly authorized the issuance, execution and delivery, from time to time, of its unsecured debentures, notes or other evidences of indebtedness (hereinafter referred to as the "Securities"), without limit as to principal amount, issuable in one or more Series (as hereinafter defined), the amount and terms of each such Series to be determined as hereinafter provided; and, to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered, the Company has duly authorized the execution of this Indenture;

WHEREAS, all things necessary to make this Indenture a valid indenture and agreement according to its terms have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Securities by the holders thereof, the Company and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Securities as follows:

ARTICLE I.
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1. Definitions.

"Additional Amounts" means any additional amounts which are required hereby or by any Security, under circumstances specified herein or therein, to be paid by the Company in respect of certain taxes imposed on Holders specified therein and which are owing to such Holders.

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities or by agreement or otherwise.

"Agent" means any Registrar, Paying Agent or Service Agent.

"Authorized Newspaper" means a newspaper in an official language of the country of publication customarily published at least once a day for at least five days in each calendar week and of general circulation in the place in connection with which the term is used. If it shall be impractical in the opinion of the Trustee to make any publication of any notice

required hereby in an Authorized Newspaper, any publication or other notice in lieu thereof that is made or given by the Trustee shall constitute a sufficient publication of such notice.

"Bearer" means anyone in possession from time to time of a Bearer Security.

"Bearer Security" means any Security, including any interest coupon appertaining thereto, that does not provide for the identification of the Holder thereof.

"Board of Directors" means the Board of Directors of the Company or any duly authorized committee thereof.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been adopted by the Board of Directors or pursuant to authorization by the Board of Directors and to be in full force and effect on the date of the certificate and delivered to the Trustee.

"Business Day" means, unless otherwise provided by Board Resolution, Officers' Certificate or supplemental indenture hereto for a particular Series, any day except a Saturday, Sunday or a legal holiday in the City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

"Company" means the party named as such above until a successor replaces it and thereafter means the successor.

"Company Order" means a written order signed in the name of the Company by two Officers, one of whom must be the Company's chief executive officer, chief financial officer or principal accounting officer.

"Company Request" means a written request signed in the name of the Company by its Chairman of the Board, a President or a Vice President, and by either its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered.

"Debt" of any person as of any date means, without duplication, all obligations of such person in respect of borrowed money, including all interest, fees and expenses owed in respect thereto (whether or not the recourse of the lender is to the whole of the assets of such person or only to a portion thereof), or evidenced by bonds, notes, debentures or similar instruments.

"Default" means any event which is, or after notice or passage of time would be, an Event of Default.

"Depository" means, with respect to the Securities of any Series issuable or issued in whole or in part in the form of one or more Global Securities, the person designated as Depository for such Series by the Company, which Depository shall be a clearing agency registered under the Exchange Act; and if at any time there is more than one such person,

"Depository" as used with respect to the Securities of any Series shall mean the Depository with respect to the Securities of such Series.

"Designated Senior Indebtedness" means any of our senior indebtedness that expressly provides that it is "designated senior indebtedness" for purposes of this Indenture (provided that the instrument, agreement or other document creating or evidencing such Senior Indebtedness may place limitations and conditions on the right of such Senior Indebtedness to exercise the rights of Designated Senior Indebtedness).

"Discount Security" means any Security that provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the maturity thereof pursuant to Section 6.2.

"Dollars" means the currency of the United States of America.

"Euro" means the single currency of participating member states of the European Union.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Foreign Currency" means any currency or currency unit issued by a government other than the government of the United States of America.

"Foreign Government Obligations" means with respect to Securities of any Series that are denominated in a Foreign Currency, (i) direct obligations of the government that issued or caused to be issued such currency for the payment of which obligations its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by or acting as an agency or instrumentality of such government the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by such government, which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof.

"Global Security" or "Global Securities" means a Security or Securities, as the case may be, in the form established pursuant to Section 2.2 evidencing all or part of a Series of Securities, issued to the Depository for such Series or its nominee, and registered in the name of such Depository or nominee.

"Holder" or "Securityholder" means a person in whose name a Security is registered or the holder of a Bearer Security.

"Indenture" means this Indenture as amended from time to time and shall include the form and terms of particular Series of Securities established as contemplated hereunder.

"interest" with respect to any Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Maturity," when used with respect to any Security or installment of principal thereof, means the date on which the principal of such Security or such installment of principal

becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, notice of option to elect repayment or otherwise.

"Officer" means the Chairman of the Board, any President, any Vice-President, the Treasurer, the Secretary, any Assistant Treasurer or any Assistant Secretary of the Company.

"Officers' Certificate" means a certificate signed by two Officers, one of whom must be the Company's principal executive officer, principal financial officer or principal accounting officer.

"Opinion of Counsel" means a written opinion of legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

"person" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"principal" of a Security means the principal of the Security plus, when appropriate, the premium, if any, on, and any Additional Amounts in respect of, the Security.

"Representative" means the (a) indenture trustee or other trustee, agent or representative for any Senior Indebtedness or (b) with respect to any Senior Indebtedness that does not have any such trustee, agent or other representative, (i) in the case of such Senior Indebtedness issued pursuant to an agreement providing for voting arrangements as among the holders or owners of such Senior Indebtedness, any holder or owner of such Senior Indebtedness acting with the consent of the required persons necessary to bind such holders or owners of such Senior Indebtedness and (ii) in the case of all other such Senior Indebtedness, the holder or owner of such Senior Indebtedness.

"Responsible Officer" means any officer of the Trustee in its Corporate Trust Office and also means, with respect to a particular corporate trust matter, any other officer to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with a particular subject.

"SEC" means the Securities and Exchange Commission.

"Securities" has the meaning given such item in the preamble hereto.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Indebtedness" means the principal, premium, if any, interest, including any interest accruing after bankruptcy, and other amounts due on any of our current or future Debt, whether created, incurred, assumed, guaranteed or in effect guaranteed by us, including any deferrals, renewals, extensions, refundings, amendments, modifications or supplements to the above. However, Senior Indebtedness does not include: (i) any Debt that expressly provides that it shall not be senior in right of payment to the Securities or expressly provides that it is on the same basis or junior to the Securities; (ii) any Debt by us to any of our majority-owned subsidiaries; and (iii) the Securities.

"Series" or "Series of Securities" means each series of debentures, notes or other debt instruments of the Company created pursuant to Sections 2.1 and 2.2 hereof.

"Significant Subsidiary" means (i) any direct or indirect Subsidiary of the Company that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the date hereof, or (ii) any group of direct or indirect Subsidiaries of the Company that, taken together as a group, would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such regulation is in effect on the date hereof.

"Stated Maturity," when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" of any specified person means any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power for the election of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by such person, or by one or more other Subsidiaries, or by such person and one or more other Subsidiaries.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbb) as in effect on the date of this Indenture; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "TIA" means, to the extent required by any such amendment, the Trust Indenture Act as so amended.

"Trustee" means the person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each person who is then a Trustee hereunder, and if at any time there is more than one such person, "Trustee" as used with respect to the Securities of any Series shall mean the Trustee with respect to Securities of that Series.

"U.S. Government Obligations" means securities which are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, and which in the case of (i) and (ii) are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount

received by the custodian in respect of the U.S. Government Obligation evidenced by such depository receipt.

Section 1.2. Other Definitions.

TERM -----	DEFINED IN SECTION -----
"Bankruptcy Law"	6.1
"Custodian"	6.1
"Event of Default"	6.1
"Judgment Currency"	10.16
"Legal Holiday"	10.7
"mandatory sinking fund payment"	11.1
"Market Exchange Rate"	10.15
"New York Banking Day"	10.16
"optional sinking fund payment"	11.1
"Paying Agent"	2.5
"Registrar"	2.5
"Required Currency"	10.16
"Service Agent"	2.5
"successor person"	5.1

Section 1.3. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company and any successor obligor upon the Securities.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein are used herein as so defined.

Section 1.4. Rules of Construction.

Unless the context otherwise requires:

- (a) a term has the meaning assigned to it;
- (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;
- (c) "or" is not exclusive;
- (d) words in the singular include the plural, and in the plural include the singular; and
- (e) provisions apply to successive events and transactions.

ARTICLE II.
SECURITIES

Section 2.1. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued in one or more Series. All Securities of a Series shall be identical except as may be set forth in a Board Resolution, a supplemental indenture or an Officers' Certificate detailing the adoption of the terms thereof pursuant to the authority granted under a Board Resolution. In the case of Securities of a Series to be issued from time to time, the Board Resolution, Officers' Certificate or supplemental indenture may provide for the method by which specified terms (such as interest rate, maturity date, record date or date from which interest shall accrue) are to be determined. Securities may differ between Series in respect of any matters, provided that all Series of Securities shall be equally and ratably entitled to the benefits of the Indenture.

Section 2.2. Establishment of Terms of Series of Securities.

At or prior to the issuance of any Securities within a Series, the following shall be established (as to the Series generally, in the case of subparagraph 2.2.1 and either as to such Securities within the Series or as to the Series generally in the case of subparagraphs 2.2.2 through 2.2.22) by a Board Resolution, a supplemental indenture or an Officers' Certificate pursuant to authority granted under a Board Resolution:

- 2.2.1. the title of the Series (which shall distinguish the Securities of that particular Series from the Securities of any other Series);
- 2.2.2. the price or prices (expressed as a percentage of the principal amount thereof) at which the Securities of the Series will be issued;
- 2.2.3. any limit upon the aggregate principal amount of the Securities of the Series which may be authenticated and delivered under this Indenture (except for Securities

authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the Series pursuant to Section 2.8, 2.9, 2.10, 3.6 or 9.6);

2.2.4. date or dates on which the principal of the Securities of the Series is payable;

2.2.5. the rate or rates (which may be fixed or variable) per annum or, if applicable, the method used to determine such rate or rates (including, but not limited to, any commodity, commodity index, stock exchange index or financial index) at which the Securities of the Series shall bear interest, if any, the date or dates from which such interest, if any, shall accrue, the date or dates on which such interest, if any, shall commence and be payable and any regular record date for the interest payable on any interest payment date;

2.2.6. the place or places where the principal of and interest, if any, on the Securities of the Series shall be payable, or the method of such payment, if by wire transfer, mail or other means;

2.2.7. if applicable, the period or periods within which, the price or prices at which and the terms and conditions upon which the Securities of the Series may be redeemed, in whole or in part, at the option of the Company;

2.2.8. the obligation, if any, of the Company to redeem or purchase the Securities of the Series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the Series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

2.2.9. the dates, if any, on which and the price or prices at which the Securities of the Series will be repurchased by the Company at the option of the Holders thereof and other detailed terms and provisions of such repurchase obligations;

2.2.10. if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which the Securities of the Series shall be issuable;

2.2.11. the forms of the Securities of the Series in bearer or fully registered form (and, if in fully registered form, whether the Securities will be issuable as Global Securities);

2.2.12. if other than the principal amount thereof, the portion of the principal amount of the Securities of the Series that shall be payable upon declaration of acceleration of the maturity thereof pursuant to Section 6.2;

2.2.13. the currency of denomination of the Securities of the Series, which may be Dollars or any Foreign Currency, including, but not limited to, the Euro, and if such currency of denomination is a composite currency other than the Euro, the agency or organization, if any, responsible for overseeing such composite currency;

2.2.14. the designation of the currency, currencies or currency units in which payment of the principal of and interest, if any, on the Securities of the Series will be made;

2.2.15. if payments of principal of or interest, if any, on the Securities of the Series are to be made in one or more currencies or currency units other than that or those in which such Securities are denominated, the manner in which the exchange rate with respect to such payments will be determined;

2.2.16. the manner in which the amounts of payment of principal of or interest on, if any, the Securities of the Series will be determined, if such amounts may be determined by reference to an index based on a currency or currencies or by reference to a commodity, commodity index, stock exchange index or financial index;

2.2.17. the provisions, if any, relating to any security provided for the Securities of the Series;

2.2.18. if the holders of Securities of the Series may convert or exchange the Securities into or for securities of the Issuer or other property, the period or periods within which, the rate or rates at which and the terms and conditions upon which Securities of the Series may be converted or exchanged, in whole or in part;

2.2.19. any addition to or change in the Events of Default which applies to any Securities of the Series and any change in the right of the Trustee or the requisite Holders of such Securities to declare the principal amount thereof due and payable pursuant to Section 6.2;

2.2.20. any addition to or change in the covenants set forth in Articles IV or V which applies to Securities of the Series;

2.2.21. any other terms of the Securities of the Series (which terms shall not be inconsistent with the provisions of this Indenture, except as permitted by Section 9.1, but which may modify or delete any provision of this Indenture insofar as it applies to such Series); and

2.2.22. any depositories, interest rate calculation agents, exchange rate calculation agents or other agents with respect to Securities of such Series if other than those appointed herein.

All Securities of any one Series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to the Board Resolution, supplemental indenture or Officers' Certificate referred to above, and the authorized principal amount of any Series may not be increased to provide for issuances of additional Securities of such Series, unless otherwise provided in such Board Resolution, supplemental indenture or Officers' Certificate.

Section 2.3. Authentication and Delivery of Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver any Series of Securities executed by the Company to the Trustee for authentication by it, and the Trustee shall thereupon authenticate and deliver said Securities to or upon a Company Order, without any further corporate action by the Company. If the form or terms of such Series of Securities have been established in or pursuant to one or more Board Resolutions or a supplemental indenture as permitted by this Section 2.3 and Section 2.2,

in authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 7.1) shall be fully protected in relying upon:

- (1) each Board Resolution relating to such Series of Securities;
- (2) an executed supplemental indenture, if any, relating to such series of Securities;
- (3) an Officers' Certificate setting forth the form and terms of the Securities, stating that the form and terms of the Securities have been established pursuant to Section 2.2 and subparagraph 2.4.3 and comply with this Indenture, and covering such other matters as the Trustee may reasonably request;
- (4) an Opinion of Counsel to the effect that:
 - (a) if the form of such Securities has been established by or pursuant to resolutions of the Board of Directors of the Company as permitted by subparagraph 2.4.3 that such form has been established in conformity with the provisions of this Indenture;
 - (b) if the terms of such Securities have been established by or pursuant to Board Resolutions as permitted by this Section 2.1, that such terms have been established in conformity with the provisions of this Indenture;
 - (c) that such Securities, when authenticated and delivered by the Trustee and executed and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will be valid and binding obligations of the Company, except as any rights thereunder may be limited by bankruptcy, insolvency and other similar laws affecting the enforcement of creditor's rights generally and by general equity principles;
 - (d) that all laws and requirements in respect of the execution and delivery by the Company of such Securities have been complied with and that authentication and delivery of the Securities by the Trustee will not violate the terms of this Indenture; and
 - (e) covering such other matters as the Trustee may reasonably request.

Each fully registered Security shall be dated the date of its authentication. Any series of Bearer Securities shall be dated as provided in the Board Resolution or the provisions of the supplemental indenture creating such series.

Section 2.4. Execution of Securities; Trustee's Certificate of Authentication; Form of Securities.

2.4.1. Two Officers shall sign the Securities for the Company by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

2.4.2. Only such Securities bearing a certificate of authentication executed by the Trustee by the manual signature of one of its Responsible Officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Security executed by the Company shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

The Trustee shall have the right to decline to authenticate and deliver any Securities of such Series: (a) if the Trustee, being advised by counsel, determines that such action may not lawfully be taken; or (b) if the Trustee in good faith by its board of directors or trustees, executive committee or a trust committee of directors and/or vice-presidents shall determine that such action would expose the Trustee to personal liability to Holders of any then outstanding Series of Securities.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate.

2.4.3. The Securities of each series shall be substantially of the tenor and purport as shall be authorized by a Board Resolution or in an indenture or indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements thereon as the Board of Directors of the Company may deem appropriate and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Securities may be listed, or to conform to usage.

The definitive Securities may be printed, lithographed or fully or partly engraved or produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their executions thereof.

Section 2.5. Registrar and Paying Agent.

The Company shall maintain, with respect to each Series of Securities, at the place or places specified with respect to such Series pursuant to Section 2.2, an office or agency where Securities of such Series may be presented or surrendered for payment ("Paying Agent"),

where Securities of such Series may be surrendered for registration of transfer or exchange ("Registrar") and where notices and demands to or upon the Company in respect of the Securities of such Series and this Indenture may be served ("Service Agent"). The Registrar shall keep a register with respect to each Series of Securities and to their transfer and exchange. The Company will give prompt written notice to the Trustee of the name and address, and any change in the name or address, of each Registrar, Paying Agent or Service Agent. If at any time the Company shall fail to maintain any such required Registrar, Paying Agent or Service Agent or shall fail to furnish the Trustee with the name and address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more co-registrars, additional paying agents or additional service agents and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligations to maintain a Registrar, Paying Agent and Service Agent in each place so specified pursuant to Section 2.2 for Securities of any Series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the name or address of any such co-registrar, additional paying agent or additional service agent. The term "Registrar" includes any co-registrar; the term "Paying Agent" includes any additional paying agent; and the term "Service Agent" includes any additional service agent.

The Company hereby appoints the Trustee the initial Registrar, Paying Agent and Service Agent for each Series unless another Registrar, Paying Agent or Service Agent, as the case may be, is appointed prior to the time Securities of that Series are first issued.

Section 2.6. Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust, for the benefit of Securityholders of any Series of Securities, or the Trustee, all money held by the Paying Agent for the payment of principal or interest on the Series of Securities, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of Securityholders of any Series of Securities all money held by it as Paying Agent.

Section 2.7. Securityholder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders of each Series of Securities and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least ten days before each interest payment

date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Securityholders of each Series of Securities.

Section 2.8. Transfer and Exchange.

Where Securities of a Series are presented to the Registrar with a request to register a transfer or to exchange them for an equal principal amount of Securities of the same Series, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Trustee shall authenticate Securities at the Registrar's request. No service charge shall be made for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer tax or similar governmental charge payable upon exchanges pursuant to Sections 2.12, 3.6 or 9.6).

Neither the Company nor the Registrar shall be required (a) to issue, register the transfer of, or exchange Securities of any Series for the period beginning at the opening of business 15 days immediately preceding the mailing of a notice of redemption of Securities of that Series selected for redemption and ending at the close of business on the day of such mailing, or (b) to register the transfer of or exchange Securities of any Series selected, called or being called for redemption as a whole or the portion being redeemed of any such Securities selected, called or being called for redemption in part.

Section 2.9. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same Series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and make available for delivery, in lieu of any such destroyed, lost or stolen Security, a new Security of the same Series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section 2.9, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any Series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that Series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 2.10. Outstanding Securities.

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest on a Global Security effected by the Trustee in accordance with the provisions hereof and those described in this Section as not outstanding.

If a Security is replaced pursuant to Section 2.9, it ceases to be outstanding until the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds on the Maturity of Securities of a Series money sufficient to pay such Securities payable on that date, then on and after that date such Securities of the Series cease to be outstanding and interest on them ceases to accrue.

A Security does not cease to be outstanding because the Company or an Affiliate holds the Security.

In determining whether the Holders of the requisite principal amount of outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of a Discount Security that shall be deemed to be outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 6.2.

Section 2.11. Treasury Securities.

In determining whether the Holders of the required principal amount of Securities of a Series have concurred in any request, demand, authorization, direction, notice, consent or waiver, Securities of a Series owned by the Company or an Affiliate shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver only Securities of a Series that the Trustee knows are so owned shall be so disregarded.

Section 2.12. Temporary Securities.

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities upon a Company Order. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee upon request shall authenticate definitive Securities of the same Series and date of maturity in exchange for temporary Securities. Until so exchanged, temporary securities shall have the same rights under this Indenture as the definitive Securities.

Section 2.13. Cancellation.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for transfer, exchange, payment, replacement or cancellation and shall destroy such canceled Securities (subject to the record retention requirement of the Exchange Act) and deliver a certificate of such destruction to the Company, unless the Company otherwise directs. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

Section 2.14. Defaulted Interest.

If the Company defaults in a payment of interest on a Series of Securities, it shall pay the defaulted interest, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the persons who are Securityholders of the Series on a subsequent special record date. The Company shall fix the record date and payment date. At least 30 days before the record date, the Company shall mail to the Trustee and to each Securityholder of the Series a notice that states the record date, the payment date and the amount of interest to be paid. The Company may pay defaulted interest in any other lawful manner.

Section 2.15. Global Securities.

2.15.1. Terms of Securities. A Board Resolution, a supplemental indenture hereto or an Officers' Certificate shall establish whether the Securities of a Series shall be issued in whole or in part in the form of one or more Global Securities and the Depository for such Global Security or Securities.

2.15.2. Transfer and Exchange. Notwithstanding any provisions to the contrary contained in Section 2.8 of the Indenture and in addition thereto, any Global Security shall be exchangeable pursuant to Section 2.8 of the Indenture for Securities registered in the names of Holders other than the Depository for such Security or its nominee only if (i) such Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time such Depository ceases to be a clearing agency registered under the Exchange Act, and, in either case, the Company fails to appoint a successor Depository within 90 days of such event, (ii) the Company executes and delivers to the Trustee an Officers' Certificate to the effect that such Global Security shall be so exchangeable or (iii) an Event of Default with respect to the Securities represented by such Global Security shall have happened and be

continuing. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Securities registered in such names as the Depository shall direct in writing in an aggregate principal amount equal to the principal amount of the Global Security with like tenor and terms.

Except as provided in this Section 2.15.2, a Global Security may not be transferred except as a whole by the Depository with respect to such Global Security to a nominee of such Depository, by a nominee of such Depository to such Depository or another nominee of such Depository or by the Depository or any such nominee to a successor Depository or a nominee of such a successor Depository.

2.15.3. Legend. Any Global Security issued hereunder shall bear a legend in substantially the following form:

"This Security is a Global Security within the meaning of the Indenture hereinafter referred to and is registered in the name of the Depository or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and may not be transferred except as a whole by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such a successor Depository."

2.15.4. Acts of Holders. The Depository, as a Holder, may appoint agents and otherwise authorize participants to give or take any request, demand, authorization, direction, notice, consent, waiver or other action which a Holder is entitled to give or take under the Indenture.

2.15.5. Payments. Notwithstanding the other provisions of this Indenture, unless otherwise specified as contemplated by Section 2.2, payment of the principal of and interest, if any, on any Global Security shall be made to the Holder thereof.

2.15.6. Consents, Declaration and Directions. Except as provided in subparagraph 2.15.5, the Company, the Trustee and any Agent shall treat a person as the Holder of such principal amount of outstanding Securities of such Series represented by a Global Security as shall be specified in a written statement of the Depository with respect to such Global Security, for purposes of obtaining any consents, declarations, waivers or directions required to be given by the Holders pursuant to this Indenture.

Section 2.16. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other elements of identification printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE III.
REDEMPTION

Section 3.1. Notice to Trustee.

The Company may, with respect to any Series of Securities, reserve the right to redeem and pay the Series of Securities or may covenant to redeem and pay the Series of Securities or any part thereof prior to the Stated Maturity thereof at such time and on such terms as provided for in such Securities. If a Series of Securities is redeemable and the Company wants or is obligated to redeem prior to the Stated Maturity thereof all or part of the Series of Securities pursuant to the terms of such Securities, it shall notify the Trustee of the redemption date and the principal amount of Series of Securities to be redeemed. The Company shall give the notice at least 45 days before the redemption date (or such shorter notice as may be acceptable to the Trustee).

Section 3.2. Selection of Securities to be Redeemed.

Unless otherwise indicated for a particular Series by a Board Resolution, a supplemental indenture or an Officers' Certificate, if less than all the Securities of a Series are to be redeemed, the Trustee shall select the Securities of the Series to be redeemed in any manner that the Trustee deems fair and appropriate. The Trustee shall make the selection from Securities of the Series outstanding not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities of the Series that have denominations larger than \$1,000. Securities of the Series and portions of them it selects shall be in amounts of \$1,000 or whole multiples of \$1,000 or, with respect to Securities of any Series issuable in other denominations pursuant to Section 2.2.10, the minimum principal denomination for each Series and integral multiples thereof. Provisions of this Indenture that apply to Securities of a Series called for redemption also apply to portions of Securities of that Series called for redemption.

Section 3.3. Notice of Redemption.

Unless otherwise indicated for a particular Series by Board Resolution, a supplemental indenture hereto or an Officers' Certificate, at least 30 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed and if any Bearer Securities are outstanding, publish on one occasion a notice in an Authorized Newspaper.

The notice shall identify the Securities of the Series to be redeemed and shall state:

- (a) the redemption date;
- (b) the redemption price;
- (c) the name and address of the Paying Agent;
- (d) that Securities of the Series called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(e) that interest on Securities of the Series called for redemption ceases to accrue on and after the redemption date; and

(f) any other information as may be required by the terms of the particular Series or the Securities of a Series being redeemed.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense.

Section 3.4. Effect of Notice of Redemption.

Once notice of redemption is mailed or published as provided in Section 3.3, Securities of a Series called for redemption become due and payable on the redemption date and at the redemption price. A notice of redemption may not be conditional. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price plus accrued interest to the redemption date.

Section 3.5. Deposit of Redemption Price.

On or before the redemption date, the Company shall deposit with the Paying Agent money sufficient to pay the redemption price of and accrued interest, if any, on all Securities to be redeemed on that date.

Section 3.6. Securities Redeemed in Part.

Upon surrender of a Security that is redeemed in part, the Trustee shall authenticate for the Holder a new Security of the same Series and the same maturity equal in principal amount to the unredeemed portion of the Security surrendered.

ARTICLE IV.
COVENANTS

Section 4.1. Payment of Principal and Interest.

The Company covenants and agrees for the benefit of the Holders of each Series of Securities that it will duly and punctually pay the principal of and interest, if any, on the Securities of that Series in accordance with the terms of such Securities and this Indenture.

Section 4.2. SEC Reports.

The Company shall deliver to the Trustee within 15 days after it files them with the SEC copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. The Company also shall comply with the other provisions of TIA Section 314(a).

Section 4.3. Compliance Certificate.

The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he may have knowledge).

The Company will, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.4. Stay, Extension and Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture or the Securities; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.5. Corporate Existence.

Subject to Article V, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the corporate, partnership or other existence of each Significant Subsidiary in accordance with the respective organizational documents of each Significant Subsidiary and the rights (charter and statutory), licenses and franchises of the Company and its Significant Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Significant Subsidiary, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries taken as a whole and that the loss thereof is not adverse in any material respect to the Holders.

Section 4.6. Taxes.

The Company shall, and shall cause each of its Significant Subsidiaries to, pay prior to delinquency all taxes, assessments and governmental levies, except as contested in good faith and by appropriate proceedings.

ARTICLE V.
SUCCESSORS

Section 5.1. When Company May Merge, Etc.

The Company shall not consolidate with or merge into, or convey, transfer or lease all or substantially all of its properties and assets to, any person (a "successor person"), and may not permit any person to merge into, or convey, transfer or lease its properties and assets substantially as an entirety to, the Company, unless:

(a) the successor person (if any) is a corporation, partnership, trust or other entity organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes the Company's obligations on the Securities and under this Indenture and

(b) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture.

Section 5.2. Successor Corporation Substituted.

Upon any consolidation or merger, or any sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, lease, conveyance or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor person has been named as the Company herein; provided, however, that the predecessor Company in the case of a sale, lease, conveyance or other disposition shall not be released from the obligation to pay the principal of and interest, if any, on the Securities.

ARTICLE VI.
DEFAULTS AND REMEDIES

Section 6.1. Events of Default.

"Event of Default," wherever used herein with respect to Securities of any Series, means any one of the following events, unless in the establishing Board Resolution, supplemental indenture or Officers' Certificate it is provided that such Series shall not have the benefit of said Event of Default:

(a) default in the payment of any interest on any Security of that Series when it becomes due and payable, and continuance of such default for a period of 30 days

(unless the entire amount of such payment is deposited by the Company with the Trustee or with a Paying Agent prior to the expiration of such period of 30 days); or

(b) default in the payment of the principal of any Security of that Series at its Maturity; or

(c) default in the deposit of any sinking fund payment, when and as due in respect of any Security of that Series; or

(d) default in the performance or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty that has been included in this Indenture solely for the benefit of Series of Securities other than that Series), which default continues uncured for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the outstanding Securities of that Series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(e) the Company or any of its Significant Subsidiaries pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(iv) makes a general assignment for the benefit of its creditors, or

(v) generally is unable to pay its debts as the same become due; or

(f) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any of its Significant Subsidiaries in an involuntary case,

(ii) appoints a Custodian of the Company or any of its Significant Subsidiaries or for all or substantially all of its property, or

(iii) orders the liquidation of the Company or any of its Significant Subsidiaries,

and the order or decree remains unstayed and in effect for 60 days; or

(g) any other Event of Default provided with respect to Securities of that Series, which is specified in a Board Resolution, a supplemental indenture hereto or an Officers' Certificate, in accordance with subparagraph 2.2.19.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 6.2. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default with respect to Securities of any Series at the time outstanding occurs and is continuing (other than an Event of Default referred to in Section 6.1(e) or (f)) then in every such case the Trustee or the Holders of not less than 25% in principal amount of the outstanding Securities of that Series may declare the principal amount (or, if any Securities of that Series are Discount Securities, such portion of the principal amount as may be specified in the terms of such Securities) of and accrued and unpaid interest, if any, on all of the Securities of that Series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) and accrued and unpaid interest, if any, shall become immediately due and payable. If an Event of Default specified in Section 6.1(e) or (f) shall occur, the principal amount (or specified amount) of and accrued and unpaid interest, if any, on all outstanding Securities shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration with respect to any Series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article VI provided, the Holders of a majority in principal amount of the outstanding Securities of that Series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

- (a) the Company has paid or deposited with the Trustee a sum sufficient to pay:
 - (i) all overdue interest, if any, on all Securities of that Series,
 - (ii) the principal of any Securities of that Series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities,
 - (iii) to the extent that payment of such interest is lawful, interest upon any overdue principal and overdue interest at the rate or rates prescribed therefor in such Securities, and
 - (iv) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(b) all Events of Default with respect to Securities of that Series, other than the non-payment of the principal of Securities of that Series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 6.13.

No such rescission shall affect any subsequent Default or impair any right consequent thereon.

Section 6.3. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(a) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(b) default is made in the payment of principal of any Security at the Maturity thereof, or

(c) default is made in the deposit of any sinking fund payment when and as due by the terms of a Security,

then, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal or any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or deemed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to any Securities of any Series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such Series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 6.4. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the

Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same, and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.5. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 6.6. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article VI shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 7.7; and

Second: To the payment of the amounts then due and unpaid for principal of and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal and interest, respectively; and

Third: To the Company.

Section 6.7. Limitation on Suits.

No Holder of any Security of any Series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that Series;

(b) the Holders of not less than 25% in principal amount of the outstanding Securities of that Series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the outstanding Securities of that Series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

Section 6.8. Unconditional Right of Holders to Receive Principal and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest, if any, on such Security on the Stated Maturity or Stated Maturities expressed in such Security (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 6.9. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 6.10. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in Section 2.9, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.11. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Securities to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article VI or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 6.12. Control by Holders.

The Holders of a majority in principal amount of the outstanding Securities of any Series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such Series, provided that

- (a) such direction shall not be in conflict with any rule of law or with this Indenture,
- (b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and
- (c) subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer of the Trustee, determine that the proceeding so directed would involve the Trustee in personal liability.

Section 6.13. Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the outstanding Securities of any Series may on behalf of the Holders of all the Securities of such Series waive any past Default hereunder with respect to such Series and its consequences, except a Default in the payment of the principal of or interest on any Security of such Series (provided, however, that the Holders of a majority in principal amount of the outstanding Securities of any Series may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.14. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 6.14 shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the outstanding Securities of any Series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or interest on any Security on or after the Stated Maturity or Stated Maturities expressed in such Security (or, in the case of redemption, on the redemption date).

ARTICLE VII.
TRUSTEE

Section 7.1. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon Officers' Certificates or Opinions of Counsel furnished to the Trustee and conforming to the requirements of this Indenture;

however, in the case of any such Officers' Certificates or Opinions of Counsel which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such Officers' Certificates and Opinions of Counsel to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) This paragraph does not limit the effect of paragraph (b) of this Section.

(ii) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(iii) The Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it with respect to Securities of any Series in good faith in accordance with the direction of the Holders of a majority in principal amount of the outstanding Securities of such Series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such Series.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraph (a), (b) and (c) of this Section 7.1.

(e) The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk is not reasonably assured to it.

(h) The Paying Agent, the Registrar and any authenticating agent shall be entitled to the protections, immunities and standard of care as are set forth in paragraphs (a), (b) and (c) of this Section with respect to the Trustee.

Section 7.2. Rights of Trustee.

(a) The Trustee may rely on and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or

presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care. No Depository shall be deemed an agent of the Trustee and the Trustee shall not be responsible for any act or omission by any Depository.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 7.3. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee is also subject to Sections 7.10 and 7.11.

Section 7.4. Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities and it shall not be responsible for any statement in the Securities other than its authentication.

Section 7.5. Notice of Defaults.

If a Default or Event of Default occurs and is continuing with respect to the Securities of any Series and if it is known to a Responsible Officer of the Trustee, the Trustee shall mail to each Securityholder of the Securities of that Series and, if any Bearer Securities are outstanding, publish on one occasion in an Authorized Newspaper, notice of a Default or Event of Default within 90 days after it occurs or, if later, after a Responsible Officer of the Trustee has

knowledge of such Default or Event of Default. Except in the case of a Default or Event of Default in payment of principal of or interest on any Security of any Series, the Trustee may withhold the notice if and so long as its corporate trust committee or a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Securityholders of that Series.

Section 7.6. Reports by Trustee to Holders.

Within 60 days after [date] in each year, the Trustee shall transmit by mail to all Securityholders, as their names and addresses appear on the register kept by the Registrar and, if any Bearer Securities are outstanding, publish in an Authorized Newspaper, a brief report dated as of such [date], in accordance with, and to the extent required under, TIA Section 313.

A copy of each report at the time of its mailing to Securityholders of any Series shall be filed with the SEC and each stock exchange on which the Securities of that Series are listed. The Company shall promptly notify the Trustee when Securities of any Series are listed on any stock exchange.

Section 7.7. Compensation and Indemnity.

The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee (including the cost of defending itself) against any loss, liability or expense incurred by it except as set forth in the next paragraph in the performance of its duties under this Indenture as Trustee or Agent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. This indemnification shall apply to officers, directors, employees, shareholders and agents of the Trustee.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee or by any officer, director, employee, shareholder or agent of the Trustee through negligence or bad faith.

To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a lien prior to the Securities of any Series on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Securities of that Series.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(e) or (f) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.8. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.8.

The Trustee may resign with respect to the Securities of one or more Series by so notifying the Company. The Holders of a majority in principal amount of the Securities of any Series may remove the Trustee with respect to that Series by so notifying the Trustee and the Company. The Company may remove the Trustee with respect to Securities of one or more Series if:

- (a) the Trustee fails to comply with Section 7.10;
- (b) the Trustee is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (c) a Custodian or public officer takes charge of the Trustee or its property; or
- (d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee with respect to the Securities of any one or more Series does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Securities of the applicable Series may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee with respect to the Securities of any one or more Series fails to comply with Section 7.10, any Securityholder of the applicable Series may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee subject to the lien provided for in Section 7.7, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee with respect to each Series of Securities for which it is acting as Trustee under this Indenture. A successor Trustee shall mail a notice of its succession to each Securityholder of each such Series and, if any Bearer Securities are outstanding, publish such notice on one occasion in an Authorized Newspaper. Notwithstanding replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 hereof shall continue for the benefit of the retiring trustee with respect to reasonable expenses and liabilities incurred by it prior to such replacement.

Section 7.9. Successor Trustee by Merger, Etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10. Eligibility; Disqualification.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee shall always have a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Section 310(b).

Section 7.11. Preferential Collection of Claims Against Company.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

ARTICLE VIII.
SATISFACTION AND DISCHARGE; DEFEASANCE

Section 8.1. Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Order cease to be of further effect (except as hereinafter provided in this Section 8.1), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(a) either

(i) all Securities theretofore authenticated and delivered (other than Securities that have been destroyed, lost or stolen and that have been replaced or paid) have been delivered to the Trustee for cancellation; or

(ii) all such Securities not theretofore delivered to the Trustee for cancellation pursuant to (i) above

(1) have become due and payable, or

(2) will become due and payable at their Stated Maturity within one year, or

(3) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, or

(4) are deemed paid and discharged pursuant to Section 8.3, as applicable;

and the Company, in the case of (1), (2) or (3) above, has deposited or caused to be deposited with the Trustee as trust funds in trust an amount sufficient for the purpose of paying and discharging the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Securities which have become due and payable on or prior to the date of such deposit) or to the Stated Maturity or redemption date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.7, and, if money shall have been deposited with the Trustee pursuant to clause (a) of this Section, the provisions of Sections 2.5, 2.8, 2.9, 8.1, 8.2 and 8.5 shall survive.

Section 8.2. Application of Trust Funds; Indemnification.

(a) Subject to the provisions of Section 8.5, all money deposited with the Trustee pursuant to Section 8.1, all money and U.S. Government Obligations or Foreign Government Obligations deposited with the Trustee pursuant to Section 8.3 or 8.4 and all money received by the Trustee in respect of U.S. Government Obligations or Foreign Government Obligations deposited with the Trustee pursuant to Section 8.3 or 8.4, shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the persons entitled thereto, of the principal and interest for whose payment such money has been deposited with or received by the Trustee or to make mandatory sinking fund payments or analogous payments as contemplated by Sections 8.3 or 8.4.

(b) The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against U.S. Government Obligations or Foreign Government Obligations deposited pursuant to Sections 8.3 or 8.4 or the interest and principal received in respect of such obligations other than any payable by or on behalf of Holders.

(c) The Trustee shall deliver or pay to the Company from time to time upon Company Request any U.S. Government Obligations or Foreign Government Obligations or money held by it as provided in Sections 8.3 or 8.4 which, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, are then in excess of the amount thereof which then would have been required to be deposited for the purpose for which

such U.S. Government Obligations or Foreign Government Obligations or money were deposited or received. This provision shall not authorize the sale by the Trustee of any U.S. Government Obligations or Foreign Government Obligations held under this Indenture.

Section 8.3. Legal Defeasance of Securities of any Series.

Unless this Section 8.3 is otherwise specified, pursuant to subparagraph 2.2.21, to be inapplicable to Securities of any Series, the Company shall be deemed to have paid and discharged the entire indebtedness on all the outstanding Securities of such Series on the 91st day after the date of the deposit referred to in subparagraph (c)(1) hereof, and the provisions of this Indenture, as it relates to such outstanding Securities of such Series, shall no longer be in effect (and the Trustee, at the expense of the Company, shall, at Company Request, execute proper instruments acknowledging the same), except as to:

- (a) the rights of Holders of Securities of such Series to receive, from the trust funds described in subparagraph (c)(1) hereof,
 - (i) payment of the principal of and each installment of principal of and interest on the outstanding Securities of such Series on the Stated Maturity of such principal or installment of principal or interest and
 - (ii) the benefit of any mandatory sinking fund payments applicable to the Securities of such Series on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Securities of such Series;
- (b) the provisions of Sections 2.5, 2.8, 2.9, 8.2, 8.3 and 8.5; and
- (c) the rights, powers, trust and immunities of the Trustee hereunder;

provided that, the following conditions shall have been satisfied:

- (1) the Company shall have deposited or caused to be deposited irrevocably with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for and dedicated solely to the benefit of the Holders of such Securities (i) in the case of Securities of such Series denominated in Dollars, cash in Dollars (or such other money or currencies as shall then be legal tender in the United States) and/or U.S. Government Obligations, or (ii) in the case of Securities of such Series denominated in a Foreign Currency (other than a composite currency), money and/or Foreign Government Obligations, which through the payment of interest and principal in respect thereof, in accordance with their terms, will provide (and without reinvestment and assuming no tax liability will be imposed on such Trustee), not later than one day before the due date of any payment of money, an amount in cash, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge each installment of principal (including mandatory sinking fund or analogous payments) of and interest, if any, on all the Securities of such Series on the dates such installments of interest or principal are due;

(2) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(3) no Default or Event of Default with respect to the Securities of such Series shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date;

(4) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Securities of such Series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred;

(5) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of the Securities of such Series over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company;

(6) such deposit shall not result in the trust arising from such deposit constituting an investment company (as defined in the Investment Company Act of 1940, as amended), or such trust shall be qualified under such Act or exempt from regulation thereunder; and

(7) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the defeasance contemplated by this Section 8.3 have been complied with.

Section 8.4. Covenant Defeasance.

Unless this Section 8.4 is otherwise specified pursuant to subparagraph 2.2.21 to be inapplicable to Securities of any Series, on and after the 91st day after the date of the deposit referred to in subparagraph (a) hereof, the Company may omit to comply with any term, provision or condition set forth under Sections 4.2, 4.3, 4.4, 4.5, 4.6, and 5.1 as well as any additional covenants contained in a supplemental indenture hereto for a particular Series of Securities or a Board Resolution or an Officers' Certificate delivered pursuant to subparagraph 2.2.21 (and the failure to comply with any such covenants shall not constitute a Default or Event of Default under Section 6.1) and the occurrence of any event described in clause (e) of Section

6.1 shall not constitute a Default or Event of Default hereunder, with respect to the Securities of such Series, provided that the following conditions shall have been satisfied:

(a) With reference to this Section 8.4, the Company has deposited or caused to be irrevocably deposited (except as provided in Section 8.2(c)) with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities (i) in the case of Securities of such Series denominated in Dollars, cash in Dollars (or such other money or currencies as shall then be legal tender in the United States) and/or U.S. Government Obligations, or (ii) in the case of Securities of such Series denominated in a Foreign Currency (other than a composite currency), money and/or Foreign Government Obligations, which through the payment of interest and principal in respect thereof, in accordance with their terms, will provide (and without reinvestment and assuming no tax liability will be imposed on such Trustee), not later than one day before the due date of any payment of money, an amount in cash, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay principal and interest, if any, on and any mandatory sinking fund in respect of the Securities of such Series on the dates such installments of interest or principal are due;

(b) Such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(c) No Default or Event of Default with respect to the Securities of such Series shall have occurred and be continuing on the date of such deposit or during the period ending on the 91st day after such date;

(d) the Company shall have delivered to the Trustee an Opinion of Counsel confirming that Holders of the Securities of such Series will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(e) the Company shall have delivered to the Trustee an Officers' Certificate stating the deposit was not made by the Company with the intent of preferring the Holders of the Securities of such Series over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company; and

(f) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the defeasance contemplated by this Section 8.4 have been complied with.

Section 8.5. Repayment to Company.

The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal and interest that remains unclaimed for two

years. After that, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

ARTICLE IX.
AMENDMENTS AND WAIVERS

Section 9.1. Without Consent of Holders.

The Company and the Trustee may amend or supplement this Indenture or the Securities of one or more Series without the consent of any Securityholder:

- (a) to cure any ambiguity, defect or inconsistency;
- (b) to comply with Article V;
- (c) to provide for uncertificated Securities in addition to or in place of certificated Securities, and to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Securities of one or more Series any property or assets;
- (d) to make any change that does not adversely affect the rights of any Securityholder;
- (e) to provide for the issuance of and establish the form and terms and conditions of Securities of any Series as permitted by this Indenture;
- (f) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more Series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee; or
- (g) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

Section 9.2. With Consent of Holders.

The Company and the Trustee may enter into a supplemental indenture with the written consent of the Holders of at least a majority in principal amount of the outstanding Securities of each Series affected by such supplemental indenture (including consents obtained in connection with a tender offer or exchange offer for the Securities of such Series), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Securityholders of each such Series. Except as provided in Section 6.13, the Holders of at least a majority in principal amount of the outstanding Securities of each Series affected by such waiver by notice to the Trustee (including consents obtained in connection with a tender offer or exchange offer for the Securities of such Series) may waive compliance by the Company with any provision of this Indenture or the Securities with respect to such Series.

It shall not be necessary for the consent of the Holders of Securities under this Section 9.2 to approve the particular form of any proposed supplemental indenture or waiver, but it shall be sufficient if such consent approves the substance thereof. After a supplemental indenture or waiver under this Section 9.2 becomes effective, the Company shall mail to the Holders of Securities affected thereby and, if any Bearer Securities affected thereby are outstanding, publish on one occasion in an Authorized Newspaper, a notice briefly describing the supplemental indenture or waiver. Any failure by the Company to mail or publish such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

An amendment under this Section 9.2 or Section 9.1 may not make any change that adversely affects the rights under Article XII of any holder of Senior Indebtedness then outstanding unless the requisite holders of such Senior Indebtedness consent to such change pursuant to the terms of such Senior Indebtedness.

Section 9.3. Limitations.

Notwithstanding the foregoing, without the consent of each Securityholder affected, an amendment or waiver may not:

- (a) change the amount of Securities whose Holders must consent to an amendment, supplement or waiver;
- (b) reduce the rate of or extend the time for payment of interest (including default interest) on any Security;
- (c) reduce the principal or change the Stated Maturity of any Security or reduce the amount of, or postpone the date fixed for, the payment of any sinking fund or analogous obligation;
- (d) reduce the principal amount of Discount Securities payable upon acceleration of the maturity thereof;
- (e) waive a Default or Event of Default in the payment of the principal of or interest, if any, on any Security (except a rescission of acceleration of the Securities of any Series by the Holders of at least a majority in principal amount of the outstanding Securities of such Series and a waiver of the payment default that resulted from such acceleration);
- (f) make the principal of or interest, if any, on any Security payable in any currency other than that stated in the Security;
- (g) make any change in Sections 6.8, 6.13, 9.3 (this sentence), 10.15 or 10.16; or
- (h) waive a redemption payment with respect to any Security or change any of the provisions with respect to the redemption of any Securities.

Section 9.4. Compliance with Trust Indenture Act.

Every amendment to this Indenture or the Securities of one or more Series shall be set forth in a supplemental indenture hereto that complies with the TIA as then in effect.

Section 9.5. Revocation and Effect of Consents.

Until an amendment or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of a Security if the Trustee receives the notice of revocation before the date the amendment or waiver becomes effective.

Any amendment or waiver once effective shall bind every Securityholder of each Series affected by such amendment or waiver unless it is of the type described in any of clauses (a) through (h) of Section 9.3. In that case, the amendment or waiver shall bind each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

Section 9.6. Notation on or Exchange of Securities.

The Trustee may place an appropriate notation about an amendment or waiver on any Security of any Series thereafter authenticated. The Company in exchange for Securities of that Series may issue and the Trustee shall authenticate upon request new Securities of that Series that reflect the amendment or waiver.

Section 9.7. Trustee Protected.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 7.1) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee shall sign all supplemental indentures, except that the Trustee need not sign any supplemental indenture that adversely affects its rights.

ARTICLE X.
MISCELLANEOUS

Section 10.1. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required or deemed to be included in this Indenture by the TIA, such required or deemed provision shall control.

Section 10.2. Notices.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail:

if to the Company:

Gray Communications Systems, Inc.
4370 Peachtree Road, NE
Atlanta, Georgia 30319
Attention: Chief Executive Officer

if to the Trustee:

[Name of Trustee]
[Address]

Attention:

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Securityholder shall be mailed by first-class mail to his or her address shown on the register kept by the Registrar and, if any Bearer Securities are outstanding, published in an Authorized Newspaper. Failure to mail a notice or communication to a Securityholder of any Series or any defect in it shall not affect its sufficiency with respect to other Securityholders of that or any other Series.

If a notice or communication is mailed, personally delivered or published in the manner provided above, within the time prescribed, it is duly given, whether or not the Securityholder receives it.

If the Company mails a notice or communication to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 10.3. Communication by Holders with Other Holders.

Securityholders of any Series may communicate pursuant to TIA Section 312(b) with other Securityholders of that Series or any other Series with respect to their rights under this Indenture or the Securities of that Series or all Series. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

Section 10.4. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

- (a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (b) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 10.5. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall comply with the provisions of TIA Section 314(e) and shall include:

- (a) a statement that the person making such certificate or opinion has read such covenant or condition;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 10.6. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or a meeting of Securityholders of one or more Series. Any Agent may make reasonable rules and set reasonable requirements for its functions.

Section 10.7. Legal Holidays.

Unless otherwise provided by Board Resolution, Officers' Certificate or supplemental indenture for a particular Series, a "Legal Holiday" is any day that is not a Business Day. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

Section 10.8. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities. All Securities, including Global Securities, shall bear a legend in a form substantially setting forth the foregoing statements in this Section 10.8.

Section 10.9. Counterparts.

This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 10.10. Governing Laws.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.

Section 10.11. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 10.12. Successors.

All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 10.13. Severability.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.14. Table of Contents, Headings, Etc.

The Table of Contents, Cross Reference Table, and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 10.15. Securities in a Foreign Currency.

Unless otherwise specified in a Board Resolution, a supplemental indenture hereto or an Officers' Certificate delivered pursuant to Section 2.2 of this Indenture with respect to a particular Series of Securities, whenever for purposes of this Indenture any action may be taken by the Holders of a specified percentage in aggregate principal amount of Securities of all Series or all Series affected by a particular action at the time outstanding and, at such time, there are outstanding Securities of any Series which are denominated in a coin or currency other than Dollars (including Euros), then the principal amount of Securities of such Series which shall be deemed to be outstanding for the purpose of taking such action shall be that amount of Dollars that could be obtained for such amount at the Market Exchange Rate at such time. For purposes of this Section 10.15, "Market Exchange Rate" shall mean the noon Dollar buying rate in New York City for cable transfers of that currency as published by the Federal Reserve Bank of New York. If such Market Exchange Rate is not available for any reason with respect to such currency, the Trustee shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York, as of the most recent available date, or quotations from one or more major banks in the City of New York, London or in the country of issue of the currency in question or such other quotations as the Trustee, upon consultation with the Company, shall deem appropriate. The provisions of this paragraph shall apply in determining the equivalent principal amount in respect of Securities of a Series denominated in currency other than Dollars in connection with any action taken by Holders of Securities pursuant to the terms of this Indenture.

All decisions and determinations of the Trustee regarding the Market Exchange Rate or any alternative determination provided for in the preceding paragraph shall be in its sole discretion and shall, in the absence of manifest error, be conclusive to the extent permitted by law for all purposes and irrevocably binding upon the Company and all Holders.

Section 10.16. Judgment Currency.

The Company agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of or interest or other amount on the Securities of any Series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in the City of New York the Required Currency with the Judgment Currency on the day on which final unappealable judgment is entered, unless such day is not a New York Banking Day, then, the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in the City of New York the Required Currency with the Judgment Currency on the New York Banking Day preceding the day on which final unappealable judgment is entered and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of

recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable, and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "New York Banking Day" means any day except a Saturday, Sunday or a legal holiday in the City of New York on which banking institutions are authorized or required by law, regulation or executive order to close.

ARTICLE XI.
SINKING FUNDS

Section 11.1. Applicability of Article.

The provisions of this Article XI shall be applicable to any sinking fund for the retirement of the Securities of a Series, except as otherwise permitted or required by any form of Security of such Series issued pursuant to this Indenture.

The minimum amount of any sinking fund payment provided for by the terms of the Securities of any Series is herein referred to as a "mandatory sinking fund payment" and any other amount provided for by the terms of Securities of such Series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Securities of any Series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be applied to the redemption of Securities of any Series as provided for by the terms of the Securities of such Series.

Section 11.2. Satisfaction of Sinking Fund Payments with Securities.

The Company may, in satisfaction of all or any part of any sinking fund payment with respect to the Securities of any Series to be made pursuant to the terms of such Securities (1) deliver outstanding Securities of such Series to which such sinking fund payment is applicable (other than any of such Securities previously called for mandatory sinking fund redemption) and (2) apply as credit Securities of such Series to which such sinking fund payment is applicable and which have been redeemed either at the election of the Company pursuant to the terms of such Series of Securities (except pursuant to any mandatory sinking fund) or through the application of permitted optional sinking fund payments or other optional redemptions pursuant to the terms of such Securities, provided that such Securities have not been previously so credited. Such Securities shall be received by the Trustee, together with an Officers' Certificate with respect thereto, not later than 15 days prior to the date on which the Trustee begins the process of selecting Securities for redemption, and shall be credited for such purpose by the Trustee at the price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly. If as a result of the delivery or credit of Securities in lieu of cash payments pursuant to this Section 11.2. The principal amount of Securities of such Series to be redeemed in order to exhaust the aforesaid cash payment shall be less than \$100,000, the Trustee need not call Securities of such Series for redemption, except upon receipt of a Company Order that such action be taken, and such cash payment shall be held by the Trustee or a Paying Agent and applied to the next succeeding sinking fund payment, provided, however, that the Trustee or such Paying Agent shall from time to time upon receipt of a Company Order pay over and deliver to

the Company any cash payment so being held by the Trustee or such Paying Agent upon delivery by the Company to the Trustee of Securities of that Series purchased by the Company having an unpaid principal amount equal to the cash payment required to be released to the Company.

Section 11.3. Redemption of Securities for Sinking Fund.

Not less than 45 days (unless otherwise indicated in the Board Resolution, supplemental indenture hereto or Officers' Certificate in respect of a particular Series of Securities) prior to each sinking fund payment date for any Series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing mandatory sinking fund payment for that Series pursuant to the terms of that Series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting of Securities of that Series pursuant to Section 11.2. and the optional amount, if any, to be added in cash to the next ensuing mandatory sinking fund payment, and the Company shall thereupon be obligated to pay the amount therein specified.

Not less than 30 days (unless otherwise indicated in the Board Resolution, Officers' Certificate or supplemental indenture in respect of a particular Series of Securities) before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 3.2 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 3.3. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 3.4, 3.5 and 3.6.

ARTICLE XII. SUBORDINATION OF SECURITIES

Section 12.1. Agreement of Subordination.

The Company covenants and agrees, and each Holder of Securities issued hereunder by his or her acceptance thereof likewise covenants and agrees, that all Securities shall be issued subject to the provisions of this Article XII; and each Person holding any Security, whether upon original issue or upon transfer, assignment or exchange thereof, accepts and agrees to be bound by such provisions.

The payment of the principal of, premium, if any, and interest on all Securities (including, but not limited to, the redemption price with respect to the Securities called for redemption in accordance with Article 3 as provided in the Indenture) issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article XII shall prevent the occurrence of any Default or Event of Default hereunder.

Section 12.2. Payments to Holders.

No payment shall be made with respect to the principal of, or premium, if any, or interest on the Securities (including, but not limited to, the redemption price with respect to the

Securities to be called for redemption in accordance with Article III as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 12.5, if:

(i) a default in the payment of principal, premium, interest or other obligations due on any Senior Indebtedness occurs and is continuing (or, in the case of Senior Indebtedness for which there is a period of grace, in the event of such a default that continues beyond the period of grace, if any, specified in the instrument or lease evidencing such Senior Indebtedness), unless and until such default shall have been cured or waived or shall have ceased to exist; or

(ii) a default, other than a payment default, on a Designated Senior Indebtedness occurs and is continuing that then permits holders of such Designated Senior Indebtedness to accelerate its maturity and the Trustee receives a notice of the default (a "Payment Blockage Notice") from a Representative or the Company.

If the Trustee receives any Payment Blockage Notice pursuant to clause (ii) above, no subsequent Payment Blockage Notice shall be effective for purposes of this Section 12.1 unless and until (A) at least 365 days shall have elapsed since the initial effectiveness of the immediately prior Payment Blockage Notice, and (B) all scheduled payments of principal, premium, if any, and interest on the Securities that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

The Company may and shall resume payments on and distributions in respect of the Securities upon the earlier of:

(1) the date upon which the default is cured or waived or ceases to exist, or

(2) in the case of a default referred to in clause (ii) above, 179 days after notice is received if the maturity of such Designated Senior Indebtedness has not been accelerated,

unless this Article XII otherwise prohibits the payment or distribution at the time of such payment or distribution.

Upon any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due or to become due upon all Senior Indebtedness shall first be paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, or payment thereof in accordance with its terms provided for in cash or other payment satisfactory to the holders of such Senior Indebtedness, before any payment is made on account of the principal of, premium, if any, or interest on the Securities (except payments made pursuant to Article VI from monies deposited with the Trustee pursuant

thereto prior to commencement of proceedings for such dissolution, winding-up, liquidation or reorganization); and upon any such dissolution or winding-up or liquidation or reorganization of the Company or bankruptcy, insolvency, receivership or other proceeding, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Securities or the Trustee would be entitled, except for the provision of this Article XII, shall (except as aforesaid) be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, or as otherwise required by law or a court order) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Senior Indebtedness in full, in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution or provision therefor is made to the Holders of the Securities or to the Trustee.

For purposes of this Article XII, the words, "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article XII with respect to the Securities to the payment of all Senior Indebtedness which may at the time be outstanding; provided that (i) the Senior Indebtedness is assumed by the new corporation, if any, resulting from any reorganization or readjustment, and (ii) the rights of the holders of Senior Indebtedness (other than leases which are not assumed by the Company or the new corporation, as the case may be) are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article V shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 12.2 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article V.

In the event of the acceleration of the Securities because of an Event of Default, no payment or distribution shall be made to the Trustee or any Holder of Securities in respect of the principal of, premium, if any, or interest on the Securities (including, but not limited to, the redemption price with respect to the Securities called for redemption in accordance with Article III as provided in the Indenture), except payments and distributions made by the Trustee as permitted by the first or second paragraph of Section 12.5, until all Senior Indebtedness has been paid in full in cash or other payment satisfactory to the holders of Senior Indebtedness or such acceleration is rescinded in accordance with the terms of this Indenture. If payment of the Securities is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Indebtedness of the acceleration.

In the event that, notwithstanding the foregoing provisions, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (including, without limitation, by way of setoff or otherwise), prohibited by the foregoing, shall be received by the Trustee or the Holders of the Securities before all Senior Indebtedness is paid in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, or provision is made for such payment thereof in accordance with its terms in cash or other payment satisfactory to the holders of such Senior Indebtedness, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in cash or other payment satisfactory to the holders of such Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

Nothing in this Section 12.2 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.7. This Section 12.2 shall be subject to the further provisions of Section 12.5.

Section 12.3. Subrogation of Securities.

Subject to the payment in full of all Senior Indebtedness, the rights of the Holders of the Securities shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article XII (equally and ratably with the holders of all indebtedness of the Company which by its express terms is subordinated to other indebtedness of the Company to substantially the same extent as the Securities are subordinated and is entitled to like rights of subrogation) to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to the Senior Indebtedness until the principal, premium, if any, and interest on the Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article XII, and no payment over pursuant to the provisions of this Article XII, to or for the benefit of the holders of Senior Indebtedness by Holders of the Securities or the Trustee, shall, as between the Company, its creditors other than holders of Senior Indebtedness, and the Holders of the Securities, be deemed to be a payment by the Company to or on account of the Senior Indebtedness; and no payments or distributions of cash, property or securities to or for the benefit of the Holders of the Securities pursuant to the subrogation provisions of this Article XII, which would otherwise have been paid to the holders of Senior Indebtedness shall be deemed to be a payment by the Company to or for the account of the Securities. It is understood that the provisions of this Article XII are and are intended solely for the purposes of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

Nothing contained in this Article XII or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than the

holders of Senior Indebtedness, and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article XII of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article XII, the Trustee, subject to the provisions of Section 7.1, and the Holders of the Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Trustee or to the Holders of the Securities, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon and all other facts pertinent thereto or to this Article XII.

Section 12.4. Authorization to Effect Subordination.

Each Holder of a Security by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article XII and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.3 hereof at least 30 days before the expiration of the time to file such claim, the holders of any Senior Indebtedness or their representatives are hereby authorized to file an appropriate claim for and on behalf of the Holders of the Securities.

Section 12.5. Notice to Trustee.

The Company shall give prompt written notice in the form of an Officers' Certificate to a Responsible Officer of the Trustee and to any Paying Agent of any fact known to the Company which would prohibit the making of any payment of monies to or by the Trustee or any Paying Agent in respect of the Securities pursuant to the provisions of this Article XII. Notwithstanding the provisions of this Article XII or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article XII, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office from the Company (in the form of an Officers' Certificate) or a Representative or a holder or holders of Senior Indebtedness or from any trustee thereof; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 7.1, shall be entitled in all respects to assume that no such facts exist; provided that if on a date not fewer than two Business Days prior to the date upon which by the

terms hereof any such monies may become payable for any purpose (including, without limitation, the payment of the principal of, or premium, if any, or interest on any Security) the Trustee shall not have received, with respect to such monies, the notice provided for in this Section 12.5, then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date.

Notwithstanding anything in this Article XII to the contrary, nothing shall prevent any payment by the Trustee to the Holders of monies deposited with it pursuant to Section 8.1, and any such payment shall not be subject to the provisions of Section 12.1 or 12.2.

The Trustee, subject to the provisions of Section 7.1, shall be entitled to rely on the delivery to it of a written notice by a Representative or a person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a Representative or a holder of Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article XII, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article XII, and if such evidence is not furnished the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

Section 12.6. Trustee's Relation to Senior Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article XII in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in Section 7.11 or elsewhere in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article XII, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and, subject to the provisions of Section 7.1, the Trustee shall not be liable to any holder of Senior Indebtedness if it shall pay over or deliver to Holders of Securities, the Company or any other person money or assets to which any holder of Senior Indebtedness shall be entitled by virtue of this Article XII or otherwise.

Section 12.7. No Impairment of Subordination.

No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any

act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Section 12.8. Article Applicable to Paying Agents.

If at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article XII shall (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article XII in addition to or in place of the Trustee; provided, however, that the first paragraph of Section 12.5 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

Section 12.9. Senior Indebtedness Entitled to Rely.

The holders of Senior Indebtedness (including, without limitation, Designated Senior Indebtedness) shall have the right to rely upon this Article XII, and no amendment or modification of the provisions contained herein shall diminish the rights of such holders unless such holders shall have agreed in writing thereto.

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

GRAY COMMUNICATIONS SYSTEMS, INC.

By:

Name:

Title:

[Name of Trustee]

By:

Name:

Title:

GRAY COMMUNICATIONS SYSTEMS, INC.
RATIO OF EARNINGS TO FIXED CHARGES
HISTORICAL
(Dollars in thousands)

	For the Year Ended December 31,					For the Quarter Ended March 31, 2002
	1997	1998	1999	2000	2001	2002
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS:						
Pretax income from continuing operations	\$ (1,162)	\$ 69,803	\$ (8,625)	\$ (8,079)	\$(19,290)	\$ (181)
Fixed charges	21,861	25,454	31,021	39,957	35,783	8,965
Earnings	\$ 20,699	\$ 95,258	\$ 22,396	\$ 31,879	\$ 16,493	\$ 8,784
	=====	=====	=====	=====	=====	=====
	Interest expense including amortization of					
deferred financing costs	\$ 21,861	\$ 25,454	\$ 31,021	\$ 39,957	\$ 35,783	\$ 8,965
Fixed charges	\$ 21,861	\$ 25,454	\$ 31,021	\$ 39,957	\$ 35,783	\$ 8,965
	=====	=====	=====	=====	=====	=====
Preferred dividends	\$ 1,410	\$ 1,318	\$ 1,010	\$ 1,012	\$ 616	\$ 154
the redemption of preferred stock	-0-	3,361	-0-	2,159	-0-	-0-
Total preferred dividends	\$ 1,410	\$ 4,679	\$ 1,010	\$ 3,171	\$ 616	\$ 154
	=====	=====	=====	=====	=====	=====
Effective income tax rate	35%(1)	40%	27%	23%	31%	25%
taxes	\$ 1,904	\$ 6,566	\$ 1,281	\$ 3,904	\$ 807	\$ 193
Combined fixed charges and preferred dividends	\$ 23,765	\$ 32,020	\$ 32,302	\$ 43,861	\$ 36,590	\$ 9,158
	=====	=====	=====	=====	=====	=====
and preferred dividends	NA(2)	3.0x	NA(2)	NA(2)	NA(2)	NA(2)
	Ratio of earnings to combined fixed charges					
fixed charges and preferred dividends	\$ (3,066)	NA	\$ (9,906)	\$(11,982)	\$(20,097)	\$ (374)
	=====	=====	=====	=====	=====	=====

(1) For 1997, the Company reported a net loss before income taxes of \$1,162 and income tax expense of \$240 which produces an negative effective tax rate. Therefore, for 1997, we have used an estimated rate of 35% as a substitute for the effective rate.

(2) The ratio would be less than one and therefore is not shown.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of Gray Communications Systems, Inc. of our report dated February 4, 2002 relating to the consolidated financial statements and schedule, which appear in the Annual Report of Form 10-K for the year ended December 31, 2002. We also consent to the reference to us under the heading "Independent Accountants" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia
May 16, 2002

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-3) and the related Prospectus of Gray Communications Systems, Inc. for the registration of Common Stock, Preferred Stock, Debt Securities and the related Prospectus of Gray Communications Systems for the registration of 3,000,000 shares of Class B Common Stock and to the incorporation by reference therein of our reports and schedule of Gray Communications Systems, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2001, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Atlanta, Georgia
May 16, 2002